



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 21 APRIL 2021**
Time: **5.00 PM**
Venue: **MICROSOFT TEAMS - REMOTE**
([CLICK HERE](#))
To: **Councillors K Arthur (Chair), N Reader (Vice-Chair),
J Chilvers, M Jordan, T Grogan, K Franks, J Duggan and
D Mackay**

Agenda

- 1. Apologies for Absence**
- 2. Disclosures of Interest**

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk.

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

- 3. Minutes (Pages 1 - 10)**

To confirm as a correct record the minutes of the Audit and Governance Committee held on 27 January 2021.

- 4. Chair's Address to the Audit and Governance Committee**
- 5. Audit Action Log (Pages 11 - 12)**

To review the Audit Action Log.

6. Audit and Governance Work Programme (Pages 13 - 14)

To note the current Work Programme and consider any amendments.

7. External Audit Strategy Memorandum (A/20/26) (Pages 15 - 50)

To consider and note the Audit Strategy Memorandum.

8. External Audit Progress Report (A/20/27) (Pages 51 - 68)

To consider the External Audit Progress Report.

9. Internal Audit, Counter Fraud & Information Governance Progress Report (A/20/28) (Pages 69 - 90)

To receive the report from the Audit Manager (Veritau), Counter Fraud Manager (Veritau); and Information Governance Manager (Veritau), which asks the Committee to note the update on progress made in delivering the internal audit, counter fraud and information governance work for 2020-21.

10. Internal Audit, Counter Fraud & Information Governance Work Programmes 2021-22 (A/20/29) (Pages 91 - 110)

To receive the report from the Audit Manager (Veritau) and Counter Fraud Manager (Veritau); and Information Governance (Veritau), which asks the Committee to approve the Internal Audit Work Programme 2021-22; and note the Counter Fraud and Information Governance Work Programmes 2021-22.

11. Investigatory Powers Commissioner's Office - Remote Inspection 2021 (A/20/30) (Pages 111 - 118)

To receive the report from the Solicitor to the Council, which asks the Committee to note the report of the Investigatory Powers Commissioner's Office, and the response from the Chief Executive on behalf of the Council including the Action Plan.

12. Redmond Review Update (A/20/31) (Pages 119 - 130)

To receive the report from the Chief Finance Officer, which asks the Committee to note the Government's response to the recommendations of the Redmond review.

13. Audit and Governance Committee Annual Report 2020-21 (A/20/32) (Pages 131 - 148)

To approve the Audit and Governance Committee Annual Report 2020-21; in

Audit & Governance Committee

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addition the Committee are asked to delegate authority to the Democratic Services Officer in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.

**14. Audit and Governance Committee Work Programme 2021-22 (A/20/33)
(Pages 149 - 152)**

To agree items for inclusion on the Audit and Governance Committee's 2021-22 work programme.

Janet Waggott

Janet Waggott, Chief Executive

Date of next meeting (5.00pm) 28 July 2021

Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065
ddrury@selby.gov.uk.

Live Stream

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Minutes

Audit & Governance Committee

Venue:	Microsoft Teams - Remote
Date:	Wednesday, 27 January 2021
Time:	5.00 pm
Present remotely via Teams :	Councillors K Arthur (Chair), N Reader (Vice-Chair) (from agenda item 4), J Chilvers, M Jordan, K Franks and D Mackay
Officers present remotely via Teams:	Karen Iveson (Chief Finance Officer), Caroline Fleming (Senior Solicitor), Nicola Hallas (Manager, Mazars LLP), Ed Martin (Audit Manager, Veritau) (up to agenda item 13), Jonathan Dodsworth (Assistant Director - Corporate Fraud, Veritau) (up to agenda item 13), Daniel Clubb (Counter Fraud Manager, Veritau) (up to agenda item 13), Kirsty Bewick (Information Governance Manager, Veritau) (up to agenda item 13), Connor Munro (Audit Manager, Veritau) (up to agenda item 13); and Dawn Drury (Democratic Services Officer)

28 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor J Duggan and Councillor T Grogan. Councillor P Welch was in attendance as a substitute for Councillor Duggan.

29 DISCLOSURES OF INTEREST

There were no disclosures of interest.

30 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 21 October 2020.

RESOLVED:

**To approve the minutes of the Audit and Governance
Committee meeting held on 21 October 2020.**

31 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair explained that this was the final meeting for the Assistant Director, Corporate Fraud, Veritau, he was still part of the Veritau team and would retain management oversight of Counter Fraud and would therefore still be available for advice and support should the need arise. The Chair thanked him for his support; then welcomed Daniel Clubb, who would be taking the lead on the Counter Fraud function at Selby District Council.

Members also welcomed Kirsty Bewick, Veritau who was attending for the item on Information Governance.

And finally, Members were reminded of the Redmond Review which had been mentioned at the meeting in October 2020, this had been an independent review led by Sir Tony Redmond which had examined local audit and the transparency of local authority reporting. The Chair informed the Committee that the Government had now published its response to the review, and that a report on the findings would be presented at the next Audit and Governance meeting in April 2021.

32 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme. The Democratic Services Officer informed Members that, with the approval of the Chair, the following amendments had been made to the published work programme:

- the Information Governance report had been removed from the Information Governance Annual Report 2020 and incorporated into the Head of Internal Audit Annual Report along with Internal Audit and Counter Fraud,
- the Information Governance Annual Report 2020 was now a standalone report which provided information on Information Requests received by the Council and;
- Veritau North Yorkshire Contract Extension had been added to the work programme as an urgent item.

Members expressed concern regarding the large number of standing items on the work programme which they felt left no time to explore other topics and agreed that they would like to see a “deep-dive” of Industrial Units added to the work programme and brought to a future meeting of the Audit and Governance Committee.

The Chief Finance Officer explained that additional Committee meetings could be scheduled into the calendar if Members felt this was appropriate, or a working group could be established to look at Industrial Units; it was

further explained that the terms of reference for the Audit and Governance Committee would be checked to ensure that they were the Committee best placed to investigate the subject of Industrial Units.

RESOLVED:

To note the Work Programme.

**33 INFORMATION GOVERNANCE ANNUAL REPORT 2020 -
INFORMATION REQUESTS (A/20/17)**

The Chief Finance Officer presented the report, which provided the annual update in relation to information requests received and responded to during 2020 and explained this was the residual information after incorporation of the information governance report into the Head of Internal Audit Annual Report.

In relation to a query regarding if there was a trend in the freedom of information subjects received, the Senior Solicitor confirmed that there was not a trend in the subjects and that the Council had a robust system in place which logged and tracked all requests to ensure that they were responded to within the statutory time limits.

RESOLVED:

To note the report.

34 EXTERNAL ANNUAL AUDIT LETTER 2020 (A/20/18)

The Manager, Mazars LLP presented the report and highlighted that the External Annual Audit Letter summarised the external audit work undertaken for the year ended 31 March 2020.

The Committee's attention was drawn to sections five and six of the report, External Auditor Fees and Forward Look, as both items were new to the report. Members heard that there had been a significant fee increase as indicated on page 12 of the letter: the additional fee had been incurred to meet the additional work requirements involved with property valuations and pensions.

In response to a query regarding how confident the external auditors were that any arising issues were being captured, it was confirmed that officer liaison had not changed, and remote meetings were held on a regular basis with the finance team.

In relation to the revised fee for the delivery of the audit work, Members queried what additional work was required in terms of property valuations and pensions, as valuations for property, plant and equipment were provided by external experts. The Manager, Mazars LLP confirmed that more in depth challenging and detailed conversations had taken place with the external valuers.

RESOLVED:

**Audit & Governance Committee – Minutes
Wednesday, 24 January 2021**

To note the report.

35 EXTERNAL AUDIT PROGRESS REPORT (A/20/19)

The Manager, Mazars LLP presented the report which set out a summary of external audit work completed to date on the 2019-20 financial statements along with the progress made on the 2020-21 audit work.

The Committee noted that since the last Audit and Governance Committee meeting in October 2020 work on the 2019-20 financial statements had been completed, an unqualified opinion had been issued along with a 'follow-up letter' which concluded on all the areas of outstanding work at the time of the October 2020 Committee. The Annual Audit Letter had also been issued as reported in the previous agenda item. In terms of the audit for 2020-21 it was confirmed that a timetable was in place with planning work scheduled to commence shortly.

In response to a query regarding the national publication section of the report, and in particular the recommendation arising from the recent Redmond Review, that an Office of Local Audit and Regulation (OLAR) be created to manage, oversee and regulate local audit. The Manager, Mazars LLP confirmed that the findings in the Redmond Review had been considered by the Secretary of State for Local Government, and the Chief Finance Officer informed Members that a report on the Redmond Review would be presented at the next meeting of the Audit and Governance Committee in April 2021.

RESOLVED:

To note the report.

36 REVIEW OF THE RISK MANAGEMENT STRATEGY (A/20/20)

The Audit Manager, Veritau presented the report, which set out the reviewed strategy for managing risk within Selby District Council following consultation with the Leadership Team. It was last brought to the Audit and Governance Committee in January 2020.

The Committee noted that the strategy remained largely unchanged following the review, however, two amendments had been made to its structure. The first was that the text relating to critical links between the strategy and wider business processes had been moved to the section on corporate planning. The second amendment was the table detailing the recurring actions undertaken in support of the strategy had been given its own section in recognition of their importance to the successful achievement of risk management objectives; both amendments had been shown as tracked changes in Appendix 1 of the report. This included the change made to the introduction to the strategy where the Council's refreshed strategic priorities from its 2020 – 2030 plan have been included.

In response to a query regarding what trends in risks to the Council, if any, had been identified in relation to Covid-19, the Chief Finance Officer explained that the pandemic had made a significant impact on the risks to both the Council's financial position and with closures and backlogs to services provided to its residents, however in terms of particular trends none beyond these had been identified as the landscape was changing rapidly.

Members were informed that in terms of financial risk due to Covid-19 the Council had suffered loss of income, additional costs and delays to savings, however the government had provided local authorities with funding through the Covid Grant Scheme, and Selby District Council had substantial reserves due to strong financial management.

The Committee queried what lessons had been learned from the events of 2020, the Audit Manager informed Members that professional bodies such as the Institute of Risk Management and the Institute of Internal Auditors had started to reflect on the role that risk management had played, and ought to play, in ensuring the continued success of organisations. It was confirmed that Veritau would continue to work alongside the Council to ensure that any learning from the events of 2020 and beyond was factored into future strategy-setting and to ensure that the Council's risk management arrangements continued to meet good practice.

The Chair queried whether at appendix 2 of the report, the political risk included Brexit, it was explained that this risk was largely associated with changes to local and national government.

Members complimented the internal auditors on the report which was felt to be very comprehensive.

RESOLVED:

To note the revisions to the Risk Management Strategy.

37 CORPORATE RISK REGISTER 2020-21 (A/20/21)

The Committee received the report, presented by the Audit Manager, Veritau who explained that this report contained the twice-yearly update on movements within the Corporate Risk Register, which was last reported to the Committee in July 2020.

The Committee was informed that there was a total of 11 risks on the Council's Corporate Risk Register for 2020-2021, with the No Deal Brexit risk having been removed following the United Kingdom's (UK) exit from the European Union (EU) and the signing of the EU-UK Trade and Co-operation Agreement. It was confirmed that Brexit related risks, issues and opportunities would continue to be monitored by the Council.

Members heard that the Corporate Risk Register included four risks with a score of 12 or more (high risk) but with the exception of the No Deal

Brexit risk, no risk scores had changed.

RESOLVED:

To note the current status of the Corporate Risk Register.

38 INTERNAL AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE PROGRESS REPORT 2020-21 (A/20/22)

The Audit Manager, Veritau presented the quarterly report which provided the Committee with an update on the delivery of the internal audit work plan for 2020-21, along with an update on the counter fraud and information governance work undertaken to date in 2020-21. It was noted that due to Covid-19, work on the annual audit plan had been delayed therefore the report also updated Members on the plans for completion of work over the remainder of 2020-21.

The Audit Manager, Veritau pointed out that twelve 2020-21 audits were in progress with eight of these expected to be completed and reported on at the next Audit and Governance committee. It was highlighted to the Committee that there were continued challenges due to Covid-19 and as a result fewer frontline service audits were being conducted due to capacity issues, and to minimise the impact on officers.

In relation to monies paid on behalf of the government through the grant scheme, Members queried if Veritau had provided checks to ensure that the grants were being processed and paid according to the government guidance and if the Councils IT server network and the staff were able to manage the additional workload, it was explained that the Counter Fraud team had performed spot checks during and after the process and were confident that the process was well managed and appropriate. The Chief Finance Officer stated that the staff had coped admirably and continued to deliver frontline services and aid the recovery.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2020-21 which highlighted that savings of £8k had been achieved through fraud investigation.

The Committee heard that the counter fraud team had supported the Council with Covid-19 grant payment processes and post payment assurance work was ongoing in relation to successful applications for the initial tranche of grants with no issues being identified. It was further confirmed that four grant payment investigations had been completed to date and £30k of incorrect payments had been prevented.

In terms of housing fraud, Members noted that in October 2020, a resident was issued with a caution for failing to provide correct information when declaring themselves homeless; the investigation resulted in the housing application being cancelled before a tenancy was offered.

The Information Governance Manager, Veritau drew the Committee's attention to appendix C of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with data breaches. Members were informed that a new privacy notice for the Self-Isolation Payment for Covid-19 had been finalised and published and the main Covid-19 privacy notice has also been amended to include elements of Track & Trace processing; and an overall Information Sharing Agreement (ISA) had been put in place with North Yorkshire County Council for Covid-19 related sharing.

RESOLVED:

To note progress on delivery of internal audit, counter fraud and information governance work, and the plans for work to be completed in 2020-21.

39 COUNTER FRAUD FRAMEWORK UPDATE (A/20/23)

The Corporate Fraud Manager, Veritau presented the report, which updated the Committee on the Council's Fraud and Corruption Strategy which had been refreshed in line with the new United Kingdom National Counter Fraud Strategy for local government. The report also provided an update on progress against the actions set out in the previous strategy and presented an updated counter fraud risk assessment which reflected the current fraud risks facing the Council. In addition, the Counter Fraud and Corruption Policy had been updated to reflect new guidance from the Attorney General.

The Corporate Fraud Manager, Veritau highlighted that the first section of the report provided Members with a wider national picture of counter fraud work, and the impact of Covid 19, Members heard that a number of authorities across the Country had fallen victim to organised crime with fraudsters attempting to divert business grants. The Committee were assured that post assurance work had been completed at Selby and no issues had been identified.

Members noted that Cyber-crime was a growing concern for local government in the United Kingdom (UK), in recent years there had been a number of attacks on UK public sector organisations, Parliament and the National Health Service and in 2019 Kaspersky had reported a 60% increase in ransomware attacks on local governments worldwide.

The Committee were informed that the Council's Counter Fraud and Corruption Strategy 2017-19 was approved in January 2017, an updated Counter Fraud and Corruption Strategy for 2020-23 had been drafted at appendix B of the report and the committee was asked for comments ahead of approval by the Executive. In addition, as part of the review the Council's counter fraud policy and counter fraud risk assessment were also reviewed. The updated risk assessment was included at appendix C of the report.

RESOLVED:

i. To recommend that the Executive approve a new Counter Fraud and Corruption Strategy for 2020 to 2023 and an updated Counter Fraud and Corruption Policy.

ii. To note the updated Fraud Risk Assessment.

40 ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2019-20 REVIEW (A/20/24)

The Chief Finance Officer presented the report, which updated the Committee on progress on the Annual Governance Statement (AGS) 2019-20 Action Plan approved in November 2020.

Members noted that progress against the approved action plan had been made although due to the impacts of the pandemic there were some actions on-going which would be monitored by Leadership Team in order to ensure actions were delivered to the agreed revised deadlines.

In relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), the Committee was informed that a new income management system had been procured from Civica that would enable PCI DSS compliance. Originally it was hoped that this would be implemented by September, however, whilst the work had commenced, delays due to Covid-19 meant Civica would now be unable to complete this until July 2021.

The Committee heard that in terms of Performance Management the review of the capability/performance management policy and procedure forms, part of the Council's plans to review and update all principal human resources policies, had been delayed due to the Covid pandemic response, and ensuring staff were safe and supported in these new working arrangements. It was confirmed that the attendance management and disciplinary policies had now been reviewed and signed off with work on the capability/performance management policy expected to be completed by June 2021.

RESOLVED:

To note the progress made against the Action Plan for the Annual Governance Statement 2019-20.

41 VERITAU NORTH YORKSHIRE CONTRACT EXTENSION 2021 (A/20/25)

The Committee received the report prior to consideration by the Executive. The Chief Finance Officer explained that the current contract for assurance services between the Council and Veritau North Yorkshire Limited (VNY) was agreed in 2012. The contract was initially for seven years from 1 April 2012 to 31 March 2019 but included options to extend for three years and then a further two years. In 2018, the Council agreed

to extend the contract for three years from April 2019, this extension was due to expire on 31 March 2022.

The Committee were informed that a decision was now required whether to enter into a further extension of two years, and if so under the terms of the contract, the Council was required to notify VNY of its intention in respect of extending the contract by 31 March 2021.

Members noted that an extension would allow the Council to consider its requirements for assurance services in the longer term once the results of the Government's decision on Local Government Reorganisation was known.

In response to a query regarding if Selby District Council was a shareholder of VNY, it was confirmed that the Council was a shareholder, and that VNY was a subsidiary of Veritau which was owned by North Yorkshire County Council and City of York Council.

The Chief Finance Officer explained that given the uncertainty over Local Government reorganisation in North Yorkshire an extension under the terms of the current contract was considered the most practicable and no other alternative was proposed at this time, in addition, VNY offered value for money and quality performance over a breadth of service.

The Committee agreed that taking into consideration Covid-19 and the Local Government Review now was not the correct time to change internal auditors and were supportive of the proposal.

RESOLVED:

To recommend to the Executive that the Veritau North Yorkshire contract for Internal Audit, Counter Fraud, Risk Management and Information Governance services be extended for a further 2 years to 31 March 2024.

The meeting closed at 6.25 pm.

