

Notice of a public meeting of

Audit and Governance Committee

To: Councillors Pavlovic (Chair), Daubeney, Fisher (Vice-Chair), Lomas, Mason, Wann and Webb

Date: Wednesday, 16 June 2021

Time: 5.30 pm

Venue: Remote Meeting

AGENDA

This is not a formal meeting of this Committee. The Council is operating its scrutiny and decision making meetings in accordance with statutory requirements relating to holding 'Covid-safe' meetings between 7 May and 21 June 2021. The Audit and Governance Committee will continue to hold public informal sessions remotely for the purpose of commenting only on the business set out in the agenda below. Members of the public may register to speak in the usual way set out below.

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 meeting held on 17 February 2021, 31 March 2021, and 14 June 2021.

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. Members of the public may speak on agenda items or on matters within the remit of the committee.

Please note that registration deadlines have changed to 2 working days before the meeting, in order to facilitate the management of public participation at remote meetings. The deadline for registering is **5:00pm on Monday, 14 June 2021**.

To register to speak, please visit www.york.gov.uk/AttendCouncilMeetings to fill in an online registration form. If you have any questions about the registration form or the meeting, please contact Democratic Services. Contact details can be found at the foot of the agenda.

Webcasting of Remote Public Meetings

Please note that, subject to available resources, this remote public meeting will be webcast, including any registered public speakers who have given their permission. The remote public meeting can be viewed live and on demand at www.york.gov.uk/webcasts.

During coronavirus, we've made some changes to how we are running council meetings. See our coronavirus updates (www.york.gov.uk/COVIDDemocracy) for more information on meetings and decisions.

4. **Progress against the Action Plan** (Pages 19 - 30)

This report updates the Committee on the associated action plan from Full Council on 4th May 2021 following the Public Interest Report.

5. Treasury Management Outturn Report (Pages 31 - 44)

Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2020/21 approved by full Council on 27 February 2020.

6. Redmond Review - Update (Pages 45 - 48)

This report provides an update on the Government's recently published updated response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

7. Key Corporate Risks Monitor 1 (Pages 49 - 86)

This report presents the Committee with an update on the key corporate risks for City of York Council.

8. Mazars Audit Strategy Memorandum (Pages 87 - 126)

This report and the attached Annex A from Mazars, the Council's external auditors, summarises the audit approach for the year ended 31st March 2021.

9. Annual Report of the Head of Internal Audit (Pages 127 - 184)

This report includes the Annual Report of the Head of Internal Audit, which summarises internal audit work undertaken in 2020/21 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control. An annual report setting out counter fraud activity and performance is also included.

Alongside this report the following internal audit reports referred to in annex 1 have been published on the Council's website under this meeting but will not be part of the agenda pack

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=437&MIId=13013&Ver=4>):

- SEN Ofsted Inspection & written statement of action (WSoA)
- Home working
- ICT Server Administration and Security
- ICT Licence Management

- Public Health – Healthy Child Service
- Cash handling

10. Audit and Governance Committee Work Plan (Pages 185 - 188)

To receive a draft plan of reports currently expected to be presented to future meetings of the Committee up to April 2022.

11. Urgent Business

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

Democracy Officer:

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

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

City of York Council

Committee Minutes

MEETING	AUDIT AND GOVERNANCE COMMITTEE
DATE	17 FEBRUARY 2021
PRESENT	COUNCILLORS PAVLOVIC (CHAIR), DAUBENEY, FISHER (VICE-CHAIR), LOMAS, MASON, WANN AND WEBB
APOLOGIES	NONE

37. 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. At this point and in general in view of the work of the Committee, Councillor Fisher declared a personal interest as a temporary unpaid 'employee' of a company owned by a relative. Although, not a direct interest, Councillor Pavlovic then gave notice, in relation to Minute No. 39 below, that he had been in liaison with Veritau regarding a potential fraud case in his ward.

38. PUBLIC PARTICIPATION

It was reported that there had been 2 registrations to speak at the meeting under the Council's Public Participation Scheme. Firstly, Mr Andy Mendus, former co-opted independent Member of the Committee, referred to various audit reports completed in 2019/20 which appeared to be missing from the Council's website and called for any missing ones to be added. He commented on audits for the current calendar year and suggested including Section 106 reporting. He also reminded the Committee that their work plan did not yet include a review of Non-Disclosure Agreements and settlements (NDAs), as agreed in November 2020.

Secondly, Ms Gwen Swinburn spoke generally on standards relating to good governance and identified a list of business she considered appropriate for the Committee to add to its work plan moving forward including NDAs, the recruitment of independent representatives, the governance of Tecal companies and public interest reports.

39. COUNTER FRAUD FRAMEWORK UPDATE

Members considered a report presenting a new counter fraud and corruption strategy and action plan for the Council based on the new national counter fraud strategy for local government 'Fighting Fraud and Corruption Locally', together with an updated Fraud Risk Assessment and Counter Fraud & Corruption Policy.

