

**Notice of meeting of a public meeting of  
Audit & Governance Committee**

<b>To:</b>	Councillors N Barnes (Chair), Dew (Vice-Chair), Cuthbertson, Fenton, Flinders, Kramm and Steward and Mr Mendus and Mr Bateman
<b>Date:</b>	Wednesday, 3 May 2017
<b>Time:</b>	5.30 pm
<b>Venue:</b>	The George Hudson Board Room - 1st Floor West Offices (F045)

**AGENDA**

**1. Declarations of Interest**

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

**2. Minutes (Pages 1 - 18)**

To approve and sign the minutes of the following meetings of the Audit & Governance Committee:

- 22 February 2017
- 5 April 2017

**3. Public Participation**

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Tuesday 2 May 2017**.

To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

### **Filming, Recording or Webcasting Meetings**

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[http://www.york.gov.uk/download/downloads/id/11406/protocol\\_for\\_webcasting\\_filming\\_and\\_recording\\_of\\_council\\_meetings\\_20160809.pdf](http://www.york.gov.uk/download/downloads/id/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809.pdf)

**4. Internal Audit and Counter Fraud Plan 2017/18** (Pages 19 - 38)

This report seeks the committee's approval for the planned programme of internal audit, and counter fraud work to be undertaken in 2017/18.

**5. Audit and Counter Fraud Monitoring Report** (Pages 39 - 68)

This report provides an update on progress made in delivering the internal audit work plan for 2016/17 and on current counter fraud activity.

**6. Internal Audit Follow Up Report** (Pages 69 - 76)

This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

**7. Audit and Governance Committee Forward Plan (Pages 77 - 82)**

This paper presents the future plan of reports expected to be presented to the committee during the forthcoming year to February 2018.

**8. Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

Senior Democracy Officer:

Name: Jill Pickering

Contact Details:

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- Email – [jill.pickering@york.gov.uk](mailto:jill.pickering@york.gov.uk)

For more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

**This information can be provided in your own language.**

**我們也用您們的語言提供這個信息 (Cantonese)**

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim (Polish)  
własnym języku.

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

 **(01904) 551550**

City of York Council

Committee Minutes

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Meeting	Audit & Governance Committee
Date	22 February 2017
Present	Councillors N Barnes (Chair - in the Chair agenda items 1 and 2), Dew (Vice-Chair - in the Chair agenda items 3 to 9), Cuthbertson, Flinders, Kramm, Steward (Substitute for Councillor Lisle) and Mason (Substitute for Councillor Fenton) and Mr Bateman and Mr Mendus
In attendance	Councillor Doughty and Councillor Warters
Apologies	Councillor Fenton

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#### **60. Declarations of Interest**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. No additional interests were declared.

#### **61. Exclusion of Press and Public**

Members were asked to consider excluding the public and press from the meeting during consideration of Annex 1 of agenda item 5 on the grounds of containing information relating to individuals. This information is classed as exempt under Paragraphs 1 and 2 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

The Monitoring Officer was asked to explain the reasons why the committee was being asked to consider excluding the public and press during consideration of the annex. He explained that it was the view of officers that the annex satisfied the requirement of paragraphs 1 and 2 of Schedule 12A to Section 100A of the Local Government Act (information relating to any individual and information which is likely to reveal the identity of an individual). These exemptions were subject to a public interest test but it was the view of officers that the information

that had already been published by the Council met the requirement of the public interest test. In reaching this conclusion, regard had also been taken of guidance produced by the Information Commissioner's Office in which there was a strong expectation of privacy and consideration of the impact on individuals. Members' attention was drawn to the extreme level of attacks on the individuals concerned on social media. The press had published extracts of the report but consideration should be taken as to the impact and damage to individuals if additional information was made public. The Monitoring Officer asked that Members also considered the significant risk for future internal audits, as if such information were to be made public, contributors to audits may be much more circumspect.

Councillor Flinders moved, and Councillor Barnes seconded a proposal that the public and press be excluded from the meeting during consideration of Annex 1 of agenda item 5. On being put to the vote the proposal was lost.

*Resolved: That the press and public not be excluded from the meeting during consideration of Annex 1 of agenda item 5.*

Those Members who had voted against the proposal were asked by officers to give their rationale for having voted not to exclude the press and public during consideration of Annex 1 in view of the possibility of a civil claim or investigation by the ICO. Having discussed the rationale for this request Members gave the following reasons:

- It was in the public interest for the press and public not to be excluded during consideration of the annex.
- Whilst there was a duty to protect employees, the vast majority of staff would be tarred by secrecy and wrongdoing.
- The report did not name individuals and the information had been redacted so as not to identify individuals.
- Greater identification of individuals was already available, for example through Freedom of Information requests that were in the public domain.
- The report should not have been exempt when published.
- The report could be discussed without reference to individuals.

There followed a discussion about the consequences and risks of this decision.

In view of the *additional information that had been received, Councillor Flinders proposed and Councillor Barnes seconded that the vote be retaken. On being put to the vote the proposal was lost.* ~~further discussion that had taken place, a further vote was taken and it was~~

~~Resolved: That the press and public not be excluded from the meeting during consideration of Annex 1 of agenda item 5.~~

[The Chair announced that, in view of the advice given by officers and the risks to the Council in making the annex public, he intended to vacate the Chair and leave the meeting. The Vice-Chair took the Chair].

Mr Bateman drew attention to the fact that the independent members of the committee did not have voting rights and suggested that, in light of the discussions that had taken place, clarity on the role and status of the independent members should be sought outside of the meeting.

*[as amended at meeting of 5 April 2017]*

## **62. Minutes**

Resolved: That the minutes of the meeting held on 8 February 2017 be approved and signed as a correct record.

## **63. Public Participation**

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme and that two Members of Council had also registered to speak at the meeting.

~~Ms Gwen Swinburn expressed her views in relation to breaches of the procurement rules and asked the Council to take action in respect of this~~ *deep concerns regarding allegations of secrecy and multiple failings in finance and governance. She asked Councillors to demand Police action for an independent investigation by CIPFA and that statutory officers be held to account.* *[as amended at meeting of 5 April 2017]*

Councillor Warters raised concerns relating to the breaches of financial procedures and a failure to maintain records. He asked for a police investigation.

Councillor Doughty expressed concern regarding issues that had been raised in respect of procurement and the effectiveness and independence of the audit and monitoring procedures. He stated that he believed that the Council should launch an independent investigation to ascertain whether these had been isolated issues.

**64. Internal Audit Report on Procurement of Consultants**

Members considered a report which informed them of the results of a recent internal audit investigation into the procurement of an external consultant.

The Deputy Chief Executive and Director of Corporate Services explained the background to the internal audit investigation and the reasons why the internal audit review had been instigated. He clarified that, although the word “illegal” had been used during the meeting, a failure to follow council procedures did not mean that the action taken was illegal. The officer concerned had the authorisation to make the payments.

The Chief Executive gave an update on the action that she had taken since the internal audit investigation. She stated that the Veritau report had not identified any fraud and she had commissioned a Police investigation and this had confirmed that there was no evidence of fraud *had been found*.

[Councillor Flinders stated that he did not believe that consideration of the internal audit report in public to be in the public interest or in the interests of council-tax payers and left the meeting at 6.20pm]

The Head of Internal Audit stated that the auditors could find no documentary evidence to demonstrate that the council’s contract procedure rules had been followed. This was, however, an internal matter and there had been no fault on the part of the independent consultant. Improvements had already been implemented to strengthen control measures and further improvements were planned.



In response to a questions from Members, the Head of Internal Audit ~~confirmed~~ *did not confirm* that Veritau was satisfied that sufficient work had been carried out to show that the work that had been paid for had been carried out. He stated that no evidence of fraud had been found and that the matter had been referred to the police who had confirmed that conclusion.

In response to a further question the Head of Internal Audit confirmed that a previous internal audit report, which had been presented to the Audit and Governance Committee, had identified issues surrounding the use of consultants and that processes since that time had been strengthened. Officers were asked if the work referred to in the report in respect of Lendal Bridge had been carried out. The Deputy Chief Executive and Director of Corporate Services stated that, whilst not certain, he would have expected that this work had been done.