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Audit and Governance Committee: Action Log 2020/21

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
27 Jan 2021	No 32 Audit & Governance Work Programme Members agreed that they would like to see a “deep-dive” of Industrial Units added to the work programme	Officers to check the terms of reference for the Audit and Governance Committee to ensure that they are the Committee best placed to investigate the subject of Industrial Units.		Chief Finance Officer	Ongoing

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Audit Committee Work Programme 2020-21

21 April 2021	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Internal Audit, Counter Fraud and Information Governance Plan 2021-22	To approve the Internal Audit, Counter Fraud and Information Governance plans 2021-22
	Investigatory Powers Commissioner's Office – Remote Inspection 2021	To note the Report of the Investigatory Powers Commissioner's Office, and the response from the Chief Executive on behalf of the Council including the Action Plan.
	Update on the Redmond Review	To note the Government's response to the recommendations of the Redmond Review
	Annual Report 2020-21	To approve the 2020-21 Annual Report of the Audit and Governance Committee
	Work Programme 2021-22	To approve the Audit and Governance Committee Work Programme for 2021-22

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Agenda Item 7



Report Reference Number: A/20/26

To: Audit and Governance Committee
Date: 21 April 2021
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit Strategy Memorandum

Summary:

The Audit Strategy Memorandum from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

To consider the Audit Strategy Memorandum.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and sets out the audit plan in respect of Selby District Council for the year ending 31 March 2021. The report forms the basis for discussion at the Audit and Governance Committee meeting.

2 The Report

2.1 The Audit Strategy Memorandum is attached at Appendix A and sets out the proposed audit approach in respect of the year ending 31 March 2021.

2.2 The audit will be delivered in four main phases, as detailed in the report and is expected to be completed by September 2021, in accordance with the statutory deadlines.

- 2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3 Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

Dawn Drury, Democratic Services Officer
Ext: 42065
ddrury@selby.gov.uk

Appendices:

A – Audit Strategy Memorandum

Audit Strategy Memorandum

Selby District Council

Year ending 31 March 2021

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- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for money
- 06 Fees for audit and other services
- 07 Our commitment to independence
- 08 Materiality and misstatements
- Appendix – Key communication points

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This document is to be regarded as confidential to Selby District Council. It has been prepared for the sole use of the Audit and Governance Committee as Those Charged With Governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Governance Committee
Selby District Council
Civic Centre
Doncaster Road
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YO8 9FT

Mazars LLP
5th Floor, 3 Wellington Place
Leeds
LS1 4AP

April 2021

Dear Audit and Governance Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Selby District Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising from the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 394 2000.

Yours faithfully


Mark Kirkham (Apr 9, 2021 08:37 GMT+1)

Mark Kirkham

Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Selby District Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

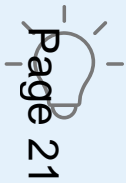
We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit and Governance Committee, as Those Charged With Governance, of their responsibilities.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit should not, however, be relied upon to identify all such misstatements.



Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting and the Chief Finance Officer is responsible for carrying out an assessment of whether the presumption remains appropriate. As auditors, we are required to obtain sufficient appropriate audit evidence and conclude on the appropriateness of the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money

We also carry out audit work to assess the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach in section 5 of this report.



Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

02

Section 02:

Your audit engagement team

2. Your audit engagement team

Your external audit service continues to be led by Mark Kirkham. A summary of key team members are detailed below:

Who	Role	E-mail
Mark Kirkham	Engagement Lead	Mark.Kirkham@mazars.co.uk
Nicola Hallas	Engagement Manager	Nicola.Hallas@mazars.co.uk
Keith Illingworth	Engagement Assistant Manager	Keith.Illingworth@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

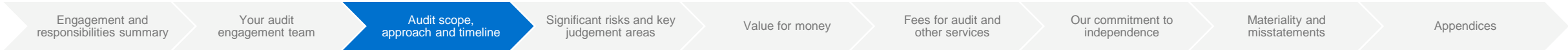
Audit approach

Our audit approach is risk based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. When we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

Page 26

Planning January – March

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion September

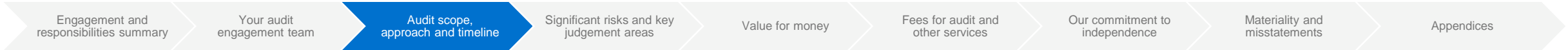
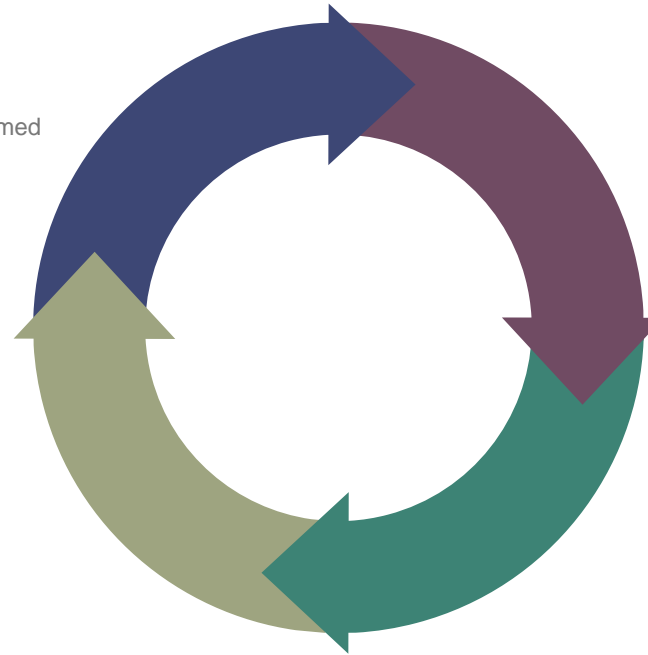
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Signing the auditor’s report

Interim March – June

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork June - September

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

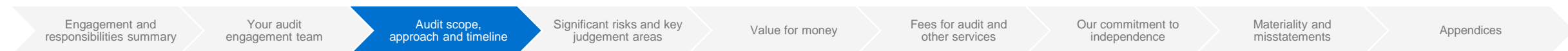
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO’s consulting partner (PWC)
Property, plant and equipment valuation	Align Property Partners	We will take into account any relevant information which is available from third parties
Financial instrument disclosures	Link Asset Services (formerly Capita)	No expert required.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.

Item of account	Service organisation	Audit approach
Payroll	North Yorkshire County Council (NYCC)	Although some staff are employed by NYCC, and some systems are maintained by them, we have sufficient access to staff onsite, along with all of the relevant financial information we need to conduct our audit of Selby District Council. We will perform substantive tests of detail on the information provided to and received from NYCC and also inspect payroll reconciliations.
IT	North Yorkshire County Council (NYCC)	Although Selby District Council maintains a small, internal IT team (who administer the applications used by the Council), services such as the hosting of servers, databases, back up and disaster recovery are outsourced to NYCC. We do not plan to rely on tests of control as part of our audit approach, however will perform detailed IT audit work over the IT systems as a whole at Selby District Council.



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

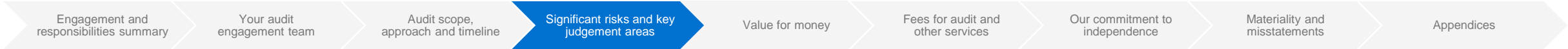
An enhanced risk is an area of higher assessed risk of material misstatement (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

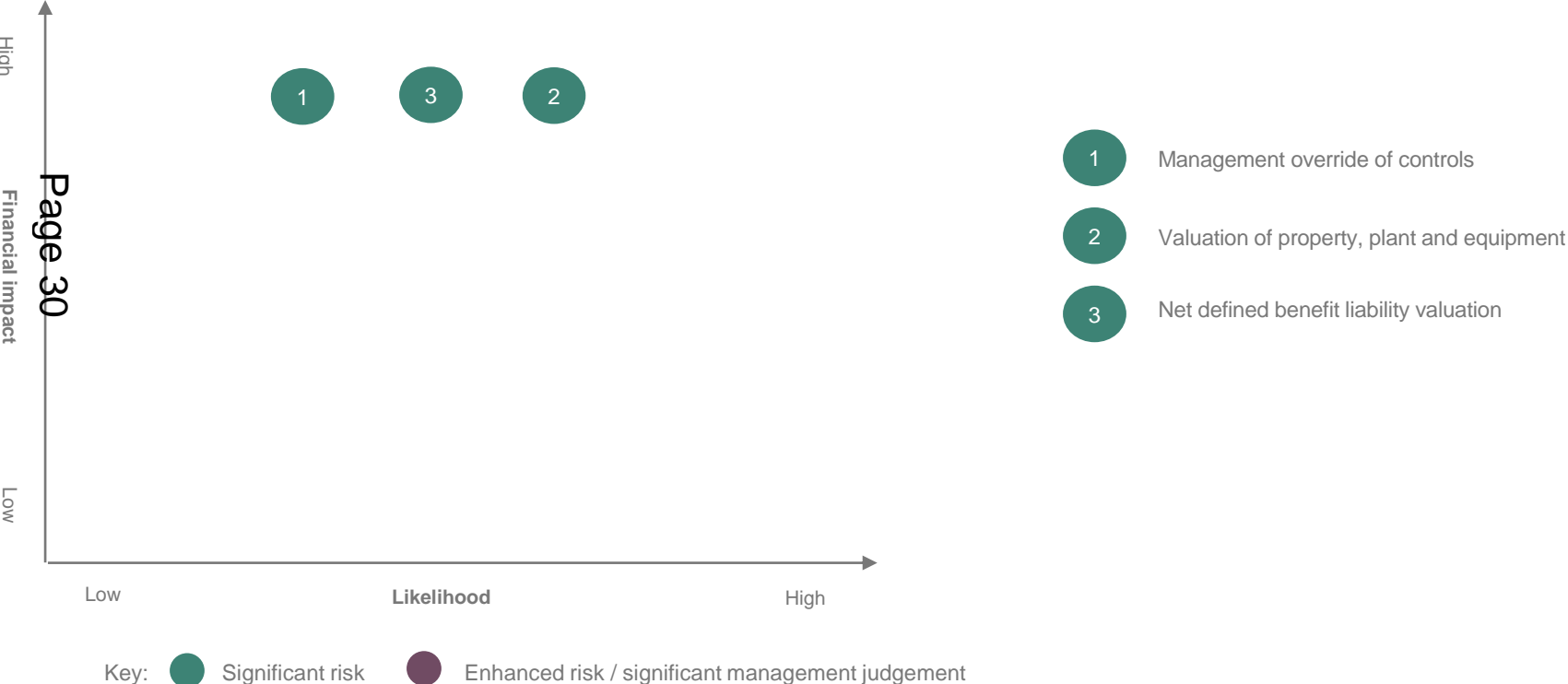
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4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



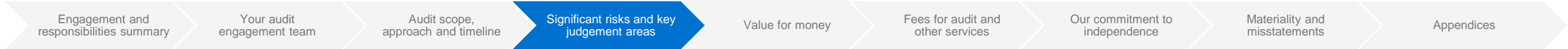
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 31	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries (meeting fraud risk characteristics) and significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

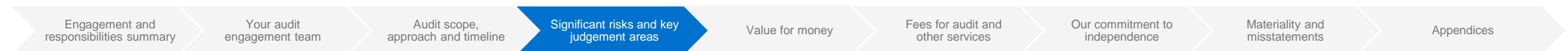
	Description	Fraud	Error	Judgement	Planned response
Page 32	<p>Valuation of property, plant and equipment (PPE) and investment properties</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE and investment properties.</p> <p>Although the Council engages a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE as a result of the significant judgements and number of variables involved. We have therefore identified the revaluation of PPE to be an area of risk</p>	○	●	●	<p>We plan to address this risk through the following procedures:</p> <ul style="list-style-type: none"> consider the Council's arrangements for ensuring that PPE values are reasonable; challenge the reasonableness of the valuations provided by the Council's valuer using other sources of data; assess the competence, skills and experience of the valuer and the instructions issued to the valuer; and where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate
	<p>Net defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and consider the reasonableness of the actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.

Revenue recognition

International Auditing Standard (ISA) 240 includes a rebuttable presumption that the fraud risk from revenue recognition is a significant audit risk.

We recognise that the nature of revenue in local government differs significantly to the sources of income in the private sector which have driven the requirement in the ISA. We also note that the incentives in local government include the requirement to meet regulatory and financial covenants rather than share-based management concerns.

Based on our understanding of the Council's revenue streams we do not consider this to be a significant risk for the 2019/20 audit. We have, therefore, rebutted this risk and do not incorporate specific work into our audit approach in this area over and above our standard procedures.



05

Section 05: **Value for Money**

Page 33

6. Value for money

The framework for our work

We are required to be satisfied that the Council has arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry and sets out criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings. While we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

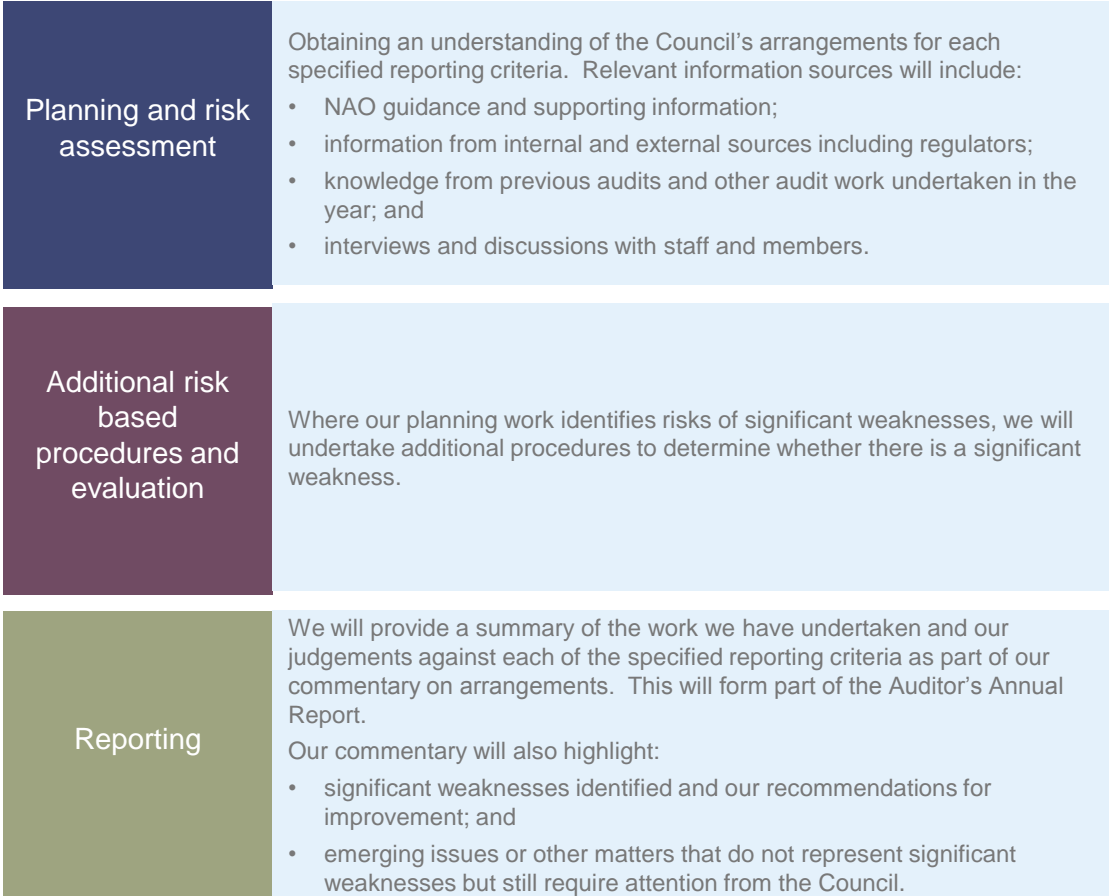
Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services.
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks.
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we will report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



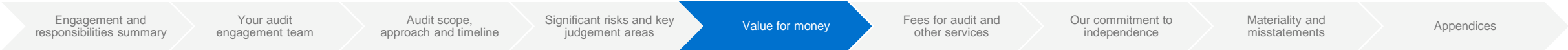
5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

We have not yet fully completed our planning and risk assessment work. We will report the results of our initial work to the Audit and Governance Committee on completion. This includes reporting any risk of significant weakness in arrangements that we identify.

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06

Section 06:

Fees for audit and other services

Page 36

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Scale fee ¹	£34,425	£34,425
Fee variations – opinion	To be confirmed.	£9,800 ²
Fee variations – value for money ³	To be confirmed.	
Total	To be confirmed	£44,225

Fees for non-audit work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Agreed upon procedures work	2020/21 Proposed Fee	2019/20 Actual Fee
Housing Benefits Subsidy	To be confirmed.	£14,000 ⁴

¹ This scale fee was initially set by PSAA in 2018.

² The additional audit cost in 2019/20 relates to additional testing of property valuations, enhanced pension liability procedures in response to increased regulatory expectations, and reporting of uncertainties in key estimates as a result of Covid-19.

³ The new Code of Audit Practice will lead to a substantial amount of additional audit work to support the new value for money report. Our review of the Code and supporting guidance notes has led us to estimate that the additional fee impact for Code audits will be at least £10,000 or 20% of the final 2019/20 fee. The actual fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

⁴ Our work on the Housing Benefits Subsidy for 2019/20 is still in progress.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

07

Section 07:

Our commitment to independence

Page 38

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- approval by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

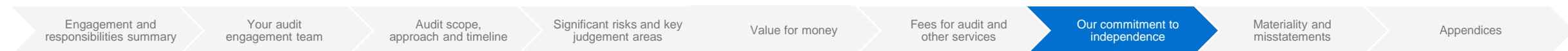
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards are set out in the table on the following page.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

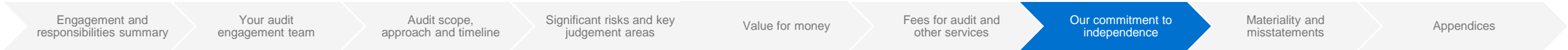
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7. Our commitment to independence

Area	Perceived threat	Safeguards and procedures
Assurance services: Housing Benefits Subsidy Assurance (if engaged)	Self Review	No threat identified. None of the engagements result in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as none of the engagements require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as none of the engagements require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.