Members raised concerns regarding the emergence of cyber-crime and the need to respond quickly to any issues in line with the Disaster Recovery Plan, as well as the provision of any grant funding towards helping identify potential fraud. The Section 151 Officer agreed to identify whether any additional 'burdens' funding from the Government could expressly be used for the purpose. The Head of Internal Audit would investigate any potential key corporate risks in relation to the Council's disaster recovery plans and report back as necessary.

Finally, some concern was raised that the Policy document did not make it explicitly clear where it applied to elected Members. It was suggested that the document be amended to reflect its application to elected Members.

RESOLVED: That

- (1) The proposed new Counter Fraud & Corruption Strategy and Action Plan, be adopted, as set out at Annex 2 to report;
- (2) The proposed updated Fraud Risk Assessment and Counter Fraud & Corruption Policy be adopted as set out at Annexes 3 & 4 to the report, subject to appropriate revisions to clarify application to elected Members.

REASON: To meet the Committee's responsibilities for assessing the effectiveness of the Council's counter fraud arrangements.

40. INTERNAL AUDIT PLAN CONSULTATION

Members considered a report identifying potential priorities for internal audit for 2021/22 for inclusion in its annual work programme. The final Internal Audit Plan would be reported to the Committee at its meeting in April 2021.

Further to those priorities identified within the report, Members proposed other areas of concern relating to powers of delegation (specifically for the Chief Operating Officer and the Director of People), processes for monitoring Council motions and audit Section 106 arrangements. In relation to reviewing specific powers of delegation, it was agreed that that work could be added at an appropriate time, post constitutional review. On Council motions, it was noted that Corporate Services Management & Policy Scrutiny Committee had already included this within its work plan. In relation to an audit on Section 106 Agreements, the Section 151 Officer agreed to review what work scrutiny had already undertaken and report back to Members.

RESOLVED: That

- (1) the priority areas identified in the report be noted and endorsed, subject to the inclusion of some work around the delegated powers of the Chief Operating Officer and Director of People, at an appropriate time;
- (2) the final and prioritised Audit Plan be brought back to the April meeting of this Committee for formal approval;
- (3) Corporate Services Management Policy & Scrutiny Committee be informed of this Committee's interest in its work on a process for the implementation of approved Council motions and invite it to report back its findings when that work is concluded;

REASON: To ensure that this Committee considers the scarce allocation and prioritisation of audit resources.

41. AUDIT AND COUNTER FRAUD MONITORING REPORT

Members considered a report providing an update on the delivery of the internal audit work plan for 2020/21 and on counter fraud activity undertaken to date in 2020/21.

Members commented upon counter fraud activity, including the work on Covid 19 grants and noted that the target on counter fraud work had already been achieved.

RESOLVED: That progress made to date in delivering the 2020/21 internal audit work plan be noted and thanks be extended for targets already being exceeded on counter fraud investigation activities.

REASON: To enable the implications of audit and fraud findings to be properly considered by the Committee.

**42. CORPORATE GOVERNANCE TEAM REPORT
(INFORMATION GOVERNANCE AND COMPLAINTS)**

Members considered a report providing details of the performance of information governance in relation to complaints, Information Commissioners Office (ICO) decision notices since November 2020, publication of the disclosure log and Local Government & Social Care Ombudsman (LGSCO) and Housing Ombudsman cases since November 2020.

Further to the publication of the agenda for this meeting, Members noted that this report had been circulated and made publicly available late, about which the Chair expressed his dissatisfaction.

Members then commented variously on any lessons learnt, figures relating to Subject Action Requests (SARs) and ICO exemptions.

Finally, it was noted that the title of the report would in future change to reflect the responsibility of the team more appropriately to 'Corporate Governance Report'.

RESOLVED: That the report and information be noted, together with the above change in future title.

REASON: To keep Members properly informed of statistical data on the handling of complaints and information governance.

43. WORK PLAN

Members considered a draft work plan for the Committee from March 2021 to April 2022.

The Chair informed the Committee that he had requested the addition of dates moving forward for an October meeting as standard practice.

It was reported that external auditors would not be able to meet the deadline for an update from Mazars for the scheduled meeting on 10 March 2021. It was therefore suggested that that meeting be cancelled and the outstanding item on the work plan for that meeting (Key Corporate Risks Monitor 2) be deferred to a future appropriate meeting. The expected report on Non-Disclosure Agreements would not be available until the end of the financial year and would be submitted to the Committee at an appropriate future meeting.

After some discussion, it was agreed that the external auditors report on Mazars should be considered at a special 'single item' meeting towards the end of March 2021 (potentially 31 March 2021).

Consideration was then given to a potential date at the end of April (potentially 28 April 2021) to review the Constitution, prior to formal Council approval. Again, to be a special 'single-item' meeting and arrangements to be made for Members of the Committee to have access to the draft proposals 2 weeks in advance of the meeting, to allow for full preparation.

Finally, the Section 151 Officer undertook to review the potential future work areas raised by one of the public participants and respond to Members of the Committee on potential actions.