Clarification was sought regarding the paragraphs in the report which were redacted. Members were informed that this was because this related to matters that were still subject to audit investigation. Officers confirmed that these issues did not specifically concern the situation under discussion.

Referring to the number of breaches, officers were questioned as to why these had not been identified during the period of the contractual relationship. The Head of Internal Audit stated that the Council had arrangements in place in respect of failures to follow procedures and contract procedure rules. The Deputy Chief Executive and Director of Corporate Services explained the overall level of procurement activity within the Council and stated that the focus was inevitably on higher sums. Work was ongoing to increase compliance activity but there were limits on the resources available to conduct this compliance. Officers outlined the arrangements that were in place during the procurement process, including the segregation of duties and responsibilities and limits on authority to incur expenditure.

Referring to the reference in paragraph 2.7 of the Internal Audit Report, clarification was sought as to whether historical information on tender processes was held beyond a year. Officers stated that this had referred to documentation during the procurement route and not the actual contract.

Members questioned whether a similar situation could arise in the future. They were informed that a guarantee could not be given that every purchase made in the Council would be in accordance with procedures. The organisation was large and complex. Monitoring arrangements had, however, been strengthened and when breaches were identified action would be taken, including HR procedures if appropriate.

Officers were asked about the possibility of all expenditure going through the procurement team and whether this would also result in economies of scale. Officers explained some of the issues that this cause, including making it difficult to make day to day purchases to enable effective service delivery. Whilst some Members suggested that there was a need for further investigation, others stated that the investigation should not be extended and that the committee should focus on monitoring the improvements that had been introduced.

Councillor Steward proposed and Cllr Kramm seconded the following recommendation:

- (i) That the report be noted
- (ii) That, in view of the ongoing work by Veritau in respect of the redacted information in the Internal Audit Report, an update be given on the further work that was taking place after this had been concluded.<sup>1</sup>
- (iii) That, in respect of paragraph 2.19 of the Internal Audit Report, the Executive be asked to consider whether further work was required to identify whether the work referred to represented value for money<sup>2</sup>.

On being put to the vote the recommendation was declared carried and it was

Resolved: That the above recommendations in respect of the internal audit report on Procurement of Consultants be approved.

Action Required

- 1. Report to be presented to committee when available. MT
- 2. Refer the committee's recommendation to the Executive CT

*[as amended at meeting of 5 April 2017]*

**65. Mazars Procurement Issues Report**

Members considered a paper which presented, at Annex A, a report from Mazars – the Council’s external auditors, on issues arising from the objection to the 2015/16 accounts. The report covered the work undertaken to investigate the issues raised by the objection and the key findings.

The representatives from Mazars were asked to explain the statement in their report that Veritau had reached “reasonable conclusions based on the evidence available”. Members were informed that it was the view of Mazars that the internal audit review had been properly scoped and thorough. Mazars understood the conclusions and these were supported by the evidence. When the representative from Mazars was asked if they would have reached the same conclusion he stated that, based on the evidence, he believed this to be the case.

*In response to a question from Councillor Steward, Gareth Davies from Mazars said of the situation that he was not sure it could have been any worse. [as amended at meeting of 5 April 2017]*

The representatives from Mazars were asked if they believed that the system that was in place at the time had been adequate. They stated that the system was similar to those in other Local Authorities but the issue had arisen because processes had not been followed.

In response to questions, the representatives from Mazars stated that as technology continued to improve, Purchase to Pay systems evolved and became more sophisticated. It was not, however, a matter for auditors to advise on the purchase of systems as this was a resources issue for the organisation concerned.

Members noted that Jon Leece would be taking over Gavin Barker’s responsibilities in respect of work for City of York Council. Thanks were expressed to Gavin Barker for the work that he had carried out.

Resolved: That the matters set out in the report presented by Mazars be noted.

Reason: To ensure that Members are aware of the issues and the action already being taken by the Council.

## **66. Procurement Action Plan**

Members considered a report which set out the management response to the reports elsewhere on the agenda from Mazars, the Council's external auditors, and Veritau, the Council's internal auditors, on issues arising from the objection to the 2015/16 accounts.

Members were informed that the issues raised in the Internal Audit Report were being taken very seriously and work was already underway to make the necessary improvements. The actions had been agreed with the internal and external auditors.

Officers gave an update on the progress of the actions in the plan and responded to Members' questions, including those relating to the contract register.

Clarification was sought as to how actions within the action plan were being prioritised. Officers stated that good progress had already been made in implementing the action plan but that priorities could be changed if required. Officers explained that many procurement decisions and issues were the responsibility of managers and not the procurement team and hence it was also important for there to be the right culture in which procurement processes were carried out. Members noted that the contract register included contracts in respect of maintained schools but that companies owned by City of York Council had their own contract procedure rules in place and that this may be an area which the Shareholder Committee may wish to consider.

Members sought further information as to how breaches were identified and the actions that were taken when these occurred. Officers confirmed that details of the membership of the Governance, Risk and Assurance Group (GRAG) would be circulated, as had been requested at the previous meeting. Members requested that they also received information on the breaches that were identified.<sup>1</sup>

Councillor Steward proposed and Councillor Kramm seconded a proposal that the Corporate and Scrutiny Management

Committee be asked to consider how Members could be involved in the monitoring of procurement processes. On being put to the vote the motion was declared carried.

- Resolved: (i) That the action plan, attached at Annex A of the report, and the progress achieved to date be noted.
- (ii) That the Corporate and Scrutiny Management Policy and Scrutiny Committee be asked to consider how Members could be involved in the monitoring of procurement processes.<sup>2</sup>

- Reasons: (i) To ensure that Members are aware of the action being taken by the Council.
- (ii) To enable consideration to be given as to how Members could contribute to ensuring effective procurement procedures were being implemented.

Action Required

1. Circulate requested information
2. Refer recommendation to Corporate & Scrutiny Management Policy & Scrutiny Committee

DM  
DS

**67. Audit and Governance Committee Forward Plan to December 2017**

Members gave consideration to a report which presented the future plan of reports expected to be presented to the committee during the forthcoming year to December 2017. Members were invited to identify any further items they wished to add to the Forward Plan.

Resolved: That the committee's Forward Plan for the period up to December 2017 be approved.

Reason: To ensure the committee receives regular reports in accordance with the functions of an effective audit committee.

Councillor N Barnes, Chair

[The meeting started at 5.30 pm and finished at 8.50 pm].

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Meeting	Audit & Governance Committee
Date	5 April 2017
Present	Councillors N Barnes (Chair), Cuthbertson, Fenton, Flinders, Kramm, Steward and K Myers (Substitute for Councillor Dew) and Mr Mendus
Apologies	Councillor Dew and Mr Bateman

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### 68. Declarations of Interest

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. Councillor Flinders declared a personal interest in respect of the York Central Project referred to in agenda item 4 – Key Corporate Risks and Update on Major Projects, due to his employment with Network Rail.

### 69. Minutes

The Chair apologised to the committee for any offence caused by comments he had made at the last meeting.

The following additions and amendments were made to the minutes of the meeting of 22 February 2017:

- Minute 61 – delete word “*extreme*” para 2  
Move resolution to follow after para 3  
Wording in respect of second vote to read “*In view of the additional information that had been received, Cllr Flinders proposed and Cllr Barnes seconded that the vote be retaken. On being put to the vote the proposal was lost.*”
- Minute 63 – para 2 to read “*Ms Gwen Swinburn expressed deep concerns regarding allegations of secrecy and multiple failings in finance and governance. She asked Councillors to demand Police action, for an independent investigation by CIPFA and that statutory officers be held to account.*”

- Minute 64 – para 3 to read “... this had confirmed that no evidence of fraud *had been found*”.  
Para 6 to read “... the Head of Internal Audit *did not confirm...*”
- Minute 65 – include sentence “*In response to a question from Cllr Steward, Gareth Davies from Mazars said of the situation that he was not sure it could have been any worse*”.

Resolved: That the minutes of the meeting held on 22 February 2017 be brought back to the next meeting for approval.

## **70. Public Participation**

It was reported that there had been one registration to speak at the meeting under the Council’s Public Participation Scheme.