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08

Section 08:

Materiality and other misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	£1,150
Performance materiality	£920
Specific materiality:	
Senior officer remuneration	£5*
Termination payments	£50
Members Allowances	£25
Related Party Transactions	£50
Threshold for errors to be reported to the Audit and Governance Committee	£35

* Reflecting the movement of one banding.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- make reasonable economic decisions on the basis of the information reported.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

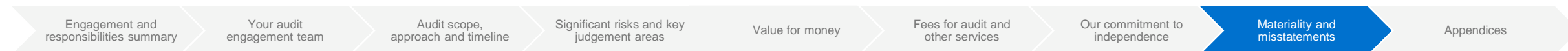
In planning our work we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of approximately 2% of Gross Revenue Expenditure (at Surplus/deficit on Provision of Services level). We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

We consider that the Gross Revenue Expenditure (at Surplus/deficit on Provision of Services level) remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at approximately 2% of Gross Revenue Expenditure (at Surplus/deficit on Provision of Services level). Based on the prior year gross expenditure we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £1.1m.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

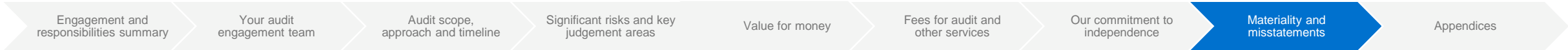
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is

£0.035m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

Reporting to Audit and Governance Committee

The following three types of audit differences will be presented to Audit and Governance Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

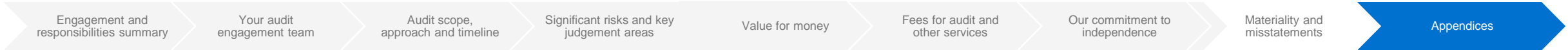
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.

- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

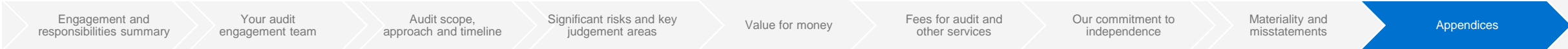


Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

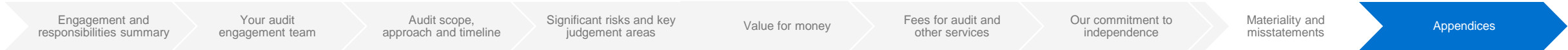
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit and Governance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit and Governance Committee, Audit Planning and Clearance meetings

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Appendix: Key communication points

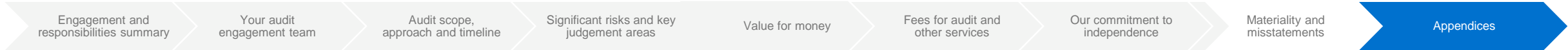
Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Governance Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report



Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.	Audit Completion Report and Audit and Governance Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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Mazars

5th Floor

3 Wellington Place

Leeds

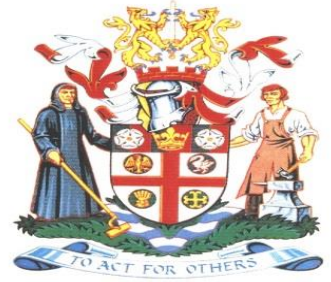
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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Agenda Item 8



Report Reference Number: A/20/27

To: Audit and Governance Committee
Date: 21 April 2021
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Progress Report

Summary:

The report from the external auditor, Mazars, is provided for the Audit and Governance Committee to consider.

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and provides the Committee with a progress report in relation to the work and responsibilities of the external auditors.

2. The Report

2.1 The report is attached at Appendix A, which sets out a summary of external audit work completed to date on the 2020-21 financial statements.

2.2 The report also refers to recent national publications and highlights other relevant updates.

2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

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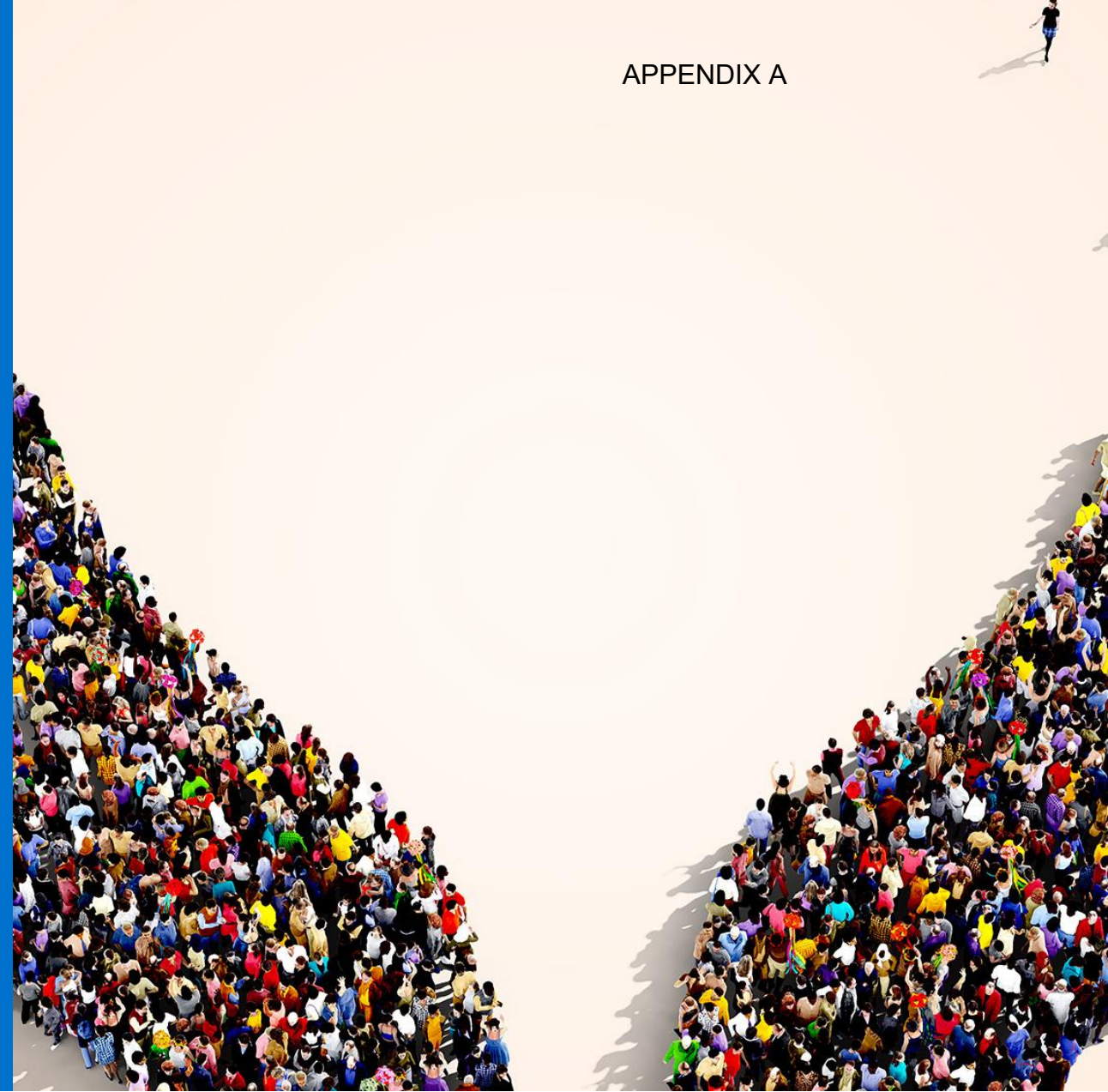
Appendices:

Appendix A – External Audit Progress Report

Audit Progress Report

Selby District Council

Page 53
April 2021



1. Audit Progress

2. National Publications

Page 54

01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit and Governance Committee for its 21 April 2021 meeting with an update on progress in delivering our responsibilities as your external auditors.

The report also includes at Section 2 for your information a summary of recent reports which we believe are relevant to your responsibilities.

Audit progress

2020/21 Audit

We have commenced our audit planning for the 2020/21 audit and will present our Audit Strategy Memorandum (ASM) at this Audit and Governance Committee meeting as a separate agenda item. We have continued to hold regular discussions with the finance team and these help us to keep up to date with emerging issues that may impact on our external audit.

The scope of the Audit and our audit responsibilities are set out in the 2020 Code of Audit Practice. The only significant change on the previous Code is in relation to our responsibilities relating to the Value for Money Conclusion. We say more on this on the next page.

Audit Progress (continued)

External audit work on the Council's arrangements to deliver value for money in its use of resources

We reported during 2019/20 that the National Audit Office (NAO) had updated their Code of Audit Practice and that this new Code applies from 2020/21. The new Code changes the work that auditors will be required to do, and the related reporting, on Councils arrangements to deliver value for money in their use of resources.

The changes to the reporting requirements means that from 2020/21 we will no longer include a value for money conclusion in our Financial Statements Audit Report. We will report our commentary on the Council's arrangements to deliver value for money in a new Auditor's Annual Report (which replaces the Annual Audit Letter). The NAO Code requires that where auditors identify weaknesses in Council's arrangements they should report recommendations to the Council promptly through the year.

In carrying out our work we will comply with the NAO's guidance on value for money work, which identifies that the work must have regard to the following specific criteria:

- **Financial sustainability:** how the body plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the body ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The new Code requirements represent a significant change to the focus and reporting of our value for money conclusion work.

NAO's guidance to auditors is publicly available through the following link.

<https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/12/AGN-03-Auditors-Work-on-Value-for-Money-Arrangements.pdf>

NAO has still to confirm some of its specific guidance regarding the approach and reporting of this work, and our risk assessment of the Council's arrangements and any likely significant weaknesses is in progress.

We will keep the Audit Committee up to date on our progress as we complete our audit work.

02

Section 02: **National Publications**

National Publications

	Publication/update	Key points	Page
CIPFA			
1	Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts	2020/21 Disclosure checklist	9
2	Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts	2020/21 Code Guidance Notes	9
3	Service Reporting Code of Practice for Local Authorities 2021/22	2020/21 SeRCOP Guidance	9
4	Guidance for Head of Internal Audit Annual Opinions 2020/21	Guidance	10
5	A Guide to Local Authority and Public Sector Asset Management	Step-by-step guide	10
6	Planning to Deliver Good Value in Demand-led Services (social care)	Good practice framework	10
7	Fraud and Corruption Tracker	CIPFA's latest information has been published.	11
8	Consultation on stronger Prudential Code	CIPFA is consulting on the Prudential Code, including proposals to strengthen the requirements for commercial investments.	11
9	CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21	Provides updated guidance and takes into account the introduction of the CIPFA Financial Management Code 2019 during 2020/21.	11
National Audit Office			
10	Local auditor reporting application	Data on local auditor reporting presented through an interactive map	12

National Publications

	Publication/update	Key points	Page
MHCLG			
11	Local authority financial reporting and external audit: government response to the Redmond review	MHCLG's response to Sir Tony Redmond's independent review	13
12	Consultation on Amendments to the Accounts and Audit Regulations 2015	MCHLG has consulted on its proposed changes to the accounts publication deadline for 2020/21 and 2021/22.	13
Financial Reporting Council			
13	Local Audit Inspections	FRC Audit Quality report	14

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NATIONAL PUBLICATIONS

CIPFA

1. Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts, January 2021

The 2020/21 version of the disclosure checklist has been updated to reflect the reporting requirements introduced by the 2020/21 Code of Practice. This annual publication is for finance practitioners in local authorities and external audit agencies and firms in England, Scotland and Wales.

The checklist is in the form of a series of questions. If the answer to any question is no, then a justification for departing from the Code should be given and potentially disclosed in the accounts, where the impact of departures is material.

<https://www.cipfa.org/policy-and-guidance/publications/d/disclosure-checklist-202021-print>

2. Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts, January 2021

This edition of the Guidance Notes provides detailed guidance on the key accounting changes introduced by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2020/21, and includes amendments to implement amendments to accounting standards, reference to arrangements for the application of accounting standards arising as a consequence of the UK's withdrawal from the EU and legislative amendments. The example financial statements have also been updated to reflect these changes.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-guidance-notes-202021-print>

3. Service Reporting Code of Practice for Local Authorities 2021/22, January 2021

Modern local government is constantly developing and adapting to its current economic climate. Transparency initiatives, performance and best value regimes are evolving in expectation of the government becoming more sophisticated.

SeRCOP is reviewed annually to ensure that it develops in line with the needs of local government, transparency, best value and public services reform.

In England, SeRCOP is given legislative backing under the Local Government Act 2003. In Scotland SeRCOP's Service Expenditure Analysis (SEA) and guidance is used by the Scottish Government as the basis for specifying the requirements of the Local Financial Returns (LFRs).

<https://www.cipfa.org/policy-and-guidance/publications/s/service-reporting-code-of-practice-for-local-authorities-202122>

NATIONAL PUBLICATIONS

CIPFA

4. Guidance for Head of Internal Audit Annual Opinions 2020/21, November 2020

The annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is a requirement of the Public Sector Internal Audit Standards (PSIAS). It is an important source of assurance that supports a local government body's annual governance statement.

If sufficient assurance is not available from internal audit work completed and other sources of assurance that the head of internal audit may seek to place reliance on then they should publish a limitation of scope to explain the position and impact on the annual opinion. The guidance sets out the steps heads of internal audit, together with the leadership team and audit committee, should take.

To further support the guidance CIPFA held a free webinar on 15 December.

<https://www.cipfa.org/policy-and-guidance/standards/guidance-for-head-of-internal-audit-annual-opinions-202021>

5. A Guide to Local Authority and Public Sector Asset Management, November 2020

This step by step guide to asset management in the public sector has been produced by CIPFA Property. It takes the reader on the asset management journey, from the development of strategic asset management policies and strategies designed to deliver corporate objectives through to the development, implementation, challenge and review of asset management practices and portfolios.

<https://www.cipfa.org/policy-and-guidance/publications/a/asset-management-in-the-public-sector-a-practitioners-guide>

6. Planning to Deliver Good Value in Demand-led Services (social care), November 2020

Several local authorities successfully deliver good value in these areas, and this publication draws on their experience and best practice. It sets out a three step framework, based on a number of essential elements that recognise the challenges involved. This framework emphasises the importance of business partnering and ensuring plans reflect reality to enable improved operational and financial resilience.

<https://www.cipfa.org/policy-and-guidance/publications/p/planning-to-deliver-good-value-in-demand-led-services-social-care>

NATIONAL PUBLICATIONS

CIPFA

7. Fraud and corruption Tracker, February 2021

The latest CIPFA Fraud and Corruption Tracker (CFaCT), which includes local government data between 1 April 2019 and 31 March 2020, provides a baseline illustration about the prevalence of grant fraud in the public sector, just before unprecedented levels of COVID-19 grant funding for councils were released by the government in March of last year. The report follows previous warnings from the National Crime Agency and other law enforcement bodies of an increase in cases related to suspected COVID-19 grant fraud. Valued at an estimated loss of £36.6m, the report reveals only 161 instances of grant fraud occurred in 2019/20.

The report also shows that council tax continued to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20. This year, 32% of respondents also stated their organisation had been a victim of a Distributed Denial-of-Service (DDoS)/hacking attack in the last 12 months, a 5% increase from the previous year. Survey respondents also expressed concern about councils' inability to tackle usual areas of fraud due to resource being re-directed into the processing and review of COVID-19 business grants.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/grant-fraud-represented-less-than-of-uk-public-sector-fraud-pre-pandemic>

8. CIPFA consults on a stronger Prudential Code, January 2021

CIPFA has launched a consultation on proposals to strengthen the Prudential Code, following growing concerns over local government commercial property investments. The Prudential Code is a professional code of practice that aims to ensure local authorities' financial plans are affordable, prudent and sustainable. To date, the provisions in the Code have not prevented a minority of councils from taking on disproportionate levels of commercial debt to generate yield. The proposed changes are intended to prevent future misinterpretations of the Code and strengthen the necessary regard to its provisions to protect local decision making and innovation. The consultation will be open for 10 weeks and responses must be submitted by 12 April 2021.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-consults-on-stronger-local-government-prudential-code>

9. CIPFA Bulletin 06, Application of the Good Governance Framework 2020/21, February 2021

This bulletin covers the impact of the continuing COVID-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-06-application-of-the-good-governance-framework-202021>

NATIONAL PUBLICATIONS

National Audit Office

10. Local auditor reporting application, December 2020

The local auditor reporting application presents the opinions of local auditors on local public bodies' financial statements and conclusions on whether they have proper arrangements in place to secure value for money. The data is presented through an interactive map which allows users to explore auditor reporting for nine different types of local body and two different audit years. The interactive map also contains pop-ups to enable users to access further information about the body, such as the local auditor's report or annual audit letter.

<https://www.nao.org.uk/other/local-auditor-reporting-application/>

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NATIONAL PUBLICATIONS

MHCLG

11. MHCLG's response to Sir Tony Redmond's independent review, December 2020

The response of the Ministry of Housing, Communities and Local Government to Sir Tony Redmond's Independent review into the oversight of local audit and the transparency of local authority financial reporting. The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. The department has grouped its response into 5 themes, which are summarised in Annex A to the response.

Amongst the responses MHCLG confirmed that they intend to amend existing regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). At the end of this period they will review whether there is a continued need to have an extended deadline.

They also confirmed that they did not intend to create an Office of Local Audit and Regulation (OLAR) stating in their response that they "do not wish to re-create the costly, bureaucratic and over-centralised Audit Commission". They added that they "will commit to explore the full range of options as to how best to deliver Sir Tony's finding that a 'system leader' is required. This will include close consideration of whether existing bodies could take on this function."

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

12. MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015, February 2021

MCHLG has consulted on its proposed changes to the accounts publication deadline for 2020/21 and 2021/22.

The draft regulations includes provisions, at regulation 2 to change the publication deadline for principal authorities from 31 July to 30 September as proposed in recommendation 10 by the Redmond review, but for 2 years - 2020/21 and 2021/22. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

The draft regulations also enable principal bodies to publish their draft accounts for inspection, linked to the later publication deadline, by removing the fixed period for public inspection, to say instead that the draft accounts must be published on or before the first working day of August. This will allow authorities and audit firms more flexibility to schedule their audits in line with the later publication deadline but, importantly, will not prevent them from being signed off earlier. This mirrors the approach taken in the Accounts and Audit (Amendment) (Coronavirus) Regulations 2020.

MCHLG's consultation closed on 1 March 2021.