RESOLVED: That the draft work plan be noted and agreed, subject to the following additions/revisions:

- No meeting on 10 March 2021;

- Re-allocate Key Corporate Risks Monitor 2;
- Special meeting on 31 March 2021 (date tbc) to consider the Update from Mazars;
- Special meeting on 28 April (date tbc) to consider the Constitutional Review;
- Standard additional October meeting

REASON: To ensure that the Committee manages its work plan effectively.

Councillor Pavlovic, Chair

[The meeting started at 5.30 pm and finished at 8.17 pm].

Meeting	Audit and Governance Committee
Date	31 March 2021
Present	Councillors Pavlovic (Chair), Daubeney, Fisher (Vice-Chair), Lomas, Mason, Webb and Hollyer (Substitute For Cllr Wann)
Apologies	Councillors Wann

44. 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 interests were declared, Councillor Lomas noted she did not have a prejudicial interest or any disclosable pecuniary interest but she had submitted a standards complaint.

45. Minutes

Resolved: That the minutes of the meeting held on 28 January 2021 be approved and then signed by the Chair as a correct record.

46. Public Participation

It was reported that there had been three registrations to speak at the meeting under the Council's Public Participation Scheme.

Gwen Swinburn raised a number of concerns including the auditors flagging for the second year in a row, concerns regarding the use of passwords at the Council. She highlighted concerns raised about valuation of assets by the Council in the auditor's report and stated that more should be done to ensure senior staff could not ignore actions requested by regulatory bodies or committees.

Andy Mendus asked whether Mazars were content that the Council had acted sufficiently on the internal audit reports, he also asked what the role of GRAG was and whether Audit and Governance had seen the terms of reference for GRAG? He enquired as to when the Committee would be considering a

review of Non-Disclosure agreements, Settlement Agreements, and Whistleblowing.

Cllr Kilbane raised a series of questions regarding the exit of the former chief executive confirmed at the Staffing Matters and Urgency Committee, he raised concerns that the Leader of the Council had not declared an interest at the meeting and whether incorrect information in the business case provided should call into question the validity of the decision taken at that meeting.

47. Mazars Audit Completion Report

The Committee were joined by auditors from Mazars who introduced the report. The auditors noted that unusually the report was a draft due to ongoing investigations and noted that an audit certificate should be finalised shortly. Members enquired about the ongoing investigation's timeframe and what evidence was still to be submitted. The auditors confirmed that they were not satisfied with some of the current information provided in relation to the business case for the exit of the former chief executive and that the report would not have a strict timeframe but would be brought to the Committee as soon as possible.

The role of the Monitoring Officer was discussed and it confirmed their role in relation to standards and advice they can give in relation to a member conflict of interest. It was confirmed that the Localism Act places the emphasis on elected Members to declare an interest and that the Monitoring Officer could advise Members on issues.

Members discussed the investigation into the exit of the former chief executive. Elements of the exit package were considered and enquiries were made as to whether the last chief executive left via early retirement or redundancy. It was noted that it was an early retirement on the grounds of business efficiency but the information taken to the meeting of Staffing Matters and Urgency which confirmed the early retirement should have clearly stated that some of the payments were not strictly contractual but were paid using the Council's discretionary powers.

Members made enquiries regarding the information relating to business efficiencies in relation to the decision for an early retirement of the former chief executive. Discussion took place

regarding the role of several different proposed restructures of the senior management team and that the 2018 proposed restructure was confirmed as not having been connected to the exit of the former chief executive. Information provided in the business case was discussed and it was noted that it focused on the settlement agreement and provided a lack of other details. Officers confirmed a review of the business case template would take place. Following further questions the auditors confirmed the importance of a good and detailed business case. They highlighted challenges to decision making where a business case could be deemed to have provided insufficient or incorrect information.

Members also discussed a number of other areas in the report including the continued risk raised in relation to Council passwords. It was confirmed that COVID-19 and working from home had effected the Council's ability to change and improve passwords, as officers could not update their password remotely. Officers noted that work was being undertaken with ICT to improve passwords across the Council. Concerns around the North Yorkshire Pension fund were raised from the report, the auditors confirmed that this was in relation to the value of assets effected by factors such as COVID-19 and was a risk for the wider sector.

Resolved:

- i. The Committee noted the matters set out in the Audit Completion Report presented by the external auditor.

Reason: To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

48. Annual Financial Report - Statement Of Accounts 2019/20

Members considered the statement of accounts for 2019/20 and officers confirmed that as a live document, the Annual Governance Statement would reflect any recommendations from the external auditors. Members considered whether they should defer the signing off of the accounts, in order to await for Mazars to complete their investigation. It was confirmed that the

report could be deferred but that the outcomes of the investigation should not change the figures reported in the report. The auditors also confirmed that, whatever the outcome of their investigations, the figures published in the accounts would not change.

It was requested that the report add additional clarification to the information provided to the Staffing Matters and Urgency Committee which considered the early retirement of the former chief executive regarding senior management restructures. Members also discussed the breakdown of payments related to the former chief executive early retirement and how these were labelled in the report. Officers confirmed that £24,084.37 would be amended to now read as an amount equivalent to redundancy.