Ms Gwen Swinburn expressed concerns in respect of the previous meeting and stated that many citizens had submitted complaints to the Chief Executive over the conduct of the meeting. The LGA had been asked to carry out an investigation but although she had requested details of the terms of reference and timescales for the investigation, this had not been provided. She asked Members to ensure that this information was made available. Ms Swinburn also stated that there had been multiple governance failings this month and gave examples. Referring to the Internal Audit review that had taken place in 2014, Ms Swinburn stated that the situation was not improving and she asked that Internal Audit be commissioned to update the Democratic Governance audit review. Ms Swinburn also stated that the 2013 Public Sector Internal Audit Standards required internal audit functions to be externally assessed every five years but she could not find information on the commissioning of the CYC external assessment and the deadline was imminent.

## **71. Monitor 3 2016/17 - Key Corporate Risks and Update on Major Projects**

Members considered a report which presented an update on the key corporate risks (KCRs) for City of York Council. As agreed by the committee at their meeting on 20 December 2016, an



update on major projects had now been included within the report. The direction of travel had also been indicated, as had been requested.

Members were invited to comment on the key corporate risks, detailed in Annex A of the report, and to consider the project information provided at Annex B of the report. They were also asked to provide feedback on any further information that they wished to see included on future committee agendas.

Members noted that the risks in respect of the Allerton Waste Recovery Park project had been included in the report as, although the project was managed by North Yorkshire County Council, City of York Council was a partner in the project. The percentage of the risk to City of York Council was specified in the contract that was in place. Members were informed that the project was on track and in budget.

Referring to paragraph 4 of the report, which outlined the ways in which risks were identified, Members stressed the importance of ensuring that risks were highlighted as soon as they were identified. Officers confirmed that the requirement for officers to raise awareness of risks at an early stage was one of the issues that had been covered in the training sessions that had taken place.

Members requested that the following be taken into account in future reporting to the committee:

- The same terminology to be used in the recording of risk in both the report and the annex
- Recognition of the need to include risks that were outside of the control of the Council, for example reduced funding from central government.
- Alternative wording to “increased ethnicity”
- Explanation of acronyms used in the reporting
- Referring to KCR 8, an acknowledgement that City of York Council as an organisation would also need to reconfigure
- Allerton Waste Recovery Park fully operational date to be amended to read Jan/Feb 2018
- Deletion of duplicate wording under current status of the Guildhall project
- Clarity in recording those actions for which timescales had been extended because work was ongoing and those for which timescales had been extended because the actions had not been completed within the anticipated timescale.

Resolved: That the report be noted.

Reason: To provide assurance that the authority is effectively understanding and managing its key risk and is kept updated on major programme and project activities.

## **72. Mazars Audit Progress Report**

Members considered a report from Mazars which detailed progress in delivering their responsibilities as external auditors.

Jon Leece, Senior Manager at Mazars, was welcomed to his first meeting of the Audit and Governance Committee.

Members were informed that the 2016/17 audit planning had been completed. The audit planning had included following up on the implementation of the recommendations from the public interest report on City of York Trading. Mazars had been pleased to note that the recommendations had been implemented and good progress had been made.

Members' attention was drawn to national publications and other updates which had been referred to in the report. Members were informed of the updated guidance issued by the National Audit Office and, in particular, the requirement to comply with relevant ethical standards.

Members were informed that the proposals in respect of the Highways Network Assets project would not now be implemented in the foreseeable future.

Referring to the recommendations arising from the City of York Trading public interest report, Members asked if Mazars were satisfied with the way other arms length companies were operating. They were informed that Mazars had not carried out detailed work on this.

Referring to recommendation 6, the representative from Mazars was asked about the inclusion of the word "prescriptive" in the comments on the implementation of the recommendation, as this had not been included in the recommendation. Members were informed that the recommendation had arisen because the legal advice that had been given had not been followed and that

this had been the cause of many of the problems that had arisen. The Council's response to the recommendation meant that this situation was less likely to happen in the future.

Members commented on the issues in respect of partnership working with the NHS and social care integration. It was suggested that consideration be given to the prioritisation and apportionment of Better Care Funding spending.

Resolved: That the matters set out in the progress report presented by Mazars be noted.

Reason: To ensure Members are aware of Mazars' progress in delivering their responsibilities as external auditors.

### **73. Mazars Audit Strategy**

Members considered a report from Mazars, the Council's external auditors, which set out their audit plan in respect of the Council's audit for the year ending 31 March 2017. Members' attention was drawn to the proposed timetable for the work.

Members noted the following risks that had been identified:

- Management override of controls
- Valuation of the defined benefit pension scheme

Members also noted the planned work around the value for money conclusion, as outlined in Annex A of the report.

Members expressed concerns regarding the level of materiality that had been set. They were informed of how this figure had been set and informed that Mazars would only report on misstatements above the trivial level unless issues a wider risk had been identified, for example fraud related or a value for money issue. In these circumstances, Mazars would raise awareness of the matter although it would not be included in the formal table.

Members sought clarification as to whether Mazars audited the Council's internal auditors and their value for money. They were informed that no specific review had been carried out and this was not part of the audit responsibilities. Mazars did,

however, audit the level of coverage of its work but not its value for money.

Members questioned the representatives from Mazars about the work that would take place in respect of pensions. They were informed that several days of the audit work would be allocated to this. Although part of the North Yorkshire Pension Fund, it was important to be aware of the Council's liability and risk. The role of Aon Hewitt (actuary) in this process was noted.

Resolved: That the matters set out in the report presented by Mazars be noted.

Reason: To ensure Members are aware of Mazars' progress in delivering their responsibilities as external auditors.

**74. Schools Information Governance - Internal Audit Report Update**

Members considered a report which provided an update following the internal audit report for schools information governance which had been presented to the committee at their meeting on 20 December 2016.

Members were informed that, for the purposes of the Data Protection Act (DPA) all schools were their own data controllers. This meant that the council was not accountable or responsible for compliance by schools. The council did, however, work with schools who had bought into the information governance advice and support through the council's Service for Schools offer. Since the internal audit review had taken place, the council had also offered awareness raising training sessions to all schools free of charge. These had been well attended and it was proposed to extend the training to school governors.

Members commented on the transferred reputational risk to the council which may be seen as responsible for breaches that occurred even though, under Local Management of Schools, this was not the case. It was noted that the council would continue to use its influence and encouragement to address this issue although there were resource implications unless schools bought into the service. Discussions would take place with Children's Services as to how best this could be achieved. It

was agreed that training for school governors would be one way in which to raise awareness of this issue.

Members asked if information was available regarding the extent to which schools had completed the actions arising from the internal audit report. They were informed that this would be reported in the internal audit follow-up report. It was agreed that information on schools information governance would also be reported in the regular governance reports that were presented to the committee<sup>1</sup>.

Resolved: (i) That the work undertaken by the council team to support schools and Heads to meet their information governance responsibilities be noted.

(ii) That the work undertaken and still required by schools to meet their information governance responsibilities be noted.

Reason: To update the committee following the recent internal audit report on schools information governance.

Action Required

1. Include in future governance reports

LL

**75. Audit and Governance Committee Forward Plan**

Members gave consideration to a report which presented the future plan of reports expected to be presented to the committee during the forthcoming year to February 2018. Members were invited to identify any further items they wished to add to the Forward Plan.

The Chair explained that, in view of the number of items scheduled for the May meeting, the items had been split over the meetings scheduled for April and May. The size of agendas would continue to be monitored.

The following requests were put forward:

- Agenda item on revision of Media and Social Media protocols (as referred to in Key Corporate Risk 2)

- Information to be provided to the committee on the Governance Assessment Service offered by Mazars and the associated costs
- More detailed information to be included in the draft Internal Audit Plan regarding the planned work and scope.

Resolved: That the committee's Forward Plan for the period up to February 2018 be approved.

Reason: To ensure the committee receives regular reports in accordance with the functions of an effective audit committee.

Councillor N Barnes, Chair

[The meeting started at 5.30 pm and finished at 7.30 pm].