NATIONAL PUBLICATIONS

Financial Reporting Council

13. Major Local Audits – Audit Quality Inspection, October 2020

The framework for the inspection of local audit work

Responsibility for the inspection of local audit work is now with the Financial Reporting Council (FRC) for 'major local audits' (those with annual expenditure which exceeds £500m) and the ICAEW for those bodies which do not meet the major local audit definition. As part of their inspection of major local audits for the 2018/19 financial year, the Audit Quality Review (AQR) team of the FRC reviewed two of our major local audits and found these to require significant improvements in respect of our audit of the financial statements. The same reviews indicated that our work on value for money arrangements for those audits was of a good standard. Our non-major local audits for 2018/19 were not subject to inspection by the ICAEW.

Our response to the FRC's findings

We are committed to delivering high-quality audits to all of our clients and have responded robustly to the AQR's findings. Our Local Audit Quality Plan incorporates the risks to audit quality identified from a range of sources and identifies that actions we have put in place, or are taking, to mitigate these risks. Our Audit Quality Team is responsible for the maintenance of the plan which is also subject to oversight and scrutiny from the firm's Audit Board.

In addition, we have undertaken a detailed root cause analysis project to identify and understand the drivers of poor audit quality in some of our local audit work. This has focused on all local audits where the need for improvement or significant improvements have been identified either through external inspections or our programme of internal quality monitoring reviews.

We have taken steps to respond to the AQR's specific findings in relation to our work in the following areas of the audit:

- Testing the valuation of property assets;
- Exercising appropriate oversight of group audits, including the direction, supervision and review of the work of component auditors; and
- Document judgements made as part of the audit process, specifically those in relation to our testing of income and expenditure.

We have also strengthened our standard procedures in relation to the audit of net defined benefit pension liabilities arising from our clients' membership of local government pension schemes.

The FRC's report on its inspection findings in relation to the quality of major local audits for the year ended 31 March 2019, can be found [here](#). This also includes our detailed response to their findings on our financial statement audits.

NATIONAL PUBLICATIONS

Financial Reporting Council

13. Major Local Audits – Audit Quality Inspection, October 2020 (continued)

What this means for the Council

As outlined above, we take the weaknesses identified by the FRC extremely seriously, and our response to the improvement areas has been robust. It is clear that on areas of the audit such as the valuation of property assets (including investment properties) and the audit of defined benefit pension liabilities, we must do more to meet the regulator’s expectations. This means the time we spend on these areas of the audit will increase and the level of challenge we apply in auditing these areas will also increase. Your finance team and your experts will have seen the increase in the scope and scale of work we have undertaken in 2019/20 in terms of the granularity and depth of testing and changes to our sample sizes in a number of key areas.

Going forward, our response and the increase in the challenge we make, is likely to include the engagement of our own experts (for example, property valuation experts) to fully consider the methodologies and judgements applied by the Council’s own experts. There will be consequential effects on the fee that we are likely to request from the Council to undertake the audit.

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Report Reference Number: A/20/28

To: Audit and Governance Committee
Date: 21 April 2021
Authors: Ed Martin; Audit Manager – Veritau
Daniel Clubb; Counter Fraud Manager – Veritau
Kirsty Bewick; Information Governance
Manager – Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

**Title: Internal Audit, Counter Fraud and Information Governance
Progress Report 2020/21**

Summary:

The purpose of the report is to provide an update on the delivery of the internal audit work plan for 2020/21. The report also updates the committee on counter fraud and information governance work undertaken so far in 2020/21. Due to Covid-19, work on the annual audit plan was delayed so this report updates members on the plans for completion of work.

Recommendation:

That the committee:

- (i) note progress on delivery of internal audit, counter fraud and information governance work and the plans for work to be completed.

Reasons for recommendation

To enable the committee to fulfil its responsibility to review the outcomes of internal audit and counter fraud work, including any issues arising, and action being taken.

1. Introduction and background

1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).

1.2 The Audit and Governance Committee approved the Internal Audit, Counter Fraud and Information Governance plans for 2020/21 at the meeting held on 29th July 2020.

- 1.3 The purpose of this report is to inform the committee of the progress in delivering the 2020/21 plans, and on the plans for completion of work.

2. The Report

- 2.1 Details of internal audit, counter fraud and information governance work undertaken in 2020/21 are included in the reports at appendices A to C respectively.

Internal Audit

- 2.2 Veritau carries out internal audit work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 Internal audit provides assurance on corporate governance arrangements, internal control and risk management to the Council's leadership team and this committee.
- 2.4 Work is ongoing on 9 audits for 2020/21. All of these are expected to be issued as a draft report by the end of April 2021.
- 2.5 Appendix 1 provide details of the completed and ongoing work as well as progress against previously agreed actions outstanding for more than 12 months.

Counter Fraud

- 2.6 Veritau delivers a counter fraud service to the Council. The counter fraud team aims to prevent, detect and deter fraud committed against the Council. Veritau support the Council's section 151 officer in delivering the Council's counter fraud strategy.
- 2.7 Appendix 2 provides a detailed summary of counter fraud work undertaken up to 28 February 2021. The counter fraud team have continued to support the council with government requirements for Covid-19 grant pre and post-payment assurance activities. £30k of incorrect payments have successfully been prevented. Work on the 2020/21 National Fraud Initiative is underway and further matches relating to Covid-19 grants will be released in 2021/22. Investigative work has detected £8.4k of loss to the council and achieved £8.1k in actual savings for the council. There are currently 13 cases under investigation.

Information Governance

- 2.8 Information Governance provides advice and assurance on compliance with the GDPR and Data Protection Act 2018. This includes the

Information Asset Register, Privacy Notices, Data Protection Impact Assessments and project specific advice.

- 2.9** Action is ongoing to address the outstanding areas of the Information Asset Register and other areas of GDPR compliance. The new action plan, presented to CIGG in July 2020, continues to be used when reporting progress to CIGG.
- 2.10** Veritau presented a number of documents including the Special Category Policy, an updated Information Governance Policy framework and a new information security incident process at CIGG in January 2021. These are to be formally approved at CIGG in April 2021.
- 2.11** Information security incidents continue to be reported to Veritau and investigated. Veritau has provided advice on the completion of data protection impact assessments. Veritau has conducted reviews and given advice and support in respect of surveillance and law enforcement processing. Training sessions will be held with council officers on data protection impact assessments, data protection rights and principles, and records management. These will be held online.
- 2.12** A detailed summary of information governance activity and arrangements is included in Appendix C.

3. Implications

- 3.1** There are no legal, financial, policy & risk, corporate plan, resource or other implications from this report.

4. Conclusion

- 4.1** Internal audit work is in progress on a number of audits. These are expected to be completed to draft report stage by the end of April 2021 and findings will be reported to a subsequent meeting of this committee.
- 4.2** Through a range of activities, the work of the counter fraud team continues to support delivery of the Council's counter fraud strategy. Fraud reported to the team is investigated and progress is regularly reported to the committee.
- 4.3** An action plan is in place to deliver information governance work on behalf of Selby District Council; this is overseen by the council's CIGG. Regular liaison takes place with the council's Senior Information Risk Owner (SIRO) and regular updates are reported to this committee.

Background Documents

Internal Audit, Counter Fraud and Information Governance Plans 2020/21

Appendices:

Appendix A: Internal audit progress report – April 2021

Appendix B: Counter fraud progress report – April 2021

Appendix C: Information governance progress report – April 2021

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Selby District Council

Internal Audit Progress Report 2020/21

Audit Manager:
Head of Internal Audit:
Date:

Ed Martin
Max Thomas
21 April 2021



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, the Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the 2020/21 Internal Audit Plan at their meeting on 29th July 2020. This was delayed due to Covid-19 and the plan included an allocation of time for work in response to Covid-19. The total number of planned days for delivery of internal audits in 2020/21 was 235 days. There is also an allocation of 25 days for risk management.

Internal Audit Work In Progress 2020/21

- 3 Annex 1 summarises the work in progress for the 2020/21 plan. Fieldwork has recently been completed or is in progress for 9 audits. It is expected that draft reports for these audits will be issued during April 2021 with the intention of finalising the reports ahead of the next report to this committee.
- 4 Priority has been given to the main financial system audits and work is underway or complete in each of these areas.
- 5 All audits are currently being carried out remotely through virtual meetings held with officers. It has continued to be a challenge to deliver audits during this period due to the availability of officers. As a result, two audits (Health & safety and Data quality) previously reported to the committee as in progress have been deferred and will be considered for inclusion in the 2021/22 programme of work.

Follow up of agreed actions

- 6 It is important that agreed actions are formally followed-up to ensure that they have been implemented. However, during the ongoing Covid-19 pandemic, given the additional demands on officers, Veritau has agreed with management to take a pragmatic approach to follow up work. We have therefore concentrated resources on following up higher priority actions. Completion of lower priority actions has continued to be monitored but less active follow up work has been undertaken.
- 7 This report highlights to the committee where priority 1 and priority 2 actions agreed as part of previous audit have implementation dates revised by more than 12 months from those originally agreed (see Annex 2).
- 8 The annual Head of Internal Audit report, which will be brought to the next meeting of this committee, will provide a full summary of outstanding actions and details of actions agreed as part of 2020/21 audit work.

2020/21 Audits

Audit	Status
<u>Corporate Risk Register</u>	
Health and Safety	Deferred to 21/22
<u>Financial Systems</u>	
Council Tax & NNDR	Fieldwork completed
Benefits	Fieldwork in progress
Creditors	Fieldwork in progress
General Ledger	Draft report issued
Debtors	Fieldwork in progress
Payroll	Fieldwork in progress
Housing Rents	Fieldwork in progress
<u>Operational, Technical and Project Audits</u>	
Absence Management	Fieldwork in progress
Data Quality	Deferred to 21/22
Contract Management and Procurement	Fieldwork completed
<u>Other audit work</u>	
Selby 950 Arts Council grant	Completed (grant certification)
Pooling of Housing Capital Receipts Claim	Completed (grant certification)
Covid-19 support	Ongoing throughout year

Annex 2: P2 actions or above with revised dates of more than 12 months

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Payment Card Industry Data Security Standard (PCI DSS)	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	1	Head of Business Development & Improvement	Revised date 31 July 2021	The Council procured a new system – CivicaPay - during 2019-20 to enable PCI DSS compliance. Whilst originally it was hoped that this would be implemented by September 2020, delays due to Covid-19 mean this is delayed. The project commenced in December, the application is being built and training and implementation are scheduled to take place in July 2021.
Contract Management and Procurement	An audit found there were no procedures for reporting breaches of the Contract Procedure Rules once they have been identified. CPRs have been updated but due to Covid-19 follow up testing has not been completed to confirm the implementation and effectiveness of the new procedures.	2	Head of Commissioning, Contracts & Procurement	31 March 2020	Action complete.
Performance Management	PDR guidance to be reviewed and updated	2	Head of Business	Revised date 30	A wholesale review of 2020 PDRs was delayed due to

	<p>HR to undertake QA review of sample of PDRs</p> <p>Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete.</p> <p>Training plan to be completed promptly following PDR process.</p>		<p>Development and Improvement</p>	<p>September 2021</p>	<p>Covid and other priorities. The Council aims to complete this and update guidance by September 2021.</p> <p>Additional training has been introduced, including support to mental health and wellbeing, and the Council is currently implementing a management development programme. The Council is now working on extending the programme for all staff.</p>
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Selby District Council

Counter Fraud Progress Report 2020/21

Corporate Fraud Manager:
Head of Internal Audit:
Date:

Daniel Clubb
Max Thomas
21 April 2021



Background

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to safeguard public finances. Veritau are engaged to deliver a corporate counter fraud service for Selby District Council. A corporate counter fraud service aims to prevent, detect and deter fraud and related criminality affecting an organisation. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

Covid-19 Grant Fraud

- 3 The counter fraud team supported the Council in producing a post-payment assurance plan in January. In line with government targets, post-assurance checks have been completed on the Small Business Grant Fund, Retail, Hotel and Leisure Grant Fund, and Local Authority Discretionary Fund. No issues were identified with the grants awarded. This work will be supplemented by outputs from the National Fraud Initiative (NFI) in 2021/22. Matches arising from the NFI will be reviewed and investigated as necessary.
- 4 Veritau will continue to provide support with pre and post-payment assurance responsibilities for ongoing schemes. This includes the use of government verification tools and undertaking investigation in cases of suspected fraud.

Counter Fraud Performance 2020/21

- 7 Up to 28 February 2021, investigative work has detected £8.4k of loss and achieved £8.1k in savings for the council. A false homelessness application was identified and prevented from entering the housing list. There are currently 13 ongoing investigations. Three Covid-19 grant payments totalling £30k were prevented from being paid to applicants who did not qualify; one involved an attempt by organised criminals. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 2020/21

The tables below show the total number of fraud referrals received and summarises the outcomes of investigations completed during the year to date.

	2020/21 (As at 28/02/21)	2020/21 (Target: Full Year)	2019/20 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked).	30%	30%	75%
Amount of actual savings (quantifiable savings - e.g. CTS and CTAX) identified through fraud investigation.	£8,053	£14,000	£16,728
Amount of savings from the prevention of Covid-19 grant fraud (to be returned to Central Government)	£30,000	n/a	n/a

Caseload figures for the period are:

	2020/21 (As at 28/02/21)	2019/20 (Full Year)
Referrals received	86	114
Referrals rejected	45	72
Number of cases under investigation	13	11 ¹
Number of investigations completed	22	24

Summary of counter fraud activity:

¹ As at 31/03/2020

Activity	Work completed or in progress
Data matching	Review of the 2020/21 National Fraud Initiative exercise outputs is in progress. In November, the counter fraud team assisted the Council's submission of datasets required for main exercise and for the Single Person Discount exercise. Further matches relating to the initial tranche of Covid-19 grants will be released in the next financial year.
Fraud detection and investigation	<p>The service continues to use criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Covid-19 Grants – Four applications for Covid-19 grants have been investigated by the team. Payments totalling £20k have been stopped as a result of this work. One person was issued a warning for trying to obtain a grant for a business that was not in operation. Intelligence provided by the counter fraud team prevented a further payment of £10k from being paid to organised criminals running a national scam. There are two ongoing investigations. • Council Tax Support fraud – 42 referrals for possible CTS fraud have been received. No new fraud or error has been detected during the current financial year but savings of £4.5k have been achieved. Two cases remain under investigation. • Council Tax fraud – To date the team has received 24 referrals for council tax fraud. There are currently seven cases under investigation. Fraud and error totalling £2.6k has been detected in this area during the current financial year, with savings of £1.7k achieved. • NNDR fraud – 11 referrals for NNDR fraud have been received in 2020/21. To date, £5.8k in fraud and error has been detected and savings of £1.7k have been achieved. One case is currently under investigation.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Housing fraud – The team has received nine referrals for investigation in the year. Three investigations are ongoing in this area. One investigation resulted in the housing application being cancelled before a tenancy was offered and the applicant received a caution. Verification checks on three Right to Buy applications and one housing application found no issues. • Internal fraud – No cases of internal fraud have been reported this year.
Fraud liaison	<p>The fraud team acts as a single point of contact for the Department for Work and Pensions (DWP) and is responsible for providing data to support their housing benefit investigations. DWP fraud and compliance staff were redeployed at the outset of the Covid-19 pandemic but some teams have started returning to regular duties. The team have dealt with 12 requests on behalf of the council in 2020/21.</p>
Fraud Management	<p>In 2020/21 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • The counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year. • In May 2020, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2019/20, meeting the council's obligation under the Local Government Transparency Code 2015. • In September 2020, the council participated in the annual CIPFA Counter Fraud and

Activity	Work completed or in progress
	<p data-bbox="512 252 2002 379">Corruption Tracker (CFaCT) survey. The information contributes to an annual CIPFA report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it.</p> <ul data-bbox="465 427 2002 906" style="list-style-type: none"><li data-bbox="465 427 2002 555">• In November 2020, the counter fraud team and the council's communications team worked together to raise awareness of fraud internally and with the public during International Fraud Awareness Week.<li data-bbox="465 603 2002 730">• In February 2021, a counter fraud leaflet was issued to residents with their annual council tax bill. The insert raised fraud awareness with the public and publicised the council's 0800 fraud hotline.<li data-bbox="465 778 2002 906">• Throughout the Covid-19 pandemic, the counter fraud team have provided support to the council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.



Selby District Council

Information Governance Progress Report March 2021

Information Governance Manager: Kirsty Bewick
Head of Internal Audit: Max Thomas
Date: 21 April 2021



PURPOSE OF THE REPORT

- 1 To provide an update on Information Governance matters and developments in the Council's Information Governance arrangements and compliance with relevant legislation.
- 2 Information governance is the framework established for managing, recording, protecting, using and sharing information assets in order to support the efficient and effective delivery of services. The framework includes management structures, policies and processes, technical measures and action plans. It helps to ensure information is handled securely and correctly, and provides assurance to the public, partners and other stakeholders that the Council is complying with all statutory, regulatory and best practice requirements. Information is a key asset for the Council along with money, property and human resources, and must therefore be protected accordingly. Information governance is however the responsibility of all employees.
- 3 The Council must comply with relevant legislation, including:
 - The Data Protection Act 2018
 - The UK General Data Protection Regulation (UK GDPR)
 - Freedom of Information Act 2000
 - Environmental Information Regulations 2004
 - Regulation of Investigatory Powers Act 2000
- 4 In March 2018, the Council appointed Veritau to be its statutory Data Protection Officer (DPO).
- 5 The Corporate Information Governance Group (CIGG) is responsible for overseeing information governance within the council. The group is chaired by the Head of Business Development and Improvement and provides overall direction and guidance on all information governance matters. CIGG also helps to support the Council's Senior Information Risk Owner (SIRO) to discharge her responsibilities. CIGG is currently coordinating the delivery of the UK GDPR action plan, which includes reviewing and updating the council's information governance strategy and policy framework.

UK GDPR ACTION PLAN UPDATE

- 6 The action plan has continued to be updated as work has been completed. Actions have been amended in, in consultation with officers, where changes have been required to due dates and action owners. Progress on this continues to be reported to CIGG.
- 7 A review of the council's privacy notices has been completed and gaps identified. These will be amended in conjunction with the review of the Information Asset register. Privacy Notices which are outstanding are in the process of being identified and drafted.
- 8 The Information Governance Policy framework has been presented to CIGG in January 2021 and has gone through formal consultation with key Council

officers. The documents are due to be confirmed as accepted during CIGG in April 2021. They will then be finalised and published.