Resolved

- i. Note the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report, subject to the amendments to report identifying that there had been two separate corporate restructures started since 2018 and that the payment of £24,084.37, as part of the former chief executives early retirement, be amended to now read as an amount equivalent to redundancy.

Reason: To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

- ii. Approve the amended Annual Financial Report at Annex A for signature by the chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2015.

Reason: To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

49. Work Plan

The Committee considered the work plan and noted their concerns about the potential loss of remote meetings from May 2021, due to government legislation allowing remote meetings during the COVID-19 pandemic to elapse. The Committee agreed that a meeting would be held as soon as the Mazars report was finalised.

Resolved

- i. That the work plan be approved.

Reason: So that the committee has a planned programme of work in place.

Cllr Pavlovic, Chair

[The meeting started at 5.30 pm and finished at 8.15 pm].

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Meeting	Audit And Governance Committee
Date	14 April 2021
Present	Councillors Pavlovic (Chair), Daubeney, Fisher (Vice-Chair), Lomas, Mason, Wann And Webb

Apologies

50. 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. None were declared.

51. Public Participation

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme.

Gwen Swinburn raised concerns that the Council was not consistent on transparency and asked why there was not a long catalogue of FOI's to view online. She enquired as to why the new complaints system wasn't yet in place and asked whether a independent member of the Committee would be appointed?

Andy Mendus Noted that due to COVID 19 that the Annual Report was not covering the usual 12 months and asked if dates a start and end date could be added. He questions the use of Non-disclosure agreements in settlement agreements by the Council and requested that the Committee have an update report on absence management.

52. Monitoring Officer's Update

Members received an update on Government issued regulations which have implications on the functions of the Council and the Council Constitution. The Committee noted concerns regarding the elapsing of legislation on 7 May 2021 which has allowed remote Council meetings to take place. The Committee also discussed the Council constitution and it was

confirmed that the Monitoring Officer intended a six monthly review of the Constitution.

Resolved:

- i. To note the Monitoring Officer's amendments to the Council's Constitution.

Reason: To ensure the Committee remains updated on amendments to the Council's Constitution.

53. Corporate Governance Report

The Committee were updated on the performance of Information Governance including responses to FOI's and EIA's. Members were informed that the Council's new 4Cs (complaints, concerns, comments and compliments) toolkit had come into operation in April 2021 and that work with Business Intelligence was being undertaken to create new Performance Reports which members could feed into. A correction to Annex 1 of the report was noted, the SAR performance for April 2019 to March 2020 should have been noted as 76.96% responded to in time and 23.04%.

Members discussed the complaints data and requested further detail be shared with Members around complaints that were raised more than once. The authorisation of RIPA powers were considered and it was confirmed that mandatory training was to be delivered to officers who could make applications and authorise.

The new 4C's toolkit was discussed and members enquired about access to ombudsman verdicts, it was noted that findings were published on the ombudsman's website, but that work would be done with ICT and the ombudsman to determine if verdicts could be published directly on the Council website. The publishing of Council FOI's were also considered, it was noted that currently the Council website provided a 3 month catalogue of FOI's and that discussion could be had with ICT to amend the current system to list older FOI's, however, it was noted that the current system meet the Council's legal obligations.

Resolved:

- i. Noted the details contained in the report.

Reason: To ensure the Committee remains updated on the Council's Corporate Governance.

54. Annual Report Of The Audit & Governance Committee

Officers introduced the report and noted that due to COVID 19 the report covered a longer period than the usual 12 months that it would cover. The Committee were informed that if they were content with the report then a final draft will be taken to a meeting of full council. The Committee considered the report and enquired about the replacement of an independent person for the Committee. Officers confirmed that advertisement for the role would be put out after the May 2021 Police, Fire, and Crime Commissioner elections.

Resolved:

- i. The Committee considered and noted the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

55. Approval Of The Internal Audit Plan

The Committee were joined by the Head of Internal Audit from Veritau who introduced the report, noting that the Committee had considered the draft internal Audit plan in February 2021.

Members enquired about Internal Audit and Counter Fraud reports and what impact COVID 19 had had on the delivery of reports. It was confirmed that COVID 19 had meant that many internal audits were paused to allow officers to focus on the pandemic response in March 2020, as a result of this finalised reports were now being completed and should return to normal levels.

The ranking of audit areas were discussed, noting that not all areas could be considered what factors were used to identify areas of focus and whether these could be shared with the

Committee. It was confirmed that the list of priorities could be shared with members however, it was noted that the list was a flexible plan which could change. The Committee were also updated on the process taken by auditors and how concerns regarding risks were escalated in required.

Resolved:

- i. The Committee approved the 2021/22 internal audit plan and noted the proposed counter fraud plan.

Reason: To ensure the Committee acts in accordance with its responsibility for overseeing the work of internal audit and the counter fraud service.