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**Audit and Governance Committee****3 May 2017**Report of the Head of Internal Audit

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**Internal audit & counter fraud plan 2017/18**

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**Summary**

- 1 This report seeks the committee's approval for the planned programme of internal audit, and counter fraud work to be undertaken in 2017/18.

**Background**

- 2 The council's internal audit service has to comply with the Public Sector Internal Audit Standards, and the council's own Internal Audit Charter. The standards and charter require that the Head of Internal Audit gives an annual opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control. The basis for the opinion is the programme of work that internal audit carries out. An indicative risk based audit plan is drawn up at the start of each year, setting out what work will be done. The plan is required to be approved by this committee as part of its responsibility for overseeing the work of internal audit.

**2017/18 Plan**

- 3 Annex 1 sets out proposed internal audit and counter fraud work for 2017/18. The planned audit work is based on a risk assessment undertaken by Veritau. The plan is also informed by discussions with chief officers and members, risk management arrangements, and by plans for development and change within the council. A separate analysis of requirements for counter fraud work is also undertaken.
- 4 Total planned days for 2017/18 are 2,522 which is unchanged from 2016/17. There is no reduction this year in planned levels of internal audit or counter fraud work.

- 5 The 2017/18 plan is similar in focus to previous years. It recognises the continuing change taking place within the council. Veritau will continue to provide support, advice and challenge in relation to major projects in addition to overall plans to meet current needs (eg to achieve savings targets). In addition, the plan reflects the continued need to look at key corporate systems, and to undertake regularity work in areas such as the main financial systems.

### **Consultation**

- 6 In preparing the audit and counter fraud plan consultation has taken place with the Audit and Governance Committee and key officers across the council.

### **Options**

- 7 Not relevant for the purpose of the report.

### **Analysis**

- 8 Not relevant for the purpose of the report.

### **Council Plan**

- 9 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

### **Implications**

- 10 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**



### Risk Management Assessment

- 11 The council will be non-compliant with the Public Sector Internal Audit Standards if the plan is not approved by the committee, and it may be subject to increased scrutiny and challenge.

### Recommendation

- 12 Members are asked to
- approve the 2017/18 internal audit and counter fraud plan.

#### Reason

*In accordance with the committee's responsibility for overseeing the work of internal audit.*

### Contact Details

#### Author:

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#### Chief Officer Responsible for the report:

Ian Floyd  
Director of Customer and Corporate Services  
Telephone: 01904 551100

Report  
Approved



Date

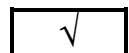
20/4/17

### Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



**For further information please contact the author of the report**

### Annexes

Annex 1 – 2017/18 Internal Audit and Counter Fraud Plan

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**CITY OF YORK COUNCIL  
INTERNAL AUDIT AND COUNTER FRAUD PLAN 2017/18**





**City of York Council's Internal Audit and Counter Fraud Service**

**Annual Plan 2017/18**

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- 2 2017/18 Audit Plan
- 3 Corporate & Cross Cutting Audits
- 4 Main Financial Systems
- 5 Directorate Audits
- 6 Counter Fraud & Corruption
- 7 Other Chargeable Work



## City of York Council's Internal Audit and Counter Fraud Service

### Annual Plan 2017/18

#### 1. INTRODUCTION

- 1.1 This plan sets out the proposed 2017/18 programme of work for the internal audit and counter fraud services provided by Veritau for the City of York Council.
- 1.2 In accordance with proper practice<sup>1</sup>, internal audit is required to prepare an indicative annual audit plan. The plan is based on a risk assessment model that is maintained by internal audit. The council's own risk management systems are also considered in forming a view on what audits to undertake. The audit plan is a working document, and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 1.3 The content of the audit plan is subject to consultation with directors and other senior council officers, and is formally approved by the Audit and Governance Committee. The committee is responsible for monitoring progress against the plan. Changes to the plan are agreed through the council's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the council's external auditors, to ensure that there is no duplication of effort. Further details about the approach to audit planning can be found in the Audit Charter (latest version approved by the Audit and Governance Committee in June 2016).

#### 2. 2017/18 AUDIT PLAN

- 2.1 The ongoing financial pressures faced by the council and the consequent need to review and adapt services are major factors affecting systems and controls. Veritau's priority for the immediate future continues to be to help support the council maintain an effective control environment in these challenging times. The approach to audit planning for 2017/18 follows that adopted over the last few years by providing a balance between regularity audits in areas such as the main financial systems where the volume and value of transactions processed are significant and regular audit is essential; and other

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<sup>1</sup> Proper practice is set out in the Public Sector Internal Audit Standards and specific guidance on these standards for local government, issued by CIPFA. This includes a requirement for engagement with senior managers and members in the audit planning process.



**City of York Council's Internal Audit and Counter Fraud Service**

**Annual Plan 2017/18**

reviews targeted towards areas of increased risk due to change. This includes:

- direct support to change projects - to provide advice and challenge on controls being implemented or changed, and project governance
- emphasis in other audit work on the appropriateness of control systems in the current climate, and key objectives to meet current needs (e.g. progress with savings plans).

2.2 Details of the 2017/18 plan are set out in sections 3 – 7 below.



City of York Council's Internal Audit and Counter Fraud Service

Annual Plan 2017/18

3. CORPORATE & CROSS CUTTING AUDITS

Days

**Annual Governance Statement & Governance Support**

5

Advice and support on corporate governance matters and support in preparing the council's annual governance statement.

**Asset Management**

25

A review of the arrangements for managing the council's fixed assets and systems for accounting for assets. This will include an assessment of arrangements for ensuring the council's assets are being used effectively.

**Business Continuity and Emergency Planning**

25

An audit of the council's business continuity and emergency planning arrangements, particularly in relation to flood risks.

**Data Quality**

25

An audit of systems for capturing key performance data, to ensure information used for management of the organisation is robust. This will focus on indicators produced by individual directorates.

**Document Management**

25

A review of the council's document management processes.

**Governance**

25

A review of the council's governance arrangements in relation to CIPFA's latest 'Good Governance' publication.

**Health & Safety**

25

A review of council arrangements for managing health and safety. The specific areas to be covered will be determined in consultation with officers (to include an assessment of council arrangements for considering safety in public spaces / at public events).



**City of York Council's Internal Audit and Counter Fraud Service**

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<b>Information Security</b>	15
An allocation of time for a series of unannounced audit visits to council offices to ascertain the extent to which staff are recognising the need to protect sensitive and personal data and information assets.	
<b>IT audit</b>	25
The specific areas to be covered will be determined in consultation with officers.	
<b>Overtime</b>	25
A review of procedures across the council for the allocation, authorisation and record keeping relating to additional hours and overtime. This will build on work carried out in previous years.	
<b>PCI DSS</b>	10
A review of the council's compliance with the Payment Card Industry Data Security Standard (PCI DSS). This will follow-up on initial work carried out in 2016/17.	
<b>Performance Management</b>	25
A review of the effectiveness of the council's performance management framework.	
<b>Procurement and Contract Management</b>	73
This will encompass a number of separate audits including reviews of specific procurement exercises and contract related issues. Priorities for audit will be determined in consultation with council officers during the year. Possible areas include procurement breaches, procurement fraud risks, compliance with procurement regulations, and a review of the contracts register.	
<b>Project Management</b>	40
An allocation of time for the review of Project Management arrangements within the council as well as support and advice for specific projects.	





**City of York Council's Internal Audit and Counter Fraud Service**

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<b>Register of Interests</b>	15
An audit of the council's arrangements for maintaining a register of interests. This will follow-up on the actions agreed as part of the 2015/16 audit.	
<b>Scrutiny</b>	25
A review of the operation and effectiveness of the council's arrangements for scrutiny.	
<b>Use of Social Media</b>	15
A review of the council's effectiveness in using social media to communicate with its residents. This will build on initial work carried out in 2016/17.	
<b>Whistleblowing</b>	15
A review of the operation and effectiveness of the council's arrangements in relation to whistleblowing.	
<b>TOTAL – Corporate &amp; Cross Cutting Audits</b>	<b>438</b>



## City of York Council's Internal Audit and Counter Fraud Service

## Annual Plan 2017/18

## 4. MAIN FINANCIAL SYSTEMS

Days**Cashiers and Income Management**

20

A review of overall income management arrangements and the administrative systems for processing payments (including cash handling controls and security).