- 9 The Special Category Policy, required to satisfy Schedule 1, Part 4 of the Data Protection Act 2018 was presented to CIGG in January for consultation.
- 10 The Information Asset Register has been amended to reflect UK GDPR compliance needs and now includes columns for law enforcement processing. Work is ongoing to ensure the register is correct and up to date. Veritau is working with the relevant service teams to complete this work. Some areas require small amendments. Major outstanding areas include Legal and Housing & Environmental Health. Human Resources have completed their first draft of entries for the register which are now being checked.
- 11 A gap analysis of the Council's Information Sharing Agreements (ISA) has been completed with areas of concern identified. Veritau has confirmed the high risk areas with the SIRO and is establishing what ISA's and Data Processing Contracts are held. Work is ongoing to assist Service Managers in their understanding of what agreements and contracts need to be reviewed/drafted.

CORONAVIRUS (COVID-19)

- 12 The Council continue to work with other members of the North Yorkshire Information Sharing Protocol to continue sharing under the overall ISA for Covid-19 related sharing.

TRAINING

- 13 It was agreed at CIGG that training sessions will be held online and in smaller sessions. The training sessions, which will be bookable, include Records Management, Data Protection Rights and Principles and a new session around Data Protection Impact Assessments. The Council has been approached in relation to identifying dates and once these are confirmed, the sessions will be formally booked in.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 14 Information Security Incidents have been reported to Veritau as required. The incidents are assessed, given a RAG rating and then investigated as required. Green incidents are unlikely to result in harm but indicate a breach of procedure or policy; Amber incidents represent actual disclosure, but harm is unlikely to be serious; and Red incidents are sufficiently serious to be considered for self-reporting to the ICO. Some incidents are categorised as 'white'. White incidents are where there has been a failure of security safeguards but no breach of confidentiality, integrity, or availability has actually taken place (i.e. the incident was a near miss).
- 15 The number of Security Incidents reported to the Council and Veritau in 2020-21 are as follows:

Year	Quarter	Red	Amber	Green	White	Total
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Year	Quarter	Red	Amber	Green	White	Total
2019/20	Q1	0	2	2	1	5
	Q2	0	1	0	2	3
	Q3	0	1	2	0	3
	Q4	0	2	4	1	7
	Total	0	6	8	4	18

- 16 A new information security incident process has been presented to CIGG in January 2021 and has gone through formal consultation with key Council officers. The process is due to be confirmed as accepted during CIGG in April 2021. It will then be finalised and published.

SUBJECT ACCESS REQUESTS – INTERNAL REVIEWS

- 17 Veritau do not process Subject Access Requests for Selby however we do advise on Internal Reviews when appropriate. Veritau have not been asked to assist with any internal reviews during 2020-21.

DATA PROTECTION IMPACT ASSESSMENTS

- 18 High Street Heritage Action Zone Project Newsletters
Veritau are supporting the service area with a DPIA related to the Heritage project. Initially this DPIA was focusing on newsletters to promote the events however it is now being expanded to cover the project as a whole. An initial draft has been done and is with Veritau for checking. A draft privacy notice is prepared, ready for when a processor is chosen and the IAR will also be updated to reflect this.

- 19 MyView
In 2019, the council implemented MyView. However a DPIA was not done before implementation. A first draft of the DPIA was received by Veritau in September. Comments have been returned to the service area.

- 20 Biometric for Laptops DPIA
Veritau was supporting the service area with implementation of the use of biometric data so that individuals could use their fingerprints to unlock laptops. During discussions for the DPIA, it was identified that fingerprint data is processed using a one way hash function, and therefore identifying data cannot be read; a DPIA is therefore not required as there is no risk to the personal data of individuals who choose to use this method of log in.

SURVEILLANCE

- 21 Veritau have had a number of meetings with the Head of Communities, Partnerships and Customers (the designated Senior Responsible Officer with the Surveillance Camera Commissioner) and others to move the overt surveillance work forward. The Surveillance log has been circulated and a gap analysis has been completed. Actions have been set to prioritise which DPIA's and ISAs need to be in place. This work is now complete, Veritau will continue to advise on the DPIAs and ISAs.

- 22 Draft policy documents and privacy notices are complete, and have been presented at CIGG for consultation. The documents are due to be confirmed as accepted during CIGG in April 2021.
- 23 Whilst Veritau have been focused on overt Surveillance, there has also been discussions about the need to ensure that Surveillance as a whole is considered, including covert surveillance. To assist with this, Veritau have conducted a review of the current RIPA (Regulation of Investigatory Powers Act) Policy and has provided some general advice. The Policy is currently under review by the Solicitor to the Council and Monitoring Officer.

LAW ENFORCEMENT

- 24 An initial scoping exercise has taken place to ascertain which areas of the council may need to be considered as undertaking law enforcement processing, which is governed by Part 3 of the Data Protection Act 2018. Whilst work has been delayed due to the high workloads within the Council, good progress has been made. Areas have now been mapped out as far as possible and amendments to the Information Asset Register will reflect where law enforcement processing is taking place, linking back to the relevant legislation and/or enforcement policies.
- 25 Documents such as the new DPIA template and guidance have been drafted to include law enforcement considerations.
- 26 Privacy notices have been reviewed in the context of with law enforcement activity. It has been agreed that any changes to the notices will occur at the same time as any identified updates as per paragraph 7 above. Priority will be given to updating the corporate privacy notice.
- 27 The Law Enforcement Policy, required for compliance with section 42 of the Data Protection Act 2018 to cover data processed under Part 3 of the Act alone was presented at CIGG in January for consultation.
- 28 A training course has been designed which is able to be provided remotely. Further work is being carried out to ensure that the course meets all the requirements of the Council – for example making sure that examples are specific to the services who require training. The course will be made available later in 2021.

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Report Reference Number: A/20/29

To: Audit and Governance Committee
Date: 21 April 2021
**Author: Ed Martin; Audit Manager (Veritau).
Daniel Clubb; Counter Fraud Manager (Veritau)
Kirsty Bewick; Information Governance Manager
(Veritau)**
Lead Officer: Karen Iveson; Chief Finance Officer (s151 Officer)

Title: Internal audit, counter fraud and information governance work programmes 2021/22

Summary:

The purpose of this report is to present the proposed internal audit, counter fraud and information governance work programmes for 2021/22.

Recommendations:

It is recommended that the internal audit work programme 2021/22 be approved and that the counter fraud and information governance work programmes be noted.

Reasons for recommendation

Internal audit work programmes are required to be reported to the audit and governance committee for approval. Veritau provides the council with specialist counter fraud and information governance services. For transparency and information purposes we have included work programmes for these services alongside the internal audit work programme within this report. These work programmes do not need committee approval but are presented for information.

1. Introduction and background

- 1.1 This document sets out the planned 2021/22 programme of work for internal audit, counter fraud, risk management and information governance services provided by Veritau for Selby District Council.
- 1.2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Council's audit charter. In accordance with PSIAS, internal audit work must be risk-based and take into account the requirement to produce an evidence-based annual internal audit opinion.

Planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.

- 1.3 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the Council, and to produce a fully informed body of work which allows us to provide that opinion
- 1.4 Responsibility for effective risk management, governance and internal control arrangements remains with the Council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can audit work cover all areas of risk across the organisation.

2. Internal audit work programme

- 2.1 There is a currently a significant amount of uncertainty for Selby District Council arising from the environment in which it operates. The impact of Covid-19 on all aspects of the Council, the socioeconomic and regulatory uncertainty for post-Brexit UK, and the significant potential impact of Local Government Reorganisation are just three reasons why it is difficult to accurately predict key organisational risks for 2021/22. Risks relating to these issues, and the actions needed to manage and mitigate them, are likely to change and evolve over the next 12 months.
- 2.2 To meet professional aims and objectives, good practice for internal audit requires us to adopt flexible planning processes. This helps to ensure that internal audit work undertaken during the year is adapted on an ongoing basis to reflect changing and emerging risks within the Council.
- 2.3 The work programme for 2021/22 (appendix 1) represents a summary of the overall areas where we expect to undertake work over the next year, based on our current assessment of risk. This assessment involves giving careful consideration to:
 - where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential;
 - areas of known concern, where a review of risks and controls will add value to operations;
 - areas of significant change which may include providing direct support / challenge to projects, reviewing project management arrangements, or consideration of the impact of those changes on the control environment, for example where the reduction in resources may result in fewer controls.

Despite the significant uncertainties facing the Council, the areas listed above remain the core principles and appropriate criteria in identifying and prioritising areas for internal audit attention.

- 2.4 The identification of risks included in the assessment has been informed in a number of ways. This includes review of the organisational risk management processes, sector-wide risk information, understanding the Council's strategies and objectives, other known risk areas (for example areas of concern highlighted by management), the results of recent audit work and other changes in Council services and systems. The proposed areas of coverage have been subject to consultation with the Extended Leadership Team.
- 2.5 In delivering the programme we will prioritise work in the short term and regularly review and update its content (i.e. to reflect the actual work to be undertaken) on an ongoing basis throughout the year.
- 2.6 We will also regularly discuss the scope and timings of work with officers and management to help ensure that we provide assurance in the right areas and at the right time. Further meetings will be held in April to plan and confirm the scope and timings of some 2021 work. We will also provide regular updates to the Audit and Governance Committee throughout 2021/22 on the coverage, scope and findings of our work.
- 2.7 Where possible, internal audit work during 2021/22 will include shorter, more focussed assignments and an increased use of data analytics to support the provision of continuous assurance to the Council.
- 2.8 Total planned days for 2021/22 are 375.

3. Counter Fraud work programme

- 3.1 Appendix 2 sets out the proposed counter fraud work programme. Areas of activity are guided by the Council's counter fraud strategy and counter fraud risk assessment (presented in January 2021).
- 3.2 Total planned days for 2021/22 are 105.

4. Information Governance work programme

- 4.1 The information governance work programme (appendix 3) sets out proposed areas of information governance work for 2021/22. The total planned days for 2021/22 are 60.

5. Implications

- 5.1 There are no legal, financial, policy & risk, corporate plan, resource or other implications from this report.

6. Conclusion

- 6.1 The Internal Audit, Counter Fraud and Information Governance work programmes have been drafted in consultation with the Chief Finance Officer (s151) and other senior officers.
- 6.2 They represent work programmes which utilise resources effectively and are informed by the Council's main strategic risks. The work programmes support the overall aims and priorities of the council by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

7. Background Documents

Counter Fraud and Corruption Strategy Action Plan (January 2021)
Counter Fraud Risk Assessment (January 2021)

8. Appendices

Appendix 1 – Internal Audit work programme 2021/22

Appendix 2 – Counter Fraud work programme 2021/22

Appendix 3 – Information Governance work programme 2021/22

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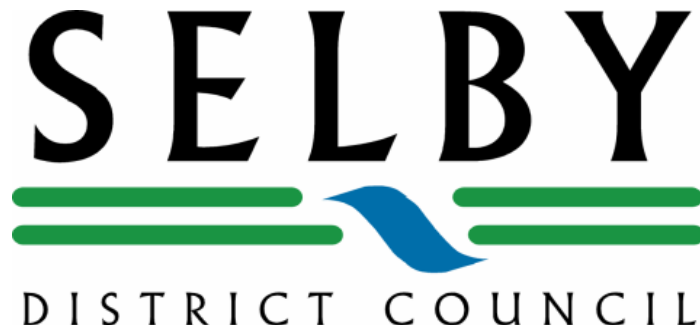
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Selby District Council

Internal Audit Work Programme 2021/22

Audit Manager:
Head of Internal Audit:

Ed Martin
Max Thomas

Circulation List:

Members of the Audit and
Governance Committee
Chief Executive
Chief Finance Officer (S151 Officer)

Date: 21 April 2021



2021/22 internal audit work programme

- 1 The proposed areas of audit coverage are based on a total commitment of 375 days and are included in the work programme at annex A.
- 2 These areas have been identified on the basis of a risk assessment process which includes review of the organisational risk management processes, sector-wide risk information, understanding the Council's strategies and objectives, other known risk areas (for example areas of concern highlighted by management), the results of recent audit work and other changes in Council services and systems. The proposed areas of coverage have been subject to consultation with the Extended Leadership Team.
- 3 The programme is designed so as to ensure that limited audit resources are prioritised towards those areas which are considered to carry the most risk or which contribute the most to the achievement of the Council's strategic priorities and objectives.
- 4 The plan has been structured into a number of sections:
 - **Strategic risks / Corporate & cross cutting;** to provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the Council.
 - **Fundamental / material systems;** to provide assurance on the key areas of financial risk. This helps provides assurance to the Council that risks of loss are minimised.
 - **Operational / regularity;** to provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
 - **Technical / projects;** to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
 - **Other audit assurance areas;** an allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
 - **Client support, advice & liaison;** work we carry out to support the Council in its functions. This includes the time spent providing support and advice and liaising with staff.
- 5 It is important to emphasise two important aspects of the programme. Firstly, the audit areas included in this draft programme are not fixed. Work will be kept under review to ensure that audit resources continue to be deployed in the areas of greatest risk and importance to the Council.

- 6 Secondly, it will not be possible to deliver all of the audits in the programme. The programme has been oversubscribed so as to build in flexibility from the outset and to provide an indication of the priorities at the time of our risk assessment. This is so that, if risks and priorities do change during the year, we can respond quickly by commencing work in other areas of importance to the Council.
- 7 It is recognised that Council staff continue to deal with significant pressures and workloads. Audit work during 2021/22 will be planned and carried out accordingly, taking these pressures into account and minimising staff involvement where possible.
- 8 The prioritisation and scoping of work will continue to be discussed regularly with officers, and relevant changes to the programme will be agreed with the S151 Officer and notified to this committee.

Draft Internal Audit Work Programme 2021/22

Area	Days	Potential audits / activity
Strategic risks / Corporate & cross cutting	90	LGR preparations (including risks relating to project management, procurement & contract management, and financial procedure rules and decision making) Covid-19 recovery (including post-pandemic working arrangements and business continuity planning) Medium term financial planning and the CIPFA Financial Management Code Programme for Growth and additional government funding
Fundamental / material systems	80	Council Tax / NNDR (including review of Covid-19 related grants) CTS and benefits Debt management / income collection (including enforcement practices) Creditors General ledger Housing rents Payroll
Operational / regularity	60	Homelessness / housing options Environmental health Planning Community engagement Council house repairs
Technical / projects	45	Cybersecurity IT information security IT asset management IT technical infrastructure Project management
TOTAL	275	

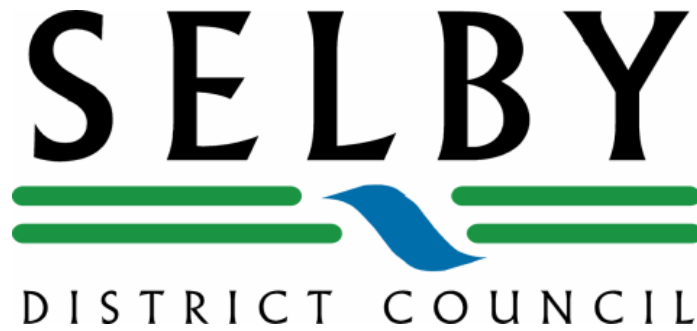
Other audit assurance areas

Area	Days	Activity
Ongoing assurance	5	Continuous audit planning and assurance gathering to support annual opinion
Follow up of management actions	15	Follow-up of previously agreed management actions
TOTAL	20	

Client support, advice & liaison

Area	Days	Activity
Client and committee related support, advice and liaison	80	Committee preparation and attendance Client liaison, support and advice External audit liaison Member and officer training Financial appraisals Contingency Risk management facilitation
TOTAL	80	
OVERALL PROGRAMME	375	

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Selby District Council

Counter Fraud Work Programme 2021/22

Counter Fraud Manager:
Head of Internal Audit:

Daniel Clubb
Max Thomas

Circulation List:

Members of the Audit and
Governance Committee
Chief Executive
Chief Finance Officer (S151 Officer)

Date: 21 April 2021

Introduction

- 1 Veritau undertakes counter fraud work on behalf of Selby District Council. This document summarises the agreed areas of counter fraud work for 2021/22.
- 2 The Counter Fraud Plan is based on an estimate of the amount of resource required to provide the range of counter fraud activities required by the council. A total of 105 days of counter fraud work has been agreed for 2021/22.

2021/22 Counter Fraud Plan

- 3 A summary of planned areas of work is set out in the table below. An estimated number of days for each area is provided but this will be flexible to reflect the work that arises during the year.

Fraud Area	Days	Scope
Counter Fraud General	10	Monitoring changes to regulations and guidance, review of counter fraud risks, and support to the council with maintenance of the counter fraud framework. This will include completion of the annual counter fraud risk assessment and review of the counter fraud policy and strategy.
Proactive Work	10	This includes: <ul style="list-style-type: none">• raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues.• targeted proactive counter fraud work - for example through local and regional data matching exercises.• support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud.
Reactive Investigations	45	Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud recurring.
Covid-19 response work	10	Post assurance activities and investigation of potential fraud highlighted through this work. Assisting the council to recover money lost to fraud through grants.
National Fraud Initiative (NFI)	15	Coordinating submission of data to the Cabinet Office for the NFI national fraud data matching programme and investigation of subsequent matches.
Fraud Liaison	15	Acting as a single point of contact for the Department for Work and Pensions, to provide

data to support their housing benefit investigations.

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Selby District Council

Information Governance Work Programme 2021/22

Information Governance Manager:
Head of Internal Audit:

Kirsty Bewick
Max Thomas

Circulation List:

Members of the Audit and
Governance Committee
Chief Executive
Chief Finance Officer (S151
Officer)

Date: 21 April 2021



Introduction

- 1 Veritau undertakes information governance work on behalf of Selby District Council. Veritau is also the Council's appointed statutory Data Protection Officer which involves the carrying out of specific functions. The service helps to ensure the Council complies with all relevant legislation, including the UK-General Data Protection Regulation (UK-GDPR) and Data Protection Act 2018. This document summarises the agreed areas of work for 2021/22.
- 2 The Information Governance Plan is based on an estimate of the amount of resource required to provide the range of activities required by the Council. A total of 60 days of information governance work has been agreed for 2021/22.