56. Governance Update From Head Of Human Resources On CYC Settlement Agreements

Officers provided background on the process related to settlement agreements used by the Council since 2019. It was noted that settlement agreements would include a confidentiality clause these were not a non-disclosure agreement (NDA) and did not affect an individual's right to act as a whistle-blower or raise safeguarding concerns. Members discussed whether and when an NDA could be used and it was confirmed that this would focus more on the prevention of competitive information being shared. It was noted that terminology used by the Council, is unclear and the Committee proposed that terminology be tightened in reports and that detail be provided on definitions against the terminology used, so that for future reports this is much clearer.

Resolved

- i. Noted the content of the report;
- ii. Noted that the business case template is being reviewed and updated and will be presented to a future meeting of Audit and Governance Committee;
- iii. Noted the annual report on the number of settlement agreements made across directorates throughout the financial year and the value each April.

Reason: To provide assurance and oversight by Members.

It was noted that Councillor Mason had to leave the meeting 18:53

57. Monitor 2 2020/21 - Key Corporate Risks

Members considered the second monitor report for 2020/21 and were introduced to the key corporate risks identified in the report. The Committee discussed the risks identified in the report, the removal of the key risk on Brexit was raised and it was confirmed that since the conclusion of the withdrawal agreement Brexit would now be covered in KCR 1. Members also enquired as to whether the potential lose of remote meetings should be identified as a key risk. Officers noted that it had not yet been added to the Key Corporate Risks due to a number of mitigating factors and the current judicial review which could allow the continuation of remote meetings.

Discussion took place regarding the Local Plan, the People's Directorate structure, and staff welfare and development. Members enquired about the staff survey and it was noted that the results had been considered by Customer and Corporate Services Scrutiny Management Committee and could be viewed on the Council website. Members also recommended that they consider Key Corporate risks KCR8 - Local Plan or KCR2 – Governance in their next report.

Resolved:

- i. Noted the key corporate risks included at Annex A, summarised at Annex C;
- ii. Noted the information provided in relation to KCR10 Workforce/Capacity included at Annex B;
- iii. Noted that the 2020/21 Monitor 2 report will include a detailed analysis of KCR11 External Market Conditions;
- iv. Requested analysis reports on KCR8 - Local Plan or KCR2.

Reason: To provide assurance that the authority is effectively understanding and managing its key risks.

58. Audit And Governance Committee Work Plan

It was confirmed that the review of the constitution report would no longer be ready for the meeting scheduled 28 April 2021, it

was therefore agreed that the chair and vice chair would be consulted on a new date. It was noted that if the External Auditors report was ready then this could be considered at the meeting 28 April 2021 meeting otherwise the meeting would be cancelled.

Resolved:

- i. The Committee work plan was noted.

Reason: So that the committee has a planned programme of work in place.

Cllr Pavlovic, Chair

[The meeting started at 5.34 pm and finished at 8.15 pm].



Audit & Governance Committee**16th June 2021**

Report of the Director of Governance

Public Interest Report – Action Plan update**Summary**

1. Further to discussion of the Public Interest Report and associated action plan at Full Council on 4th May 2021, this report updates the Committee on the action plan. Attached at Annex A is a detailed copy of the Action Plan for discussion.

Recommendation

2. Audit & Governance Committee note and comment on the detailed Action Plan attached at Annex A.

Reason: So that the Committee are kept up to date on the Plan as agreed by Full Council.

Background

3. An Extraordinary Council meeting on 4th May 2021 formally responded to a Public Interest Report issued by the Council's external auditor which outlined their findings from a review of the severance payments made to the former Chief Executive. Members accepted the recommendation of the report and the associated Action Plan.
4. This Action Plan has now been developed further with additional detail included to outline how the required actions will be achieved.

Consultation

5. The purpose of this report is to consult with members of the Committee. In addition, the Plan has been discussed with key Officers and regular meetings to review progress are in place with the Chief Operating Officer.

Options

6. Not applicable. The Action Plan is required to respond to the Public Interest Report and the Committee is asked to consider any additions or amendments.

Council Plan

7. Effective Governance is vital and underpins all of the council's aims and objectives outlined in the Council Plan.

Implications

8. The implications are:
 - Financial – there are no financial implications to this report.
 - Human Resources - there are no human resource implications to this report.
 - One Planet Council / Equalities - there are no One Planet Council or equality implications to this report.
 - Legal - there are no legal implications directly arising from this report but issues may arise during the course of the delivery of the Action Plan which will be the subject of legal advice as and when necessary or required.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

9. The non-delivery of this Action Plan would have significant risks in relation to Governance and effective decision making. The reporting of this Plan, along

with future reports on progress in delivering the Plan, mitigate these risks to an acceptable level.

Contact Details			
Author:	Chief Officer responsible for the report:		
Janie Berry Director of Governance & Monitoring Officer	Ian Floyd Chief Operating Officer		
Debbie Mitchell Chief Finance Officer			
Trudy Forster Head of HR			
	Report approved	√	Date 06/2021
Specialist Implications Officer(s) None			
Wards Affected: <i>List wards or tick box to indicate all</i>		All	√

For further information please contact the author of this report.