**Council Tax & NNDR**

20

A review of the systems for calculating Council Tax and NNDR liabilities, and the collection, recording and processing of payments.

**Council Tax Support and Housing Benefits**

25

A review of the arrangements for paying Housing Benefits and for administering the council tax support scheme.

**Debtors**

20

A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements.

**Housing Rents**

20

Reviews of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.

**Main Accounting System**

20

A review of the arrangements for managing and maintaining the financial ledger.

**Ordering and Creditor Payments**

20

A review of the systems for ordering goods and services and processing creditor invoices.

**Payroll**

25

A review of payroll controls and processing. This will include a review of the changes in relation to IR35 status.



City of York Council's Internal Audit and Counter Fraud Service

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<b>Treasury Management</b>	15
A review of treasury management key controls.	
<b>TOTAL – Main Financial Systems</b>	<b>185</b>



## City of York Council's Internal Audit and Counter Fraud Service

## Annual Plan 2017/18

## 5. DIRECTORATE AUDITS

DaysChildren, Education and Communities (CEC)**Contributions to Care**

25

An audit of the arrangements in place to ensure the council and its partners are making the correct contributions.

**High Needs SEN**

25

A review of High Needs SEN funding provided to schools, including whether the desired outcomes are being achieved.

**Regional Adoption Agency**

20

A review of controls and risks in relation to the newly formed Regional Adoption Agency; a partnership between six local authorities.

**Schools**

90

A programme of visits to schools as well as a number of themed audits including a follow-up of the 2015/16 Information Governance audit. The audits are undertaken in accordance with a detailed risk assessment. The number of days for 2017/18 has been reduced due to the decrease in the number of maintained schools.

Economy and Place (EP)**Bus Pass Usage Claims**

15

An allocation of time to continue work carried out in this area in 2016/17.

**Car Parking**

25

A review of key risks and controls including those for residents parking and tariff setting.



City of York Council's Internal Audit and Counter Fraud Service

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<b>Procurement of Sub-Contractors</b>	25
A review of the procurement of sub-contractors within the directorate. This will follow-up on the actions agreed in the 2015/16 audit.	
<b>Property Income</b>	25
A review of the arrangements in place for renewal and renegotiation of contracts within the council's Commercial Estates portfolio.	
<b>Section 106 Agreements</b>	25
This review will build on the audit carried out in 2015/16 and will focus on ensuring that funding is used for its intended purpose.	
<b>Trading Standards</b>	25
This audit will review key risks in relation to Trading Standards including the Scambusters function.	
<b><u>Health, Housing and Adult Social Care (HHASC)</u></b>	
<b>Better Care Fund</b>	25
A review of key risks in relation to the Better Care Fund. The scope of the work will be agreed with officers during the year.	
<b>Community Safety Plan</b>	15
An allocation of time to provide support and advice in relation to the new Community Safety Plan.	
<b>Deprivation of Liberty Assessments</b>	25
A review of arrangements in place to carry out Deprivation of Liberty Assessments.	
<b>Direct Payments</b>	25
An audit of the arrangements in place to provide direct payments to individuals who need them to enable them to buy their own care or support services. This will include a follow-up of findings from previous audits.	



**City of York Council's Internal Audit and Counter Fraud Service**

**Annual Plan 2017/18**

<b>Housing Performance</b>	25
A review of systems in place to improve performance in Housing in comparison to other local authorities.	
<b>Public Health</b>	25
A review of key risks in relation to Public Health. The scope of the work will be agreed with officers during the year and will build on work carried out in previous years.	
<b>Savings Plans (HHASC)</b>	25
A review of key savings plans within the directorate including Adult Social Care and Buildings Maintenance.	
<b>Supporting Vulnerable People</b>	25
A review of the processes in place in relation to supporting those people with no recourse to public funds (cross cutting with CEC).	
<b>TOTAL – Directorate Audits</b>	<b>490</b>



City of York Council's Internal Audit and Counter Fraud Service

Annual Plan 2017/18

6. COUNTER FRAUD & CORRUPTION

Days  
150

**Proactive Work / Data Matching**

Provision to coordinate data submission, check data validity, assess referrals, and investigate potential frauds in relation to:

- the National Fraud Initiative (NFI)
- local data matching exercises.

**Fraud Awareness**

50

Provision to deliver an overall programme of work to raise awareness of fraud issues amongst staff and the public. Activities include targeted fraud awareness training and organising counter fraud publicity (both internal and external).

**Fraud Detection and Investigation**

900

Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. Examples of the types of investigation work that may be undertaken include internal fraud, social services related fraud, council tax/NNDR fraud and housing tenancy fraud. Activities include:

- recording and risk assessing all referrals
- investigation
- application of sanctions, and progressing cases to prosecution where appropriate
- liaison with the police and other external agencies
- proactive, targeted, counter fraud exercises.



**City of York Council's Internal Audit and Counter Fraud Service**

**Annual Plan 2017/18**

<b>Other Counter Fraud Related Work</b>	<b>70</b>
Provision to provide other counter fraud and corruption work including:	
<ul style="list-style-type: none"> <li>• review of council counter fraud arrangements and policies</li> <li>• annual update of counter fraud risk assessment</li> <li>• the provision of support and advice to directorates in relation to fraud issues</li> <li>• reporting on outcomes from counter fraud work.</li> </ul>	
 <b>Housing Benefit Investigation Support</b>	 <b>80</b>
Supporting housing benefit fraud investigation conducted by the Department for Work and Pensions (DWP):	
<ul style="list-style-type: none"> <li>• provision of council held data to the DWP to support investigations</li> <li>• reporting of fraud concerns raised by staff and the public</li> <li>• tracking of fraud referrals made to the DWP by the council and members of the public</li> <li>• review of DWP investigations for the purpose of applying financial penalties.</li> </ul>	
 <b>TOTAL – Counter Fraud &amp; Corruption</b>	 <b>1,250</b>





City of York Council's Internal Audit and Counter Fraud Service

Annual Plan 2017/18

7. OTHER CHARGEABLE WORK

	<u>Days</u>
<p><b>Audit and Governance Committee</b> Provision to prepare reports for the Audit and Governance Committee and attend meetings.</p>	20
<p><b>Shareholder Committee</b> Provision to prepare reports for the Shareholder Committee and attend meetings</p>	2
<p><b>Audit Planning</b> Preparation and monitoring of audit plans.</p>	15
<p><b>Contingency Assignments</b> Provision to undertake additional work in response to:</p> <ul style="list-style-type: none"> <li>• specific requests from the Director of Customer and Corporate Services (the S151 Officer) or the Audit and Governance Committee.</li> <li>• new or previously unidentified risks which impact on Strategic Audit Plan priorities</li> <li>• significant changes in legislation, systems or service delivery arrangements</li> <li>• requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management</li> <li>• urgent or otherwise unplanned work arising from fraud investigations which identify potential control risks.</li> </ul>	25
<p><b>Data Analysis</b> An allocation of time for the development of data analysis techniques and specific data matching exercises, to enhance the delivery of planned audit work.</p>	10
<p><b>External Audit Liaison</b> Provision for regular liaison and information sharing with Mazars.</p>	5



**City of York Council's Internal Audit and Counter Fraud Service**

**Annual Plan 2017/18**

<b>Follow Up Audits</b>	45
Provision to follow up previously agreed audit actions.	
<b>Freedom of Information Act Requests</b>	10
An allocation of time to provide responses to requests received by the council and to answer queries about audit work from councillors and the public.	
<b>Information Governance</b>	2
An allocation of time to provide support to help maintain the council's RIPA register.	
<b>Support, Advice &amp; Liaison</b>	25
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls and for the overall management of audit work in each department.	
<b>TOTAL – Other Audit Work</b>	<b>159</b>
<b>TOTAL DAYS 2017/18</b>	<b>2,522</b>

**Audit and Governance Committee**

3 May 2017

Report of the Head of Internal Audit

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**Audit & Counter Fraud Monitoring Report**

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**Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2016/17 and on current counter fraud activity.