2021/22 Information Governance Plan

- 3 The following table provides an indicative allocation of time across each element of the service:

Area	Days	Scope
Data Protection Officer Role	15	<p>Monitoring compliance with the Council's policy framework and data protection legislation as Data Protection Officer.</p> <p>This also includes liaising with the UK Information Governance regulator: the Information Commissioner's Office (ICO) and with data subjects who have concerns with how their data is being processed.</p>
Information Governance Strategy and Support	30	<p>Developing the Council's policy framework, advising on the implementation of new information governance processes and supporting service area projects with information governance consultations.</p>
Provision of Advice and Training	15	<p>The provision of advice and guidance on all information governance related matters.</p> <p>Supporting service managers by providing specific information governance training sessions to officers.</p>

2021/22 Information Governance Strategic Objectives

- 4 The following strategy objectives will be delivered by Veritau in 2021/22.

Information Asset Management

- 5 As part of the work on developing the Council's information asset register a comprehensive list of other data controllers who may receive data from the Council has been compiled. Veritau will work with service managers to ensure that data sharing arrangements are formalised through information sharing agreements as per the requirements of the North Yorkshire Information Sharing Protocol, which the Council is a signatory to.
- 6 A process map detailing how this work will be undertaken can be found in Appendix 1 of this report.

Law Enforcement

- 7 Veritau will continue to review all law enforcement activity for the collection of personal information to ensure all detail has been captured as part of the information asset register and that privacy notices are updated.

Privacy Notice Review

- 8 Having conducted a review in 2020/21, Veritau will ensure that all privacy notices are now updated.

2021/22 Information Governance Training Provision

- 9 The following information governance themes will be covered by specific Veritau delivered training in 2021/22:

Data Protection Impact Assessments

- 10 Delegates will be introduced to the concept of data protection impact assessments, a now mandatory tool to identify risk, including their purpose and the various aspects that need to be included. The delegates will work through an example DPIA which will provide the opportunity to learn how to complete a DPIA and ask any relevant questions.

Law Enforcement

- 11 Delegates will be introduced to part three of the Data Protection Act 2018. This will help develop an understanding of the key differences between law enforcement and UK-GDPR and their obligations.

- 12 The following additional information governance themes will be available to Selby District Council to book if required in 2021/22:

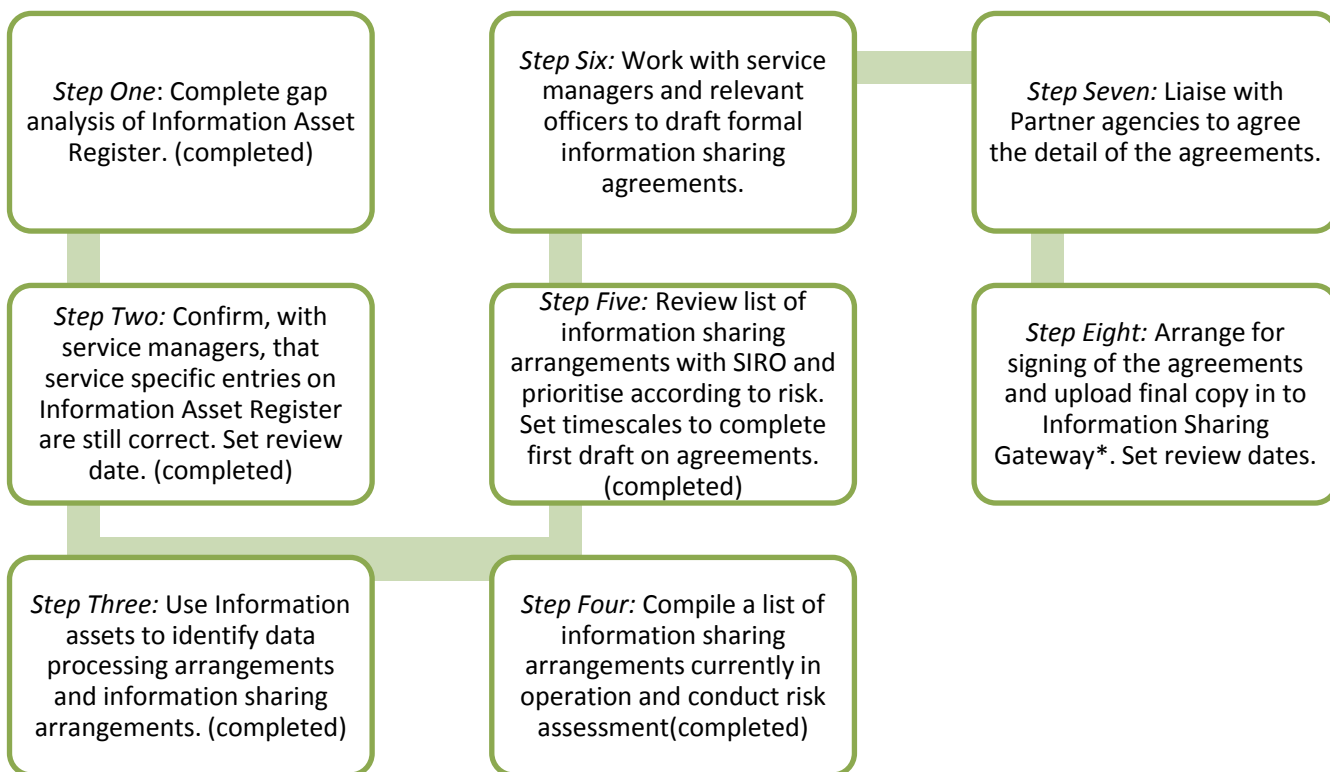
Records Management

- 13 Delegates will be introduced to Records Management concepts and tools including: the Records Lifecycle, benefits of Records Management, file plans, email management, retention and Information Asset Registers.

Data Protection Rights and Principles

- 14 Delegates will have the data protection principles explained in detail and will be introduced to specific rights that service users have in relation to their personal data. This workshop will give delegates practical knowledge which can be applied to their day-to-day work.

Appendix 1: Process Map detailing development of Information Sharing Agreements across the Council.



* The 'Information Sharing Gateway' is an online framework to support information sharing across a number of organisations. A number of organisations in North Yorkshire are working together to use the gateway to integrate their depositories of information sharing agreements and create a detailed information flow map across the County.

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Report Reference Number: A/20/30

To: Audit and Governance Committee
Date: 21 April 2021
Status: Non-key
Ward(s) Affected: All
Author: Alison Hartley, Solicitor to the Council
Lead Executive Member: Councillor Mark Crane, Leader of the Council
Lead Officer: Alison Hartley, Solicitor to the Council

Title: Investigatory Powers Commissioner's Office – Remote Inspection 2021

Summary: The purpose of this Report is to inform Members of the Commissioner's Report and the Council's response and Action Plan, following a Remote Inspection on 9th February 2021.

Recommendation:

That the Audit and Governance Committee note the Report of the Investigatory Powers Commissioner's Office and the response from the Chief Executive on behalf of the Council including the Action Plan.

Reason for recommendation:

Part of the role of the Audit and Governance Committee is to monitor the Council's use and authorisation of covert surveillance under the Regulation of Investigatory Powers Act 2000; providing the inspection findings to the Committee enables oversight.

1. Introduction and background

- 1.1** As a public authority, a Council has investigative powers including carrying out directed covert surveillance in certain circumstances. To do so, strict procedures are in place to ensure that such infringement of privacy is only authorised where proportionate and justified in the circumstances, in accordance with the Regulation of Investigatory Powers Act 2000.
- 1.2** It is highly unusual for a District Council in carrying out its investigative functions to carry out any directed covert surveillance. In line with others, Selby District Council has not done so. All CCTV Cameras are "overt", in that signs are in place warning that CCTV is recording.

1.3 The Surveillance Commissioner recognises this, and this year has adopted a different, advisory and light touch approach to the inspection regime of such District Councils as a consequence.

1.4 The Solicitor to the Council & Monitoring Officer is appointed as Selby District Council's Senior Responsible Officer (SRO). She was interviewed on 9th February 2021 by Mrs Samantha Jones of the Investigatory Powers Commissioner's Office, facilitated via MS Teams. The Audit & Governance Committee are now appraised of the findings and resultant Action Plan.

2. IPCO Surveillance and CHIS Inspection of Selby District Council

2.1 The last inspection had taken place in October 2018, and so in line with the three-yearly timeline, the Council was inspected in February 2021.

2.2 The inspection took the form of a detailed discussion over MS Teams, and the Inspector was provided with documentation by the SRO to substantiate the work that is in progress in terms of training and policy review.

2.3 The Commissioner's Office is satisfied that there are no recommendations to be made. Selby has not undertaken any directed covert surveillance during the inspection period and no RIPA authorisations have been required. The IPCO Report is at Appendix 1.

2.4 If such surveillance was to be considered in the future, the SRO is confident that the Officers involved have sufficient awareness of the circumstances that would require seeking an authorisation under the RIPA provisions, and that Officers would first seek legal advice in any event.

2.5 As part of the ongoing work programme in the Corporate Information Governance Group, Officers are developing a comprehensive Surveillance Policy in conjunction with Veritau (internal audit). It is intended that this new Policy document will dovetail with an updated RIPA Policy, and that joint training covering both overt and covert surveillance will be provided to Officers on adoption of the policy. The Action Plan within the response to the Commissioner at Appendix 2 references the proposed work and timeframe for completion, including further reporting to the Audit and Governance Committee.

3. Alternative Options Considered

None.

4. Implications

4.1 Legal Implications

None as a result of the recommendations in this report.

4.2 Financial Implications

None as a result of the recommendations in this report.

4.3 Policy and Risk Implications

The recommendations in this report will ensure oversight of the RIPA procedures at the Council.

4.4 Corporate Plan Implications

None.

4.5 Resource Implications

None.

4.6 Other Implications

None.

4.7 Equalities Impact Assessment

Not applicable.

5. Conclusion

5.1 Part of the role of the Audit and Governance Committee is to monitor the Council's use and authorisation of covert surveillance under the Regulation of Investigatory Powers Act 2000; providing the inspection findings to the Committee enables oversight.

5.2 Members are asked to note the ongoing work being undertaken in relation to surveillance and that there will be further reports in relation to updating the RIPA Policy in accordance with the Action Plan.

6. Background Documents

None.

7. Appendices

Appendix 1 – IPCO Report dated 15 February 2021

Appendix 2 – Response from Chief Executive and Action Plan

Contact Officer: Alison Hartley, Solicitor to the Council & Monitoring Officer
ahartley@selby.gov.uk

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Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Ms J Waggott
Chief Executive
Selby District Council

15 February 2021

Dear Ms Waggott,

IPCO Surveillance and CHIS inspection of Selby District Council

Please be aware that IPCO is not a "public authority" for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Your Council was recently the subject of a remote inspection by one of my Inspectors, Mrs Samantha Jones. This has been facilitated via MS Teams through your Senior Responsible Officer (SRO) Ms Alison Hartley, Solicitor to the Council and Monitoring Officer. No formal recommendations, but several observations, have been made below as a result of this inspection process.

The last inspection of Selby Council took place during October 2018, by Mr Graham McCrory MBE who made one observation which required appropriate remedial action:

- *The policy document, noted as being reviewed every 18 months, requires having references to the Office of Surveillance Commissioners (OSC) and the Interception of Communications Commissioner's Office (IOCCO), as the RIPA oversight bodies, removed and replaced with reference to the Investigatory Powers Commissioner's Office (IPCO).*

Selby Council has, I understand, undergone periods of upheaval since the last inspection took place. The current SRO has been in that role since late September 2019 following an interval which was reliant on temporary legal cover which concentrated purely on the duties of the Monitoring Officer. This, coupled with the pressures of a snap election, extensive flooding within the district, potential restructuring of local authorities across the North Yorkshire region, and the current pandemic, has meant that the policy, although in draft stages of update, has not been finalised nor put before the Elected Members in accordance with paragraph 4.47 of the Home Office Surveillance Code of Practice; similarly the reporting of the non-use of the powers was also absent. My Inspector has been assured that this work is now firmly on the radar of your SRO, with a full review of both overt (including CCTV) and covert policy currently being undertaken with a focus on providing an up to date training package, conspicuous by its absence, for all relevant staff when the policy is approved.

Whilst your Council has not exercised its RIPA powers for a considerable period of time, it was clear Selby is alive to the possibility of online social media research being carried out and is considering the use of this medium once the review of policy has been completed. This, combined with an identified training programme and management oversight, should provide assurances that any research undertaken does not drift into surveillance territory without the appropriate authorisation being in place. Consideration should also be given to the oversight and governance of any covert structures and subsequent evidential capture of material.

Your Council has also emphasised to staff that personal profiles should not be used for council business within the Employee Code of Conduct and Acceptable Use documents. This is pleasing to note, as it is incumbent on you to ensure the safety and security of staff. The dangers aligned to using personal social media accounts for business purposes, especially those of a covert nature, should not be underestimated, and all staff should be cognisant of their own personal online security and of the vulnerabilities attached to using any insecure or personal online platform.

There have been no authorisations for the use and conduct of a CHIS. This reflects the widespread practice, common amongst local authorities, of never or rarely authorising CHIS. The possibility of status drift was discussed with the SRO in relation to the monitoring of information provided by members of the public, as well as online activity. Ms Hartley is confident that sufficient awareness exists amongst staff to be alert to any potential status drift.

It is understood that your Council is registered with the National Anti-Fraud Network (NAFN) for the purposes of obtaining communications data and is cognisant of the extension of powers introduced by the Investigatory Powers Act 2016 to include details of in and out call data and cell site location. This represents a significant opportunity to enhance investigations, and in addition, registration with NAFN also provides lawful access to other forms of data from the DVLA, Equifax and a variety of other financial/fraud check organisations.

As part of the inspection process the Council's stance on the review, retention and destruction (RRD) of documentation was also assessed. The Central Register is comprised of an Excel spreadsheet, although as would be expected, no details are currently held. Access is restricted to the Senior Solicitor and Corporate Management Team. The data pathways of any material captured by way of an authorisation under the legislation is clear, with the investigative files held within the relevant Service department until they are transferred to Legal Services. There is a separate RRD policy, linked to the information assets register held by the Data Protection Officer, which will dovetail into the updated RIPA policy. Legal Services, in conjunction with individual responsible officers within the service areas, will be responsible for triggering the review and destruction of relevant material.

Mrs Jones would like to thank Ms Hartley for her engagement at a time of unprecedented demands on local authorities. I hope that this video-based inspection has proved to be helpful and constructive. My Office is available to you should you have any queries following the inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of the report within two months, with a specified plan to address the observations made.

Yours sincerely,



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

Please ask for: Alison Hartley
Direct Dial: 01757 292095

Your Ref: Mrs Samantha Jones
Email: ahartley@selby.gov.uk

12/04/2021

IPCO
Investigatory Powers Commissioner's Office
PO Box 29105
London
SW1V 1ZU

Dear Sir

Re: IPCO Surveillance and CHIS inspection of Selby District Council

Thank you for your letter dated 15 February. I acknowledge receipt, and I was pleased to note that there are no formal recommendations.

I have spoken with Alison Hartley, and she found the MS Teams discussion with Mrs Samantha Jones very constructive and has started to progress an Action Plan (attached) to address the helpful observations made by Mrs Jones.

Yours faithfully

Janet Waggott

Janet Waggott
Chief Executive

ISSUE	ACTION	DEADLINE DATE	RESPONSIBLE OFFICER	COMPLETED DATE
Report on non-use of RIPA Authorisations 20/21 to Audit and Governance Committee in line with IPCO recommendations		July 2021	AH	
Revise & Update RIPA Policy and report to Audit & Governance Committee to accord with para 4.47 Home Office Surveillance Code of Practice and IPCO recommendations		July 2021	AH Support: KB	
Align RIPA with new SDC Overt Surveillance Policy & Training Programme	Raise at Corporate Information Governance Group	April 2021	AH Support: AC/KB	1 st April 2021
	Meet with Veritau to prepare joint training programme	June 2021	AH Support: KB/AC	
	Report New Surveillance Policy to Audit & Governance Committee	July 2021	AH	
	Deliver Joint Training Programme to Officers regarding covert and overt surveillance	August 2021	AH Support: AC/KB	
Refresh the Review Retention and Destruction Policies at SDC	Establish a workstream at Corporate Information Governance Group	10 June 2021	AH Support: Leadership Team & Heads of Service	

Agenda Item 12



Report Reference Number: A/20/31

To: Audit and Governance Committee
Date: 21 April 2021
Author: Karen Iveson, Chief Finance Officer
Lead Officer: Karen Iveson, Chief Finance Officer
Executive Member: Councillor Cliff Lunn, Lead Member for Finance and Resources

Title: Redmond Review Update

Summary:

This report presents an update on the review into oversight of local audit and transparency of local authority reporting, led by Sir Tony Redmond. The review has been considered by Government and they have published their response to the recommendations with a number still requiring further consideration. The key change to be implemented this year concerns the statutory dates and arrangements for publishing draft and audited accounts, with the deadline for the approval of the audited 2020/21 accounts being pushed back to 30 September 2021. This extended date will also apply for the 2021/22 accounts and a further review will be undertaken for 2022/23 onwards.

Recommendation:

Councillors note the Government's response to the recommendations of the Redmond review.

1. Introduction and background

- 1.1 The purpose of the Redmond Review, which was commissioned by the Government, was to test not only the impact of external audit activity in local government but also to look at how it helps to demonstrate public accountability, particularly to service users and council taxpayers - issues which are highly relevant to the work of this committee.
- 1.2 The review, launched in July 2019, examined whether the reporting regimes are robust enough to spot early warning signs, such as risks from commercial investments, to protect public funds and better serve taxpayers.

2. The Report

2.1 A number of detailed recommendations have been put forward in the review, including:

- A review and potential simplification of local authority accounts and a revision to the deadline for publishing the audited accounts from 31 July to 30 September each year;
- A review of the governance arrangements within local authorities by local councils with the purpose of an annual report being submitted to Full Council by the external auditor; consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually;
- And a revision to the current fee structure for local audit to ensure that adequate resources are deployed to meet the full extent of local audit requirements.