Background Working Papers

- Agenda for the Extraordinary Meeting of Council on 4th May 2021 which includes the Public Interest Report and Action Plan.

Annexes

- Detailed Action Plan

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DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

1. The Council has fully accepted all recommendations made by the External Auditor.
2. There are five priority recommendations from the External Auditor for the Council to address; it is accepted that these are all to be considered as high priority.

Overall Accountability for the action plan rests with the Chief Operating Officer.

<p>Recommendation One</p> <p>The Council should adopt and apply appropriate standards for business case preparation in relation to exit and pension discretions to improve information supporting decisions.</p>		
Action	Deadline	Officer Accountability
<p>1. Review of HR processes currently in place relating to the Council’s use of settlement agreements in relation to its employees including:</p> <p>1.1 Commission specialist employment law advice to assist in the formulation of a fit for purpose framework and guidance for HR staff and other key staff such as legal and finance, including consideration of information security data protection compliance.</p> <p>1.2 Ensure revised business case template has appropriate sign off and that the Head of Paid Service, Monitoring Officer and S151 Officer have oversight of all exit packages.</p> <p>1.3 Consultation with Trade Unions and Internal Audit on proposed framework, guidance and sign off process.</p> <p>1.4 Approval of the revised framework will be sought from CCNC, SMU and presented to Audit & Governance.</p> <p>1.5 Review of the scheme of delegation for Officers in terms of initial authority</p>	<p>September 2021 and will remain subject to ongoing review.</p>	<p>MO/S151/HHR</p>

DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

<p>to enter into an agreement and approvals for the content of such documents including the overall responsibility of the Head of Paid Service in this process.</p> <p>1.6 Review of the scheme of delegation for Executive Members in terms of initial authority to enter into an agreement and approvals for the content of such documents including the overall responsibility of the Leader of the Council in this process.</p> <p>1.7 Review of the scheme of delegation as to the role of Elected Members in this process (taking into account whether the employee is a chief officer or non-chief officer)</p> <p>1.8 Inclusion of a 6 monthly review of all exit packages by internal audit.</p> <p>1.9 Annual monitoring of the use of a revised framework will be undertaken by the Audit & Governance Committee;</p> <p>1.10 Consider function and composition of Staffing Matters & Urgency Committee as part of review of Constitution (links to recommendation 3).</p>		
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DRAFT

DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

Recommendation Two		
Decision notes should be maintained that document the factors that explain the case for the use of public funds under the scheme of delegation such as where payments exceed contractual entitlements.		
Action	Deadline	Officer Accountability
<p>1. Pay Elements & Discretion</p> <p style="margin-left: 20px;">1.1 A review of all pay elements upon which discretions can be applied both whilst in employment and upon exit.</p> <p style="margin-left: 20px;">1.2 For each pay element to identify the process, the controls and sign off process.</p> <p style="margin-left: 20px;">1.3 To consult with the trade unions on this process.</p> <p style="margin-left: 20px;">1.4 The above to be included in one document for sign off via CCNC.</p> <p style="margin-left: 20px;">1.5 Instructions and guidance will be issued to all Officers about the importance of record keeping.</p> <p>2. The introduction of a revised framework detailed under Recommendation One and Five will be accompanied by Officer training and development; a key part of that will be re-iterating the importance of maintaining clear records.</p> <p>3. The accompanying scheme of delegation will build in key points in time whereby reviews and decisions need to be captured by Officers.</p> <p>4. Financial decisions affecting Chief Officers will require the approval of Staffing Matters and Urgency Committee and relevant provisions will be included within the review of the Council's Constitution.</p>	<p>September 2021 and will remain subject to ongoing review.</p>	<p>S151 Officer & Head of HR</p>

DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

Recommendation Three		
The Council should review the design of its governance policies and procedures to manage conflicts of interest (including self-interest threats). This should include updating the Council's constitution and scheme of delegation.		
Action	Deadline	Officer Accountability
<p>1. A fundamental review of all aspects of the Council's Constitution has already commenced and a draft has been prepared by the Monitoring Officer. It is proposed that all Elected members will have the opportunity to share their views on the draft which will be shared with the Audit & Governance Committee as part of their formal role as custodians of the constitution. The Audit & Governance Committee will be invited to make recommendations to Full Council in terms of any amendments to the Constitution.</p> <p>1.1 The Monitoring Officer will undertake a six monthly review of all aspects of the constitution.</p> <p>1.2 The Audit & Governance Committee will undertake an annual review of the Constitution to ensure it remains fit for purpose and report its findings to Full Council.</p> <p>1.3 Guidance will be provided with all meeting agendas to assist Elected Members in the identification or not of a conflict of interest (this will be delivered as part of the work for Recommendation Four).</p> <p>1.4 Mandatory training will be implemented for all Officers and Elected Members to inform as to the purpose and function of the Constitution and highlight its importance in terms of assisting with the identification of conflicts of interest and structure of schemes of delegation for both Officers and Elected Members.</p>	<p>The proposed deadline provided to the Extraordinary Meeting of Council was detailed as July 2021. It is proposed that this is now revised to September 2021 due to the extent of the review to the Constitution and to allow time for sufficient consultation with all Elected Members. Any amendments to the Council's Constitution will require the approval of Full Council prior to their implementation.</p>	<p>Monitoring Officer</p>

DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

<p>1.5 The Council's Corporate Management Team will undertake six monthly reviews of the Officer Schemes of Delegation in place which arise from the Council's Constitution.</p> <p>1.6 Review and formalise the existing governance assurance processes between Internal Audit, the Head of Paid Service, Monitoring Officer and Section 151 Officer.</p> <p>1.7 Present a quarterly report to the Corporate Management Team to monitor the Council's Governance Framework.</p> <p>1.8 Review the terms of reference and composition of Staffing Matters & Urgency Committee (as part of the review of the constitution) as outlined in Recommendation 1 above.</p>		
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DRAFT

DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

<p>Recommendation Four</p> <p>The Council should ensure all Members fully understand the requirement of the Code of Conduct in relation to declaration of interests.</p>		
Action	Deadline	Officer Accountability
<p>1. The Council will work towards the adoption of the Model Code of Conduct issued by the LGA which will replace the current Code of Conduct and procedure for the handling of complaints:</p> <p>1.1 The Joint Standards Committee will oversee the implementation of the Model Code of Conduct and make recommendations via the Audit & Governance Committee to Full Council.</p> <p>1.2 The Council will commission specialist support to assist with the development, implementation and mandatory training of all Elected Members (and key officer groups) in respect of the Model Code of Conduct, awareness raising of conflicts of interest and the declaration of interests.</p> <p>1.3 Mandatory training will be required to undertaken by all Elected Members on an annual basis.</p> <p>1.4 The Corporate Leadership Group (all Chief Officers and their direct reports) will receive mandatory training in respect of the Members Code of Conduct.</p> <p>1.5 Guidance will be provided with all meeting agendas to assist Elected Members in the identification or not of a conflict of interest.</p> <p>1.6 The Monitoring Officer, (in consultation with Head of Paid Service, s151,</p>	<p>The proposed deadline provided to the Extraordinary Meeting of Council was detailed as July 2021. It is proposed that this is now revised to September 2021 to allow time for sufficient consultation with all Elected Members. The adoption of a revised code of conduct will require the approval of Full Council and will be incorporated into the Council's Constitution.</p>	<p>Monitoring Officer</p>

DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

<p>Chairs and Vice Chairs of Joint Standards Committee and Audit & Governance Committee and Leaders of the Political Groups) will undertake an annual review of the Code of Conduct to ensure it is fit for purpose and the adopted Code of Conduct will be reviewed every year at Annual Council to coincide with appointments to committees and outside bodies and at any other times deemed necessary by the Monitoring Officer.</p> <p>1.7 The Council’s induction programme following City Council elections (due to take place in May 2023) will be reviewed in line with progress and outcomes of this recommendation.</p> <p>Progress:</p> <p>The Joint Standards Committee is due to have its first meeting of the municipal year on 23rd June 2021. At this meeting, the Committee will commence its work on the potential adoption of the LGA Model Code of Conduct and will be supported by externally appointed specialist advisors.</p>		
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DRAFT IMPLEMENTATION PLAN IN RESPONSE TO THE REPORT IN THE PUBLIC INTEREST

<p>Recommendation Five</p> <p>The Council should review its policies and procedures to reflect Government guidance in the use of non-disclosure agreements.</p>		
Action	Deadline	Officer Accountability
<p>1. Actions taken to fulfil this recommendation will be incorporated into the work detailed at Recommendation One above.</p>		

DRAFT



Audit & Governance Committee**16th June 2021**

Report of the Chief Finance Officer

Treasury Management Annual Report & Review of Prudential Indicators 2020/21**Summary**

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2020/21 approved by full Council on 27 February 2020.
2. Attached at Annex 1 is the draft Treasury Management Annual Report and Review of Prudential Indicators 2020/21, which provides an update on treasury management activity during the year.

Recommendation

3. Audit & Governance Committee note and scrutinise the Treasury Management Annual Report and Review of Prudential Indicators 2020/21 at Annex 1

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Background

4. The report reviews the economic and market conditions and provides an update on the outturn position for the year, including details of new loans taken during the year.
5. Members will be aware from previous reports that the policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, as was outlined in the 2020/21 budget reports in February 2020, these cash balances have now been used and therefore the Council has begun to borrow to fund ongoing capital expenditure.

6. All new borrowing has been undertaken in line with the Treasury Management Strategy Statement 2020/21 and is as included in the approved budget proposals.

Consultation

7. Not applicable

Options

8. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice “the Code”. No alternative options are available.

Council Plan

9. Treasury management is an integral part of the council’s finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council’s priority areas as set out in the council plan. It therefore underpins all of the council’s aims.