**Background**

- 2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

**Internal Audit**

- 3 To date (up to 20 April 2017), internal audit has completed 85% of the 2016/17 audit plan based on reports issued. The figures do not reflect audits in progress or recently completed<sup>1</sup>. It is anticipated that the 93% target for the year will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits). The current status of audits included in the audit plan is shown in annex 5.
- 4 Details of the audits completed and reports issued since the last report to this committee in December 2016 are given in annex 1.
- 5 A number of variations to the audit plan have been approved by the Director of Customer and Corporate Services since the

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<sup>1</sup> The figure including work in progress and work completed but not yet reported is 97%.

last report to this committee in December 2016. Details of these variations are included in annex 2.

### **Counter Fraud**

- 6 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides a summary of the work undertaken in the period.
- 7 Up to 28 February, the fraud team had achieved £244k in savings for the council as a result of investigation work (against a target for the year of £100k). Successful outcomes were recorded for 50% of the investigations undertaken (where cases have resulted in some form of action against the perpetrator, recovery of funds or other action by management). The team also identified £144k in notional savings principally derived from housing fraud investigations.

### **Breaches of Financial Regulations**

- 8 Seventeen breaches of the council's financial regulations have been identified during the course of recent audit work. Thirteen of these related to the review of the procurement of consultants which was reported to this committee in February 2017. Details of the breaches are summarised in annex 4.

### **Consultation**

- 9 Not relevant for the purpose of the report.

### **Options**

- 10 Not relevant for the purpose of the report.

### **Analysis**

- 11 Not relevant for the purpose of the report.

### **Council Plan**

- 12 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

### **Implications**

13 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### **Risk Management Assessment**

14 The council will be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could therefore be exposed to increased levels of scrutiny and challenge.

### **Recommendation**

15 Members are asked to:

- (a) Note the progress made in delivering the 2016/17 internal audit work programme, and current counter fraud activity.

#### Reason

*To enable members to consider the implications of audit and fraud findings.*

**Contact Details**

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01904 552940

**Chief Officer Responsible for the report:**

Ian Floyd  
Director of Customer & Corporate Services  
Telephone: 01904 551100

**Report Approved**



**Date** 20/4/17

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

- 2016/17 Internal Audit and Counter Fraud Plan

**Annexes**

- Annex 1 - 2016/17 Audits Completed and Reports Issued
- Annex 2 - Variations to the 2016/17 Audit Plan
- Annex 3 - Counter Fraud Activity
- Annex 4 – Breaches of Financial Regulations
- Annex 5 - Current Status of Planned Audits

**Available on the council's website**

The following Internal Audit reports referred to in annex 1 are published on the council's website (paper copies available on request from Democratic Services):

- Access to Key IT Systems
- All Saints' RC Secondary School
- Better Care Fund (follow-up)

- Clifton Green Primary School
- Debtors
- Digital Services Project Review
- Dringhouses Primary School
- Elvington CE Primary School
- Free Early Education Funding
- Information Security Sweeps (September)
- Learning and Development
- Office Security
- Overtime
- PCI DSS Compliance
- Project Management (follow-up)
- Right to Buy
- VAT Accounting
- Ward Committee Budget Decision Making
- Yearsley Grove Primary School
- York Financial Assistance Scheme
- York High School

Information which might increase risk to the Council, its employees, partners or suppliers has been redacted.

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**AUDITS COMPLETED AND REPORTS ISSUED**

The following categories of opinion are used for audit reports.

<b>Opinion</b>	<b>Level of Assurance</b>
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

**Priority**

1 (High)

**Long Definition**

Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.

These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.

Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.

**Short Definition – for use in Audit Reports**

A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

### Draft Reports Issued

Fourteen internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee.

### Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in December 2016. In all cases the actions have been agreed with management, and will be followed up by internal audit when the due date is reached.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Access to Key IT Systems	Reasonable Assurance	0	11	4	The audit found that the council generally has good processes in place in relation to four key IT systems. There were some improvements required in relation to password security settings and authorisation of new users. The relatively high number of actions in the report reflects the duplication of issues across each of the four systems reviewed.
All Saints' RC Secondary School	Substantial Assurance	0	0	8	A routine audit of financial, operational and governance procedures at the school. Systems

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
					were generally working well.
Better Care Fund (follow-up)	No Opinion Given	0	0	0	This was a follow-up of actions agreed in a previous audit. It was found that good progress had been made and governance arrangements had improved significantly.
Clifton Green Primary School	Reasonable Assurance	0	0	9	A routine audit of financial, operational and governance procedures at the school. No major issues were identified; however there were a number of improvements that could be made.
Debtors	Substantial Assurance	0	0	1	An audit of the systems in place to raise invoices on behalf of the council. One minor issue in relation to performance analysis was raised.
Digital Services Project Review	Substantial Assurance	0	1	2	This was a review of information received by the Project Board for Digital Services Project. Actions agreed related to the improvement of information recorded in the minutes.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Dringhouses Primary School	High Assurance	0	0	3	A routine audit of financial, operational and governance procedures at the school. Systems were working well.
Elvington CE Primary School	Substantial Assurance	0	0	8	A routine audit of financial, operational and governance procedures at the school. Systems were generally working well.
Free Early Education Funding	Substantial Assurance	0	2	1	An audit of payments made to free early years education. It was found that payments were made accurately and based on valid information. Record keeping and validation checks were not always robust at some providers.
Information Security Sweeps (September)	Reasonable Assurance	0	3	0	This regular audit found that The council remains reasonably well protected against accidental disclosure of information. A number of areas for improvement were identified and these have been fed back to individual service areas.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Learning & Development	Substantial Assurance	0	1	2	An audit of the training courses provided by the council. A wide variety of courses is provided to both internal and external customers, although course registers and evaluation forms were not always completed or retained.
Office Security	Substantial Assurance	0	0	5	An audit of the security arrangements at West Offices. They were found to be operating effectively with some minor issues identified.
Overtime	Reasonable Assurance	0	5	1	<p>A review of overtime arrangements, concentrating on three areas: Public Realm Operations, Building Maintenance and Highways.</p> <p>Issues were found with processes for authorising additional hours and overtime mainly relating to those claims that are submitted via manual timesheets; errors and inconsistencies in the completion of timesheets were also observed</p>

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Payment Card Industry Data Security Standard (PCI DSS) Compliance	No Opinion Given	0	5	0	An initial review to examine the arrangements within the council for ensuring that compliance with the requirements is achieved and maintained. The work identified a number of areas of improvement and progress against these will be reviewed in 2017/18.
Project Management (follow-up)	No Opinion Given	0	0	0	A follow-up of actions agreed in the Project Management report issued in May 2016. The follow-up found that a significant amount of work Had been undertaken to ensure that all of the agreed management actions are now complete.
Right to Buy	Reasonable Assurance	0	1	3	A review of the procedures in place to process Right to Buy applications. They were found to be working well, however the delay in upgrading SX3 means there remains a reliance on human intervention rather than system prompts. Testing found that key documents were not always available.
VAT Accounting	High	0	0	1	A regular audit of controls in relation to VAT.



Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
	Assurance				The audit found that systems were working well with one minor issue identified.
Ward Committee Budget Decision Making	Reasonable Assurance	0	1	3	A review of the procedures in place for administering funding to individual ward committees. A sound framework was found to be in place, however resident engagement was not always satisfactory.
Yearsley Grove Primary School	Substantial Assurance	0	0	5	A routine audit of financial, operational and governance procedures at the school. Systems were generally working well.
York Financial Assistance Scheme	Substantial Assurance	0	0	2	An audit of the procedures in place to provide urgent financial assistance to residents. It found that they were working well, with two minor issues identified.
York High School	High Assurance	0	0	1	A routine audit of financial, operational and governance procedures at the school. Systems were working well.

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## VARIATIONS TO THE 2016/17 AUDIT PLAN

Additions to the plan are considered where:

- specific requests are received from the S151 Officer which are necessary for him to discharge his statutory responsibilities;
- new or previously unidentified risks result in changes to the priority of audit work;
- significant changes in legislation, systems or service delivery arrangements occur which have an impact on audit priorities;
- requests are received from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management;
- urgent or otherwise unplanned work arises as a result of investigations into fraud and other wrongdoing identifying potential control risks.