2.2 The Government's response sets out how many of the recommendations will be implemented, including swift action to ensure the ongoing effectiveness of the local audit system and improvements to make financial information more transparent. The response includes:

- Temporarily extending the deadline to 30 September for the publication of local authorities' audited accounts to give them more time to address any issues
- Making it easier for Public Sector Audit Appointments, councils and audit firms to agree appropriate fee scales to meet the cost of additional audit work, and
- Working with partner organisations such as The Chartered Institute of Public Finance and Accountancy, The Institute of Chartered Accountants in England and Wales and the Financial Reporting Council to improve the long-term supply of well-trained local auditors
- Requiring councils to produce an easily accessible annual statement of their service costs
- Requiring auditors to present their findings to a Full Council meeting every year, helping councillors and residents better hold councils to account.

2.3 The response highlighted that councils will be required to produce an easily accessible statement of their accounts which will make it easier for taxpayers and service users to hold them to account.

2.4 As part of the response the Government also committed an additional £15 million in 2021-22 to support councils fund the likely increase in audit fees and to produce these annual statements.

- 2.5 In the Government's response, Ministers committed to amending the accounts publication deadline as recommended for 2 years, subject to review.
- 2.6 A number of efficiencies have been identified in the Statement of Accounts process through the earlier accounts timetable, enabling a more effective use of resources – in particular the ability to divert resource into in year financial management and forward planning. As a result, the intention is to continue to produce the draft Statement of Accounts in line with the earlier timetable (31 May).
- 2.7 A number of responses indicate that some recommendations require further consideration and full responses will be provided by Spring 2021 – we await this detail.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None as a consequence of this report.

3.2 Financial Issues

None as a consequence of this report.

4. Conclusion

- 4.1 Whilst the accounts publication deadline has been extended to 30th September for 2 years, the intention is to continue to produce the draft Statement of Accounts in line with the earlier timetable (31 May) to enable resources to be diverted towards in year financial management and forward planning.

5. Background Documents

- 5.1 <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

[Local authority financial reporting and external audit: government response to the Redmond review - GOV.UK \(www.gov.uk\)](#)

Contact Officer:

Karen Iveson Chief Finance Officer kiveson@selby.gov.uk

Appendices:

Appendix A: Summary of MHCLG's response to the recommendations made by the Redmond Review

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Appendix A: Summary of MHCLG’s response to the recommendations made by the Redmond Review

Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)

Recommendation	MHCLG Response
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	Agree; we will work with key stakeholders to deliver this recommendation
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.	Agree; we will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	Part agree; we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.	Part agree; we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review

Recommendation**MHCLG Response**

11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.

Agree

Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)

Recommendation**MHCLG response**

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts
- producing annual reports summarising the state of local audit
- management of local audit contracts
- monitoring and review of local audit performance
- determining the code of local audit practice
- regulating the local audit sector

We are considering these recommendations further and will make a full response by spring 2021.

2. The current roles and responsibilities relating to local audit discharged by the:

- Public Sector Audit Appointments (PSAA)
- Institute of Chartered Accountants in England and Wales (ICAEW)

We are considering these recommendations further and will make a full response by spring 2021.

Recommendation	MHCLG response
<hr/> <p>- FRC/ARGA - The Comptroller and Auditor General (C&AG) to be transferred to the OLAR</p> <hr/>	
<p>3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p> <hr/>	<p>We are considering these recommendations further and will make a full response by spring 2021.</p> <hr/>
<p>7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.</p> <hr/>	<p>We are considering these recommendations further and will make a full response by spring 2021.</p> <hr/>
<p>13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.</p> <hr/>	<p>We are considering these recommendations further and will make a full response by spring 2021.</p> <hr/>
<p>17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p> <hr/>	<p>We are considering these recommendations further and will make a full response by spring 2021.</p> <hr/>

Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)

Recommendation

MHCLG response

4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:

Agree; we will work with the LGA, NAO and CIPFA to deliver this recommendation

- an annual report being submitted to Full Council by the external auditor
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee
- formalising the facility for the CEO, Monitoring Officer
- Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.

Agree; we will work with the NAO and CIPFA to deliver this recommendation

12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

Agree; we will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required

18. Key concerns relating to service and financial viability be shared between local auditors and inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's annual report.

Agree; we will work with other departments and the NAO to deliver this recommendation

Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)

Recommendation

MHCLG response

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.

Agree; we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation

20. The standardised statement should be subject to external audit.

Agree; we will work with CIPFA, the LGA and the NAO to deliver this recommendation

21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.

Agree; we will work with the LGA and CIPFA to deliver this recommendation

22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

Agree; we will look to CIPFA to deliver this recommendation

Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)

Recommendation	MHCLG response
14. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.	Agree; we will look to SAAA to deliver this recommendation
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.	We are considering this recommendation further and will make a full response by spring 2020
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.	Agree; we will look to SAAA to deliver this recommendation
23. JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered: - whether "Section 2 – the Accounting Statements" should be moved to the first page of the AGAR so that it is more prominent to readers - whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements - whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.	Agree; we will work to JPAG to deliver this recommendation

1. This recommendations (and the department's response) applies only to principal local authorities (i.e. not police and crime commissioners or fire and rescue authorities) [↩](#)
2. This recommendations (and the department's response) applies only to principal local authorities (i.e. not police and crime commissioners or fire and rescue authorities)

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Agenda Item 13



Report Reference Number: A/20/32

To: Audit and Governance Committee
Date: 21 April 2021
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit and Governance Committee Annual Report 2020-21

Summary:

A draft Annual Report is provided for the Committee's consideration and approval.

Recommendations:

- i. **To approve the Audit and Governance Committee Annual Report 2020-21; and**
- ii. **To delegate authority to the Democratic Services Officer in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

Reasons for recommendation

The Audit and Governance Committee is required, under Article 6 of the Constitution, to prepare an Annual Report reviewing its work during the previous municipal year.

1. Introduction and background

- 1.1 Article 6 of the Constitution requires the Audit and Governance Committee to prepare an Annual Report which should review its work during the previous municipal year.

2 The Report

- 2.1 A draft Annual Report is attached at Appendix A. This has been drafted by the Chair and the Democratic Services Officer and it is now available for the Committee to consider.

- 2.2 The Report has been structured in three sections:
- An introduction from the Chair
 - A summary of the membership, role and work of the committee
 - An appendix comprising a retrospective work programme and summary of decisions for 2020-21.
- 2.3 The Committee is asked to consider any amendments and approve the report for publication.
- 2.4 As there will be no further meeting of the Committee during this municipal year, the Committee is asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to amend the appendix prior to publication to reflect the business transacted at the April meeting.

3 Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to approve the draft Annual Report 2020-21 to comply with the requirement of Article 6 of the Constitution.
- 4.2 The Committee is further asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix to the Annual Report to reflect outcomes following the final meeting of the year.

5. Background Documents

None.

Contact Officer:

Dawn Drury, Democratic Services Officer
Ext: 42065
ddrury@selby.gov.uk

Appendices:

A – Draft Audit and Governance Committee Annual Report 2020-21



Audit and Governance Committee

Annual Report 2020-21

Introduction from the Chair – Councillor Karl Arthur

I am pleased to present the Audit and Governance Committee Annual Report 2020-21.

The overall responsibility of the Committee is to scrutinise and monitor the Council's control systems, procedures, and risk management systems. As Chair of the Committee, I provided a report to each Council meeting highlighting the Committee's work.

The Committee was fortunate to again have excellent officer support to help guide it through complex reports and also excellent advice from both our Internal and External Auditors.

As in recent years, the Committee continued to attend briefings prior to meetings, which were largely focussed on the most important item of business being considered at the subsequent meeting. This helped to further ensure that Committee members were able to fully undertake their scrutiny duties.

The Committee met three times during the municipal year and considered a range of different issues. The Committee's Work Programme ensured a strong focus on the priorities of the Council and the concerns of local people, this included regular reviews of audit reports and risk management systems.

I am delighted to say that there were no items of business for the Standards Committee to investigate during the course of the 2020-21 municipal year. However, I would like to take this opportunity to thank Philip Eastaugh, Hilary Putman and Wanda Stables for continuing to volunteer as independent members in case it was needed.

I would like to thank all councillors who served on the Audit and Governance Committee during 2020-21, for their support and continued hard work. Many people have contributed to the work of the committee, including officers and external partners. I would like to put on record my thanks to them.

I am confident that the audit and governance of Selby District Council is robust, and I look forward to the coming municipal year.



Councillor Karl Arthur
Chair, Audit and Governance Committee

21 April 2021

Audit and Governance Committee Annual Report 2020-21

The Audit and Governance Committee membership changed slightly following Council on the 22 September 2020. The following Councillors sat on the Audit and Governance Committee during the 2020-21 municipal year:

8 Members

Conservative	Labour	Selby Independents and Yorkshire Party Group
Karl Arthur (Chair)	John Duggan	Eleanor Jordan (<i>up to September 2020</i>)
Neil Reader (Vice-Chair)	Keith Franks	Dave Brook (<i>up to September 2020</i>)
Judith Chilvers		Don Mackay (<i>appointed September 2020</i>)
Mike Jordan (<i>appointed September 2020</i>)		
Tim Grogan (<i>appointed September 2020</i>)		
John Mackman (<i>up to September 2020</i>)		
Substitutes	Substitutes	Substitutes
John Cattanach	Paul Welch	Mary McCartney (<i>appointed September 2020</i>)
Ian Chilvers	Jennifer Shaw-Wright	
Andrew Lee		

The Committee will have met remotely four times during the year (29 July 2020, 21 October 2020, 27 January 2021 and 21 April 2021).

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Alison Hartley, Solicitor to the Council and Monitoring Officer
- Dawn Drury, Democratic Services Officer

Representatives of both internal audit (Veritau) and external audit (Mazars) were in attendance at every meeting and the relevant council officers were also present to answer questions from the Committee. In addition, the Chair maintained a dialogue throughout the year with Veritau and Mazars.

The Role of the Audit and Governance Committee

The Audit and Governance Committee is responsible for scrutinising and monitoring the control systems, procedures and risk management systems operating at the Council.

In accordance with the Council's Constitution, the Committee has delegated authority to:

- monitor and report on the effectiveness of the Council's Constitution;
- receive reports from the Monitoring Officer on the effectiveness of the Standards arrangements adopted by the Council;
- scrutinise and approve the Council's Annual Governance Statement, statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be);

- be satisfied that the Council's assurance statements, including the Annual Governance Statement, have been properly developed and considered by councillors;
- to scrutinise and monitor the control systems, procedures and risk management systems operating at the Council;
- receive, but not direct, internal audit service strategy and plan and monitor performance;
- receive the annual report of the internal audit service;
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- consider the reports of external audit and inspection agencies relating to the actions of the Council;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit;
- issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the Council, Executive or the relevant committee of the Council;
- monitor the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000 for the use of authorisation of surveillance.

2020-21 Work Programme

During 2020-21 the Audit and Governance Committee reviewed and considered:

- the statutory financial statements of the Council and Annual Governance Statement;
- reports made on Selby District Council by the external auditor (Mazars);
- the work of the internal auditor (Veritau);
- other issues falling within the Council's control and risk management framework.

A summary of the Committee's work over the year is set out at Appendix A.

To assist the Committee in its work, an 'action log' was maintained throughout the year which listed issues and actions arising from each meeting.

Conclusion

Throughout 2020-21, the Audit and Governance Committee exercised its delegations across a broad range of topics and had the opportunity to further develop the skills and knowledge of its members to ensure that the Council's control framework was adequately scrutinised.

Audit and Governance Committee Work Programme Review – 2020-21

29 July 2020	
Topic	Outcome
External Audit Strategy Memorandum	The Committee considered the External Audit Strategy Memorandum, which outlined the external audit plan for the Council for the year ending 31 March 2020, and confirmed that for the 2019-20 financial year, no significant audit risks had been identified to the value for money conclusion work. It was explained that the timeline within the report had changed and that the Completion Report 2019-20 would be brought to the Committee in October 2020. It was highlighted that three risks had been deemed to be significant: management override of control, property, plant and equipment valuation; and defined benefit liability valuation, however it was confirmed that these risks were not unusual.
Internal Audit, Counter Fraud & Information Governance Plan 2020-21	The Committee approved the Internal Audit Plan 2020-21; and noted the Counter Fraud & Information Governance Plans for 2020-21. The Committee were assured that the contents of the report reflected good coverage of the Council's activities and provided assurance that effective management controls and governance were in place.
Draft Annual Governance Statement 2019-20	Members noted that the draft Annual Governance Statement provided an assessment of the governance environment for 2019-20 which would form part of the draft Statement of Accounts to be brought to Committee in October 2020. It was explained that the accompanying Action Plan identified significant control issues and it was highlighted that two new actions relating to governance arrangements and financial procedures had been added to the action plan as a result of Covid-19. It was further explained that the Leadership Team monitored progress made against the action plan to ensure that actions were delivered to the agreed deadlines, and further confirmed that some actions within the action plan had been completed and implemented.
Annual Report of the Head of Internal Audit 2019-20	The Committee considered the Annual Report of the Head of Internal Audit (Veritau), which confirmed that the Council provided 'Reasonable Assurance' in respect of the governance, risk management, and control frameworks. It was further confirmed that this opinion was however qualified, in light of the current pandemic and the impact of this on the Council. Discussion took place regarding the Reasonable Assurance opinion given by the Head of Internal Audit on the control framework operated by the Council, and it was queried whether other local Council's achieved a higher rating, and what activity would be required for Selby District Council to reach the Substantial opinion, it was confirmed that Veritau saw a range of opinions over other Council's. The Chief Finance Officer assured the Committee that the Council continually strived for a Substantial opinion and if issues were identified they would be addressed.

	<p>The Committee noted that in relation to the Council's counter fraud activity in 2019-20, to date actual savings of £17k had been achieved through fraud investigation.</p> <p>Members queried the cost in staff hours taken to achieve the £17k savings, it was explained that Veritau had 125 total planned counter fraud days in 2019-20, a large proportion of those days had been utilised for this work. It was further explained that without the fraud work undertaken that there would be no deterrent, and that Selby District Council took fraud very seriously. Members agreed that the work of the Veritau counter fraud team must be publicised to make the public aware.</p>
Risk Management Annual Report 2019-20	<p>The Committee considered the Risk Management Annual Report which provided a summary of risk management activity undertaken in 2019-20 and the proposed risk management actions for 2020-21.</p> <p>Members noted that over the past year, in addition to supporting managers to review risks in their service areas and to identify mitigating actions where necessary, specific risk management support was provided to the Place Branding (Stage 2) project, which included facilitation of a risk identification workshop.</p>
Corporate Risk Register 2020-21	<p>The Committee reviewed the Corporate Risk Register 2020-21, which provided an update on movements within the Corporate Risk Register and asked the Committee to note the current status of the Corporate Risk Register.</p> <p>Members noted that there was a total of 12 risks on the Council's Corporate Risk Register for 2019-20, and it was highlighted that 4 of these risks had been identified as being high risk, this had increased by 2 from January 2020. It was explained that this was largely due to the impact of Covid-19.</p> <p>In response to a query regarding the risk defined as high risk relating to financial resources and the sustainability of the Council's financial position beyond 2021, the Chief Finance Officer highlighted that this was an assessment of the likelihood of the risk with controls and mitigating actions in place.</p>
Review of the Constitution 2020	<p>Members noted the changes made to the Constitution of the Council following a review undertaken by the Solicitor to the Council in her role as Monitoring Officer. The changes which had been made were either administrative, as a result of legislative changes, or as approved by the Audit and Governance Committee in the resolution dated 10 April 2019 in relation to standards arrangements; and also included giving effect to new remote meeting procedure rules.</p>
Updated Selby District Council Code of Conduct & LGA Model Code of Conduct Consultation	<p>The Committee noted the amendments made to the Council's Code of Conduct for Members, and arrangements for dealing with standards complaints following the Audit and Governance Committee's decision made on 19 April 2019, having regard to the best practice recommended in the report of the Committee on Standards in Public Life.</p> <p>Members were informed that one of the Committee's recommendations was that a model national Code of Conduct should be adopted in response to the Committee's recommendations. A proposed National Code had been drafted by the Local Government Association (LGA) and was now the subject</p>

	of consultation. Members were encouraged to access the link and submit individual responses to the consultation before the deadline of 17 August 2020.
Audit & Governance Annual Report 2019-20	The Committee received the report from the Chair, which asked them to approve the Audit and Governance Committee Annual Report for 2019-20. One of the Members felt although the report reviewed the work of the Audit and Governance Committee during the previous municipal year it should also include the future objectives of the Committee and asked that the Chair consider this addition to the Annual Report.
Decisions taken under Urgency due to Covid-19	The Committee was informed that on 23 March 2020 the Leader of the Council took a decision using his urgency powers to cancel all meetings to ensure that the Council could adhere to government guidance regarding social distancing during the Coronavirus crisis. It was further explained that until 4 April 2020, the Local Government Act 1972 required Members to be present in the room to vote, it was therefore not possible to undertake lawful decision making other than through delegation. Members noted the urgent decisions taken under urgency procedures by the Leader of the Council and senior officers between 23 March 2020 and 14 July 2020 due to the Coronavirus lockdown; these would be reported to the next meeting of full Council.

21 October 2020	
Topic	Outcome
External Audit Completion Report 2019-20	<p>The Committee considered the work of the external auditor during the financial year ending 31 March 2020. It was explained that the audit report had been slightly modified to include an Emphasis of Matter paragraph in regard to the material uncertainty related to the valuation of land and buildings due to the pandemic. Members heard that the opinion of the external auditor was not modified in respect of this matter, and it was confirmed that this was not unusual and had happened at other local authorities.</p> <p>In reference to the risk relating to the 'Management override of control' the Committee noted that there were no risks found, and it was confirmed that the Council would be issued with an unqualified value for money conclusion for the 2019-20 financial year, with no matters to report.</p> <p>In relation to the 'Defined Benefit Pension Liability Valuation', the Partner, Mazars LLP explained that the valuation of the Local Government Pension Scheme relied on a number of assumptions, this presented a significant risk as estimated figures were used as part of the audit work.</p> <p>It was further explained that the audit was not quite complete as certain steps within the procedure to be followed required completion; figures from the North Yorkshire County Council's (NYCC) auditor for the Council's Pension Scheme were also awaited.</p>

	<p>In response to a question regarding how assurance of the valuation of the NYCC Pension Scheme was acquired, it was confirmed that there was a routine liaison arrangement in place with the auditor at NYCC to provide yearly figures.</p> <p>Members asked a number of questions in relation to material certainty on the valuation of property, plant and equipment made at the 31 March, how assets were valued and how the 33k triviality level was determined. It was confirmed that challenge on the valuation estimation was undertaken and the judgement reached by the valuer had been considered, assets were valued at fair value; and the triviality level was a proportion of the Council's gross revenue expenditure</p>
CIPFA Financial Management Code	<p>The Committee noted the self-assessment, action plan and progress update on the Financial Management (FM) Code. Members heard that the FM Code identified risks to financial sustainability and provided a framework of assurance and it was explained that compliance with the FM Code was mandatory for all local authorities from 2021-22 onwards.</p> <p>Members noted that the self-assessment was completed in December 2019 and adopted by the Leadership Team in January 2020, it was highlighted that some areas for improvement had been identified with a number of actions on the action plan agreed by the Leadership Team.</p>
Internal Audit, Counter Fraud & Information Governance Progress Report 2020-21	<p>The Committee reviewed the progress made in delivering the internal audit work plan for 2020-21, and received an update on the counter fraud and information governance work undertaken. It was explained that due to Covid-19 work on the annual audit plan had been delayed, however planning had commenced on eleven audits for 2020-21, with fieldwork expected to commence shortly. It was further explained that there were nine 2019-20 audits where fieldwork had been completed and where action was required, this would be agreed with managers as part of the 2020-21 work.</p> <p>In relation to the counter fraud aspect of the report Members heard that normal areas of work for the Counter Fraud team had been hindered by Covid-19 but new work had emerged relating to Covid-19 grants. It was highlighted that four investigations of suspected fraudulent Covid-19 grant applications had been completed to date and £30k of payments had been prevented. It was further confirmed that post assurance checks had been undertaken on successful grant applications; of the seventy two successful applications reviewed seventy one applications were verified as being correctly awarded, and one had been flagged for further checks.</p> <p>The Committee's attention to appendix C of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with data breaches.</p> <p>Members were informed that to respond to Covid-19 a new privacy notice for council employees had been written and published; and an overall Information Sharing Agreement (ISA) had been put in place with North Yorkshire County Council for Covid-19 related sharing.</p>

	<p>The Committee asked a number of questions in relation to the three identified fraudulent Covid-19 grant applications, it was confirmed that one company had not been operational and two had provided false details to divert monies. It was further confirmed that the perpetrators had been reported to the necessary authorities and were being pursued.</p>
Statement of Accounts 2019-20	<p>The Committee received the Statement of Accounts. It was explained that this was a technical set of statements, with a narrative statement which gave commentary on key issues at the Council during the financial year. It was further explained that following discussion with the External Auditor, additional wording related to the pension fund had been added at page 48 of appendix A, which highlighted material uncertainty in the valuation of some of the Pension Fund assets. This uncertainty had to be highlighted in Selby's accounts and was in keeping with other members of the Pension Fund; it featured in the External Auditors completion report but did not impact on any of the figures within the accounts.</p> <p>It was highlighted that in view of the Pension Fund asset valuation the audit was not complete and Members were asked to delegate authority to the Chief Finance Officer to make any minor amendments which may arise in the accounts, in consultation with the Chair of the Committee; and authority to sign the letter of representation contained within the agenda pack on completion of the audit.</p> <p>The Committee's attention was drawn to appendix B which set out key movements between the financial years of 2018-19 and 2019-20 and identified key changes. The Chair queried what had occurred in the General Fund to produce the variance in customer and client receipts, it was confirmed that the scale of planning applications received had not been as high as had been budgeted for, this had resulted in reduced income from planning fees, there was also reduced property and recycling income, and reduced occupancy in industrial units.</p> <p>In response to a query regarding why targets had not been realised in budget savings, the Chief Finance Officer advised Members that the Council had a comprehensive Savings Plan which was reported to the Executive quarterly. It was highlighted that the shortfall in savings was due to a number of different reasons to include capacity to progress the Digital Strategy and transformation.</p> <p>The Committee approved the Statement of Accounts, subject to the completion of the audit.</p>
Local Government & Social Care Ombudsman Annual Review Letter 2019-20	<p>The Committee noted that the Local Government and Social Care Ombudsman was the final stage for complaints made against Local Authorities. Members heard that the Council had received 12 complaints in the year 2019-20; of those only 5 cases had been progressed to a detailed investigation by the Ombudsman, of which 3 had been upheld. It was further explained that the Council showed a 100% record of implementation of the recommendations made by the Ombudsman.</p>

	The Committee was assured that the complaints process was operating effectively and noted the importance of complaints in terms of positive learning and improvement of services following their consideration.
Audit & Governance Annual Report 2019-20	The Committee approved the Audit and Governance Committee Annual Report 2019-20.

27 January 2021	
Topic	Outcome
Information Governance Annual Report 2020 - Information Requests	<p>The Committee considered the Information Governance Annual Report 2020 – Information Requests, which provided the annual update in relation to information requests received and responded to during 2020, it was explained this was the residual information after incorporation of the information governance report into the Head of Internal Audit Annual Report.</p> <p>In relation to a query regarding if there was a trend in the freedom of information subjects received, the Senior Solicitor confirmed that there was not a trend in the subjects and that the Council had a robust system in place which logged and tracked all requests to ensure that they were responded to within the statutory time limits.</p>
External Annual Audit Letter 2020	<p>Members noted that the External Annual Audit Letter, which summarised the external audit work undertaken for the year ended 31 March 2020.</p> <p>The Committee's attention was drawn to sections five and six of the report, External Auditor Fees and Forward Look, as both items were new to the report. Members heard that there had been a significant fee increase as indicated on page 12 of the letter: the additional fee had been incurred to meet the additional work requirements involved with property valuations and pensions.</p> <p>In response to a query regarding how confident the external auditors were that any arising issues were being captured, it was confirmed that officer liaison had not changed, and remote meetings were held on a regular basis with the finance team.</p> <p>In relation to the revised fee for the delivery of the audit work, Members queried what additional work was required in terms of property valuations and pensions, as valuations for property, plant and equipment were provided by external experts. The Manager, Mazars LLP confirmed that more in depth challenging and detailed conversations had taken place with the external valuers.</p>
External Audit Progress Report	The Manager, Mazars LLP presented the report which set out a summary of external audit work

	<p>completed to date on the 2019-20 financial statements along with the progress made on the 2020-21 audit work.</p> <p>The Committee noted that since the last Audit and Governance Committee meeting in October 2020 work on the 2019-20 financial statements had been completed, an unqualified opinion had been issued along with a ‘follow-up letter’ which concluded on all the areas of outstanding work at the time of the October 2020 Committee. The Annual Audit Letter had also been issued as reported in the previous agenda item. In terms of the audit for 2020-21 it was confirmed that a timetable was in place with planning work scheduled to commence shortly.</p> <p>In response to a query regarding the national publication section of the report, and in particular the recommendation arising from the recent Redmond Review, that an Office of Local Audit and Regulation (OLAR) be created to manage, oversee and regulate local audit. It was confirmed that the findings in the Redmond Review had been considered by the Secretary of State for Local Government, and Members were informed that a report on the Redmond Review would be presented at the next meeting of the Audit and Governance Committee in April 2021.</p>
Review of Risk Management Strategy	<p>The Committee received the report, which set out the reviewed strategy for managing risk within Selby District Council following consultation with the Leadership Team. It was last brought to the Audit and Governance Committee in January 2020.</p> <p>Members noted that the strategy remained largely unchanged following the review, however, two amendments had been made to its structure. The first was that the text relating to critical links between the strategy and wider business processes had been moved to the section on corporate planning. The second amendment was the table detailing the recurring actions undertaken in support of the strategy had been given its own section in recognition of their importance to the successful achievement of risk management objectives; both amendments had been shown as tracked changes in Appendix 1 of the report. This included the change made to the introduction to the strategy where the Council’s refreshed strategic priorities from its 2020 – 2030 plan have been included.</p> <p>In response to a query regarding what trends in risks to the Council, if any, had been identified in relation to Covid-19, it was explained that the pandemic had made a significant impact on the risks to both the Council’s financial position and with closures and backlogs to services provided to its residents, however in terms of particular trends none beyond these had been identified as the landscape was changing rapidly.</p> <p>Members heard that in terms of financial risk due to Covid-19 the Council had suffered loss of income, additional costs and delays to savings, however the government had provided local authorities with funding through the Covid Grant Scheme, and Selby District Council had substantial reserves due to strong financial management.</p> <p>The Committee queried what lessons had been learned from the events of 2020, it was confirmed that</p>

	<p>professional bodies such as the Institute of Risk Management and the Institute of Internal Auditors had started to reflect on the role that risk management had played, and ought to play, in ensuring the continued success of organisations. It was further confirmed that Veritau would continue to work alongside the Council to ensure that any learning from the events of 2020 and beyond was factored into future strategy-setting and to ensure that the Council's risk management arrangements continued to meet good practice.</p> <p>Members complimented the internal auditors on the report, which was felt to be very comprehensive, and noted the revisions to the Risk Management Strategy.</p>
Corporate Risk Register 2020-21	<p>The Committee reviewed the Corporate Risk Register 2020-21 and noted that there was a total of 11 risks on the Council's Corporate Risk Register for 2020-2021, with the No Deal Brexit risk having been removed following the United Kingdom's (UK) exit from the European Union (EU) and the signing of the EU-UK Trade and Co-operation Agreement. It was confirmed that Brexit related risks, issues and opportunities would continue to be monitored by the Council.</p> <p>Members heard that the Corporate Risk Register included four risks with a score of 12 or more (high risk) but with the exception of the No Deal Brexit risk, no risk scores had changed.</p>
Internal Audit, Counter Fraud & Information Governance Progress Report 2020-21	<p>The Committee were provided with an update on the delivery of the internal audit work plan for 2020-21, along with an update on the counter fraud and information governance work undertaken to date in 2020-21. It was noted that due to Covid-19, work on the annual audit plan had been delayed therefore the report also updated Members on the plans for completion of work over the remainder of 2020-21.</p> <p>Members heard that twelve 2020-21 audits were in progress with eight of these expected to be completed and reported on at the next Audit and Governance committee. It was highlighted to the Committee that there were continued challenges due to Covid-19 and as a result fewer frontline service audits were being conducted due to capacity issues, and to minimise the impact on officers.</p> <p>In relation to monies paid on behalf of the government through the grant scheme, Members queried if Veritau had provided checks to ensure that the grants were being processed and paid according to the government guidance and if the Councils IT server network and the staff were able to manage the additional workload, it was explained that the Counter Fraud team had performed spot checks during and after the process and were confident that the process was well managed and appropriate. The Chief Finance Officer stated that the staff had coped admirably and continued to deliver frontline services and aid the recovery.</p> <p>It was highlighted that due to the Council's counter fraud activity in 2020-21 savings of £8k had been achieved through fraud investigation. Members heard that the counter fraud team had supported the Council with Covid-19 grant payment processes and post payment assurance work was ongoing in relation to successful applications for the initial tranche of grants with no issues being identified. It was</p>

	<p>further confirmed that four grant payment investigations had been completed to date and £30k of incorrect payments had been prevented.</p> <p>In terms of housing fraud, Members noted that in October 2020, a resident was issued with a caution for failing to provide correct information when declaring themselves homeless; the investigation resulted in the housing application being cancelled before a tenancy was offered.</p> <p>The Committee's attention was drawn to appendix C of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with data breaches. Members were informed that a new privacy notice for the Self-Isolation Payment for Covid-19 had been finalised and published and the main Covid-19 privacy notice has also been amended to include elements of Track & Trace processing; and an overall Information Sharing Agreement (ISA) had been put in place with North Yorkshire County Council for Covid-19 related sharing.</p>
Annual Governance Statement Action Plan 2019-20	<p>The Committee reviewed progress on the Annual Governance Statement (AGS) 2019-20 Action Plan approved in November 2020. It was noted that progress against the approved action plan had been made although due to the impacts of the pandemic there were some actions on-going which would be monitored by Leadership Team in order to ensure actions were delivered to the agreed revised deadlines.</p> <p>In relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), the Committee was informed that a new income management system had been procured from Civica that would enable PCI DSS compliance. Originally it was hoped that this would be implemented by September, however, whilst the work had commenced, delays due to Covid-19 meant Civica would now be unable to complete this until July 2021.</p> <p>The Committee heard that in terms of Performance Management the review of the capability/performance management policy and procedure forms, part of the Council's plans to review and update all principal human resources policies, had been delayed due to the Covid pandemic response, and ensuring staff were safe and supported in these new working arrangements. It was confirmed that the attendance management and disciplinary policies had now been reviewed and signed off with work on the capability/performance management policy expected to be completed by June 2021.</p>
Counter Fraud Framework Update	<p>The Committee received an update on the Council's Fraud and Corruption Strategy which had been refreshed in line with the new United Kingdom National Counter Fraud Strategy for local government. The report also provided an update on progress against the actions set out in the previous strategy and presented an updated counter fraud risk assessment which reflected the current fraud risks facing the Council. In addition, the Counter Fraud and Corruption Policy had been updated to reflect new</p>

	<p>guidance from the Attorney General.</p> <p>The Corporate Fraud Manager, Veritau highlighted that the first section of the report provided Members with a wider national picture of counter fraud work, and the impact of Covid 19, Members heard that a number of authorities across the Country had fallen victim to organised crime with fraudsters attempting to divert business grants. The Committee were assured that post assurance work had been completed at Selby and no issues had been identified.</p> <p>Members noted that Cyber-crime was a growing concern for local government in the United Kingdom (UK), in recent years there had been a number of attacks on UK public sector organisations, Parliament and the National Health Service</p> <p>The Committee were informed that the Council's Counter Fraud and Corruption Strategy 2017-19 was approved in January 2017, an updated Counter Fraud and Corruption Strategy for 2020-23 had been drafted at appendix B of the report and the committee was asked for comments ahead of approval by the Executive. In addition, as part of the review the Council's counter fraud policy and counter fraud risk assessment were also reviewed. The updated risk assessment was included at appendix C of the report.</p> <p>Members noted the updated Fraud Risk Assessment and agreed to recommend that the Executive approve the new Counter Fraud and Corruption Strategy for 2020 to 2023 and an updated Counter Fraud and Corruption Policy.</p>
Veritau North Yorkshire Contract Extension 2021	<p>The Committee received the report prior to consideration by the Executive and noted that the current contract for assurance services between the Council and Veritau North Yorkshire Limited (VNY) was agreed in 2012. The contract was initially for seven years from 1 April 2012 to 31 March 2019 but included options to extend for three years and then a further two years. In 2018, the Council agreed to extend the contract for three years from April 2019, this extension was due to expire on 31 March 2022.</p> <p>The Committee were informed that a decision was now required whether to enter into a further extension of two years, and if so under the terms of the contract, the Council was required to notify VNY of its intention in respect of extending the contract by 31 March 2021.</p> <p>Members noted that an extension would allow the Council to consider its requirements for assurance services in the longer term once the results of the Government's decision on Local Government Reorganisation was known.</p> <p>In response to a query regarding if Selby District Council was a shareholder of VNY, it was confirmed that the Council was a shareholder, and that VNY was a subsidiary of Veritau which was owned by North Yorkshire County Council and City of York Council.</p> <p>The Chief Finance Officer explained that given the uncertainty over Local Government reorganisation in North Yorkshire an extension under the terms of the current contract was considered the most</p>

	<p>practicable and no other alternative was proposed at this time, in addition, VNY offered value for money and quality performance over a breadth of service.</p> <p>The Committee agreed that taking into consideration Covid-19 and the Local Government Review now was not the correct time to change internal auditors and were supportive of the proposal.</p>
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The following items are due to be considered at the final meeting of the municipal year:

21 April 2021	
External Audit Progress Report	To be completed after the meeting.
External Audit Strategy Memorandum	As above.
Internal Audit, Counter Fraud & Information Governance Progress Report	As above.
Internal Audit, Counter Fraud & Information Governance Plans 2021-22	As above.
Investigatory Powers Commissioner's Office	As above.
Update on the Redmond Review	As above.
Audit and Governance Committee Annual Report 2020-21	As above.
Work Programme 2021-22	As above.



DRAFT Audit Committee Work Programme 2021-22

Date of Meeting	Topic	Action Required
28 July 2021	Review of Action Log	To consider the latest Action Log
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Plan 2021/22	To approve the Internal Audit Plan 2021-22; and note the Counter Fraud and Information Governance Plans 2021/22
	Draft Annual Governance Statement (AGS) 2020-21	To comment and note the draft Annual Governance Statement
	Annual Report of the Head of Internal Audit 2020-21	To consider and note the Annual Report of the Head of Internal Audit 2020-21
	Risk Management Annual Report 2020-21	To consider the Risk Management Annual Report for 2020-21
	Corporate Risk Register	To review the Corporate Risk Register
	Consideration of internal audit reports	To consider any internal audit reports that have concluded 'Limited Assurance' or 'No Assurance'

29 September 2021	Review of Action Log	To consider the latest Action Log
	Local Government and Social Care Ombudsman Annual Review Letter 2020-21	To receive the Local Government and Social Care Ombudsman Annual Review Letter 2020-21
	External Audit Completion Report 2020-21	To receive the Audit Completion Report from the external auditors
	External Annual Audit Letter 2021	To review the Annual Audit Letter 2021
	Statement of Accounts 2020-21	To approve the Statement of Accounts for the financial year 2020-21
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

26 January 2022	Review of Action Log	To consider the latest Action Log
	Information Requests Annual Report 2021	To note the annual report for 2021 in relation to information requests
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Counter Fraud Framework Update	To approve the revised Counter Fraud and Corruption Strategy Action Plan; and comment on and note the updated Counter Fraud Risk Assessment.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	Review of Annual Governance Statement Action Plan 2020-21	To review the Annual Governance Statement Action Plan 2020-21

27 April 2022	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Internal Audit, Counter Fraud and Information Governance Plan 2022-23	To approve the Internal Audit, Counter Fraud and Information Governance plans 2022-23
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2021-22	To approve the 2021-22 Annual Report of the Audit and Governance Committee
	Work Programme 2022-23	To approve the Audit and Governance Committee Work Programme for 2022-23