Additions to the audit plan are only made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been agreed by the Head of Internal Audit.

Audits are deleted from the plan or delayed until later years where:

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable;
- the initial reason for inclusion in the audit plan no longer exists;
- it is necessary to vary the plan to balance overall resources.

To reflect the contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Director of Customer and Corporate Services. Details of variations are communicated to the Audit and Governance Committee for information.

## 2016/17 Audit Plan Variations

The following variations have been approved by the Director of Customer and Corporate Services since the last report to this committee in December 2016. They represent a net allocation of ten days from the audit contingency and do not affect the overall planned audit days.

Audit	Days	Reason For Variation
<b>Additions / Increases to the Audit Plan</b>		
Consultant Investigation	25	An additional allocation of time for the investigation of the procurement of a consultant previously employed by the council.
Waste Disposal Contract	10	An additional allocation of time to reflect the more complex scope for the audit than originally envisaged.
Information Governance Review	25	An allocation of time to carry out an Information Governance review of the Healthy Child Service. This was a priority as the service had recently transferred to the council and an assessment was needed to ensure that procedures were in line with council expectations.
	<b>60</b>	

Audit	Days	Reason For Variation
<b>Deletions / Reductions from the Audit Plan</b>		
Performance Management	25	This will be deferred from Q4 2016/17 to Q1 or Q2 in 2017/18; therefore it will not be significantly delayed.
Business Continuity & Emergency Planning	25	This will be deferred from Q4 2016/17 to Q1 or Q2 in 2017/18; therefore it will not be significantly delayed.
	<b>50</b>	

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**COUNTER FRAUD ACTIVITY 2016/17**

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed to date. The indicators include the full range of counter fraud work undertaken.

	<b>2016/17 (Actual: 28/02/17)</b>	<b>2016/17 (Target: Full Yr)</b>	<b>2015/16 (Actual: Full Yr)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	50%	30%	41%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£244,473	£100,000	£141,579
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£144,400	£250,000	£511,100

**Caseload figures for the period are:**

	<b>As at 28/02/17</b>	<b>As at 1/4/16</b>
Awaiting allocation	68	10
Under investigation	104	93

## Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Results from the 2016/17 National Fraud Initiative have been returned. There are over 2,600 matches to investigate covering a range of council services.</p> <p>The council has joined Ryedale, Selby, Hambleton and Richmondshire district councils to undertake data matching exercises to detect cross boundary fraud. Results from a data match looking at single person discounts have been returned and matches are currently being reviewed.</p>
Fraud detection and investigation	<p>The service continues to promote the use of 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"> <li>• <b>Social Care fraud</b> – is a substantial risk to the council and remains an area of development for the fraud team. To date this year the team has helped to recover £143k. There are currently 20 ongoing investigations in this area.</li> <li>• <b>Housing fraud</b> – Working in conjunction with housing officers, 7 properties have been recovered to date in 2016/17. In addition, 4 properties were prevented from being let where the prospective tenants had provided false information in their housing applications. There are currently 16 ongoing investigations in this area.</li> </ul>



Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• <b>Internal fraud</b> - The team has received 15 referrals for internal frauds this financial year, and 9 cases are currently under investigation.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – To date in 2016/17 the team has received 66 referrals for potential fraud in this area. There are currently 24 ongoing investigations into Council Tax and Non Domestic Rates fraud.</li> <li>• <b>York Financial Assistance Scheme fraud</b> – To date the fraud team has received 6 referrals in 2016/17. This year the team achieved its first prosecution in the area. It has also issued two cautions/warnings. There are currently 2 ongoing investigations.</li> <li>• <b>Council Tax Support fraud</b> – The council is responsible for the investigation of council tax support payments. The team has identified £21k in loss due to CTS fraud to date. There are currently 19 cases under investigation.</li> <li>• <b>Parking fraud</b> – Alongside the Parking department, the fraud team are piloting new working practices to help combat disabled badge fraud within the city. The new arrangements have helped increase the number and quality of referrals received from enforcement officers. This financial year the council has issued 10 warnings for disabled badge misuse. There are currently 14 cases under investigation.</li> </ul>

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li data-bbox="472 339 2051 459">• <b>Education verification</b> – The fraud team works with the schools team to investigate and deter false applications for school placements. The team have received 3 referrals to date in 2016/17.</li> <li data-bbox="472 512 2051 719">• <b>Benefit fraud</b> – On 1 March 2016 the council’s remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team have dealt with 464 requests on behalf of the council this financial year.</li> </ul>

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS  
IDENTIFIED DURING INTERNAL AUDIT WORK COMPLETED  
IN THE PERIOD**

Description of Breach	Instances
Spend over £5,000 undertaken without a quotation exercise	4
Contract not recorded on the contract register	2
No documentation was retained for a procurement process	2
No contract in place	2
Failure to consider whether there is an appropriate Internal Service Provider, existing Contract, approved Framework Agreement or Dynamic Purchasing System which can be used.	2
Payment made in advance of work being completed	1
Lack of contract monitoring	2
VAT being reclaimed without suitable documentation	2

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## CURRENT STATUS OF WORK IN AUDIT PLAN

AUDIT	STATUS
<b>Corporate &amp; Cross-Cutting</b>	
Annual Governance Statement & Governance Support	Ongoing
Asset Disposals	Fieldwork complete
Asset Management	Deferred (December)
Business Continuity and Emergency Planning	Deferred (April)
Data Quality	To be completed in 2017/18
Document Management	Deferred (December)
Freedom of Information	In progress
Health & Safety (follow-up)	<b>Follow-up complete</b>
Health and Wellbeing Board	Deferred (September)
Information Security Sweeps (September)	<b>Reasonable Assurance</b>
Information Security Sweeps (March)	Draft report issued
Office Security	<b>Substantial Assurance</b>
Overtime	<b>Reasonable Assurance</b>
Performance Management	Deferred (April)
Procurement and Contract Management: Adult Social Services Waste Disposal Contract	Draft report issued Fieldwork complete
Project Management: OPH (risk reporting)	<b>Complete</b>

AUDIT	STATUS
Digital Services Programme (support) Digital Services Programme (initial review) Overall Arrangements (follow-up)	<b>Complete</b> <b>Substantial Assurance</b> <b>Follow-up complete</b>
Risk Management	Draft report issued
Training	<b>Substantial Assurance</b>
Use of Social Media	Fieldwork complete
Ward Committee Budget Decision Making	<b>Reasonable Assurance</b>
<b>Main Financial Systems</b>	
Budget Savings	Cancelled (December)
Cashiers and Income Management: Petty Cash	<b>Substantial Assurance</b>
Council Tax & NNDR	Draft report issued
Council Tax Support and Housing Benefits	In progress
Debtors	<b>Substantial Assurance</b>
Housing Rents	In progress
Main Accounting System	In progress
Ordering and Creditor Payments	Draft report issued
Payroll (assurance work)	In progress
VAT Accounting	<b>High Assurance</b>
York Financial Assistance Scheme	<b>Substantial Assurance</b>
<b>Health, Housing and Adult Social Care</b>	
Better Care Fund (follow-up)	<b>Follow-up complete</b>

AUDIT	STATUS
Deprivation of Liberty Assessments	To be completed in 2017/18
Homeless Establishments	In progress
Housing Repairs	Draft report issued
Management of Travellers' Sites	Draft report issued
Public Health	Draft report issued
Right to Buy	<b>Reasonable Assurance</b>
Safeguarding	Cancelled (May)
<b>Economy and Place</b>	
Fleet Management	Draft report issued
Fees and Charges (replaces Highways Regulation)	Fieldwork complete
Section 106 Agreements (follow-up)	Draft report issued
Bus Pass Usage Claims (addition to plan)	In progress
<b>Children, Education and Communities</b>	
Contributions to Care	To be completed in 2017/18
Free Early Education Funding	<b>Substantial Assurance</b>
School Placement Planning	In progress
Schools: St Paul's Nursery Elvington CE Primary York High School All Saints' RC Secondary School	<b>Substantial Assurance</b> <b>Substantial Assurance</b> <b>High Assurance</b> <b>Substantial Assurance</b>

AUDIT	STATUS
Yearsley Grove Primary School Clifton Green Primary School York High School Dringhouses Primary School St Oswald's CE Primary School Themed audit – Maintained Nurseries	<b>Substantial Assurance</b> <b>Reasonable Assurance</b> <b>High Assurance</b> <b>High Assurance</b> Draft report issued Draft report issued
<b>Customer and Corporate Services</b>	
Blue Badge Scheme	In progress
IT audit – Access to Key Systems	<b>Reasonable Assurance</b>
PCI DSS Compliance	<b>No Opinion Given</b>



**Audit and Governance Committee**

3 May 2017

Report of the Head of Internal Audit

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**Internal Audit Follow Up Report**

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**Summary**

1. This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

**Background**

2. Where weaknesses in systems are found by internal audit, the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for issues to be dealt with. The auditors then carry out follow up work to check that the issue has been resolved once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, the Governance, Risk and Assurance Group (GRAG) and ultimately may be referred to the Audit and Governance Committee.
3. A summary of the findings from follow up work is presented to this committee twice a year with the last report being presented in September 2016.

**Consultation**

4. Details of the findings of follow up work are discussed with the relevant service managers and chief officers.

## Follow up of internal audit agreed actions

5. A total of 105 actions have been followed up since the last report to this committee in September 2016. A summary of the priority of these actions is included in figure 1, below.

*Figure 1: actions followed up as part of the current review*

Priority of actions*	Number of actions followed up
1	2
2	33
3	67
<b>Total</b>	<b>102</b>

\* The priorities run from 1 (high risk issue) to 3 (lower risk)

6. Three actions were issued in a memo report without priority ratings, bringing the total number of actions followed up in this period to 105.
7. Figure 2 below provides an analysis of the actions which have been followed up, by directorate.

*Figure 2: actions followed up by directorate*

	Priority of actions			
	CCS	EP	CEC	HHASC
1 (High)	1	0	0	1
2 (Medium)	19	4	3	7
3 (Low)	22	3	30	12
<b>Total</b>	<b>42</b>	<b>7</b>	<b>33</b>	<b>20</b>

8. The three actions without priority ratings were issued to the directorate of Health, Housing and Adult Social Care.
9. Of the 105 agreed actions 87 (83%) had been satisfactorily implemented and 6 (6%) were no longer needed<sup>1</sup>.
10. In a further 12 cases (11%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays

<sup>1</sup> For example because of other changes to procedures or because the service has ended or changed significantly.

are unavoidable (eg due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure. Figure 3 below shows the priority of these actions.

*Figure 3: priorities of actions with revised implementation dates*

<b>Priority of actions</b>				
	<b>CCS</b>	<b>EP</b>	<b>CEC</b>	<b>HHASC</b>
1 (High)	0	0	0	0
2 (Medium)	3	2	0	0
3 (Low)	4	0	3	0
<b>Total</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>0</b>

11. Two of the P2 actions had implementation dates revised by more than six months. Further details of these actions are included in Annex 1.

### **Conclusions**

12. The follow up testing undertaken confirms that in general good progress has been made by council departments to rectify weaknesses in control identified through internal audit work. This is an ongoing process and progress in implementing agreed actions will continue to be monitored and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee at this time.

### **Options**

13. Not relevant for the purpose of the report.

### **Analysis**

14. Not relevant for the purpose of the report.

### **Corporate Priorities**

15. This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to priorities relating to improving organisational effectiveness.

### **Implications**

16. There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### **Risk Management**

17. The council will fail to properly comply with Public Sector Internal Audit Standards (PSIAS) if it does not establish procedures to follow up on audit recommendations and report progress to the appropriate officers and members.

### **Recommendations**

18. Members of the Audit and Governance Committee are asked to:
  - consider the progress made in implementing internal audit agreed actions as reported above (paragraphs 5 – 12)

#### Reason

*To enable Members to fulfil their role in providing independent assurance on the council's control environment.*

**Contact Details**

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**Chief Officer Responsible for the report:**

Ian Floyd  
Director of Customer and Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date**

20/4/17

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers:**

None

**Annexes**

Annex 1 - Priority 1 and 2 actions with implementation dates revised by more than six months

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**PRIORITY 1 AND 2 ACTIONS WITH IMPLEMENTATION DATES REVISED BY MORE THAN SIX MONTHS**

<b>Audit</b>	<b>Priority</b>	<b>Original Date</b>	<b>Revised Date</b>	<b>Finding / Action</b>	<b>Reason for Delay</b>
Transformation Programme 2015-16	2	June 16	April 17	All Business Support SLAs will be re-visited, agreed and signed off.	Due to various re-organisations and restructures SLAs are being re-written and aligned to meet the new service requirements.
Transformation Programme 2015-16	2	June 16	April 17	A single generic SLA for all services pertaining to general tasks (for example purchase orders, invoicing, train tickets) will be developed.	Due to some significant service changes and imminent implementation of new desk top processes this has not been finalised.

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**Audit and Governance Committee**3<sup>rd</sup> May 2017

Report of the Director of Customer &amp; Corporate Services

**Audit & Governance Committee Forward Plan to February 2018****Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2018.

**Background**

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for meetings to February 2018. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. No amendments have been made to the forward plan since the last version was presented to the Committee on 5<sup>th</sup> April.
4. At the last meeting a request was made for the Committee to receive the Social Media policy, and the Media Protocol. This request referred to these items being referenced within the Risk Strategy. Whilst the Committee have broad terms of reference regarding reviewing matters of information, risk, and protocols, it does not have decision making powers regarding the media policy/protocols. Therefore any report could only be for information. The documents themselves are formally agreed by officers in consultation with the Executive, and this is anticipated to happen in the next few weeks. In addition the documents will be discussed at a Group Leaders meeting to allow all parties to input. In view of this, Members of the Committee are asked to determine whether they still wish to receive the documents at a future meeting. If they do, whether they wish to consider as part of the

risk strategy reports, or an individual item, noting the limitations on the Committee role in terms of decision making

### **Consultation**

5. The Forward Plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

### **Options**

6. Not relevant for the purpose of the report.

### **Analysis**

7. Not relevant for the purpose of the report.

### **Council Plan**

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements.

### **Implications**

9.
  - (a) **Financial** - There are no implications
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

### **Risk Management**

10. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control

environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

### Recommendations

11.

- (a) The Committee's Forward Plan for the period up to February 2018 be noted.

Reason

*To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.*

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

*To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.*

### Contact Details

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Ian Floyd  
Director of Customer & Corporate  
Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 03/05/2017

### Specialist Implications Officers

Head of Civic, Democratic & Legal Services

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annex**

Audit & Governance Committee Forward Plan to February 2018

## **Audit & Governance Committee Draft Forward Plan to February 2018**

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **Committee 21 June 2017**

Draft Annual Governance Statement

Annual Report of the Audit & Governance Committee (Statutory)

Mazars Audit progress report

Annual Report of the Head of Internal Audit (Statutory)

Key corporate Risk Monitor (including project risks)

*Changes to the Constitution (if any)*

- **Committee 19 July 2017**

Draft Statement of Accounts (Statutory)

Mazars Audit Progress Report

Information Governance Update Report

Health & Safety update report

Overview of Constitution

*Changes to the Constitution (if any)*

- **Committee 20 September 2017**

Mazars Audit Completion Report (Statutory)

Final Statement of Accounts (Statutory)

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud plan progress report

Key Corporate Risks Monitor (including project risks)

*Changes to the Constitution (if any)*

- **Committee 6 December 2017**

Treasury Management mid year review report 2016/17 and review of prudential indicators

Mazars Annual Audit Report (Statutory)

Mazars Audit Progress Report

Internal Audit & Fraud Progress Report

Information Governance & Freedom of Information Report (including information security)

*Changes to the Constitution (if any)*

- **Committee 7 February 2018**

Mazars Audit Progress Report

Scrutiny of the Treasury Management strategy statement and Prudential indicators

Counter Fraud: Risk Assessment and review of policies

Audit & Counter Fraud Plan & Consultation

*Changes to the Constitution (if any)*