Implications

10. The implications are
 - Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - One Planet Council / Equalities - there are no One Planet Council or equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

11. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Contact Details			
Author:		Chief Officer responsible for the report:	
Debbie Mitchell Chief Finance Officer		Debbie Mitchell Chief Finance Officer	
	Report approved	√	Date 03/06/2021
Specialist Implications Officer(s) None			
Wards Affected: <i>List wards or tick box to indicate all</i>			All √

For further information please contact the author of this report
Background Working Papers
 None

Annexes

Annex One - Treasury Management Annual Report and Review of Prudential Indicators 2020/21
 Annex to above report – Prudential Indicators 2020/21

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Prudential Indicators 2020/21 Outturn

	Prudential Indicator		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
1	Capital expenditure To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets.	GF	£58.8m	£164.6m	£135.9m	£85.1m	£13.7m	£16.6m
		HRA	£33.9m	£56.0m	£40.9m	£34.0m	£30.6m	£23.5m
		PFI	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m
		Total	£92.4m	£220.6m	£176.8m	£119.0m	£44.3m	£40.1m
2	CFR Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	GF	£249.9m	£331.1m	£343.9m	£355.1m	£347.3m	£341.8m
		HRA	£146.4m	£146.4m	£146.4m	£146.4m	£146.4m	£150.0m
		Other LT	£45.2m	£44.0m	£47.1m	£46.0m	£44.9m	£43.7m
		Total	£441.5m	£521.5m	£537.4m	£547.5m	£538.6m	£535.5m
3	Ratio of financing costs to net revenue stream An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from rents. <i>Note that in future years some of the forecast debt will be directly funded by business rates income and a number of other self financing schemes, where income is generated to meet the cost of investment in the scheme. Therefore the actual figure will be lower than shown here.</i>	GF	9.89%	12.86%	16.70%	17.68%	18.80%	19.22%
		HRA	13.85%	13.74%	13.39%	13.09%	12.79%	12.54%
		Total	10.66%	13.03%	16.05%	16.76%	17.58%	17.84%
4	External debt To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only	Gross Debt	£343.2m	£432.0m	£462.1m	£487.0m	£493.9m	£506.7m
		Invest	£8.3m	£10.0m	£10.0m	£10.0m	£10.0m	£10.0m
		Net Debt	£334.9m	£422.0m	£452.1m	£477.0m	£483.9m	£10.0m

	Prudential Indicator		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	be for a capital purpose and so not exceed the CFR.							£496.7m
5 a	<p>Authorised limit for external debt</p> <p>The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.</p>	Borrowing / Other long term liabilities	£509.6m £30.0m <hr/> £539.6m (£539.6m set at 2020/21 Strategy)	£526.1m £30.0m <hr/> £556.1m (£556.1m set at 2021/22 Strategy)	£547.3m £30.0m <hr/> £577.3m (Based on current CFR projection)	£557.5m £30.0m <hr/> £587.5m (Based on current CFR projection)	£548.6m £30.0m <hr/> £578.6m (Based on current CFR projection)	£545.5m £30.0m <hr/> £575.5m (Based on current CFR projection)
5 b	<p>Operational boundary for external debt</p> <p>The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.</p>	Borrowing / Short Term Liquidity Requirement	£499.6m £10.0m <hr/> £509.6m (£509.6m set at 2020/21 Strategy)	£516.1m £10.0m <hr/> £526.1m (£526.1m set at 2021/22 Strategy)	£537.3m £10.0m <hr/> £547.3m (Based on current CFR projection)	£547.5m £10.0m <hr/> £557.5m (Based on current CFR projection)	£538.6m £10.0m <hr/> £548.6m (Based on current CFR projection)	£535.5m £10.0m <hr/> £545.5m (Based on current CFR projection)

6	Maturity structure of fixed rate borrowing	Maturity profile of debt against approved limits	Maturity Profile	Debt (£)	Debt (%)	Approved Minimum Limit	Approved Maximum Limit	In line with the TMSS Lobo loans are shown as due at their next call date as this is the date the lender could require payment.
To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Less than 1 yr		£12.0m	4%	0%	30%		
	1 to 2 yrs		£4.7m	2%	0%	30%		
	2 to 5 yrs		£33.1m	11%	0%	40%		
	5 to 10 yrs		£63.0m	21%	0%	40%		
	10 yrs and above		£185.2m	62%	30%	90%		
	Total		£298.0m	100%	-	-		
	7	<p>Upper limit for total principal sums invested for over 364 days</p> <p>The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.</p>	£15m	£15m	£15m	£15m	£15m	£15m

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Executive

24th June 2021

Report of the Chief Finance Officer
Portfolio of the Executive Member for Finance & Performance

Treasury management annual report and review of prudential indicators 2020/21

Summary

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
2. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
3. This report also confirms that the Council has complied with the requirement under the Code to give prior scrutiny to treasury management reports by Audit & Governance Committee.

Recommendations

4. Executive is asked to:

Note the 2020/21 performance of treasury management activity and prudential indicators outlined in annex A.

Reason: to ensure the continued performance of the treasury management function can be monitored and to comply with statutory requirements.

Background and analysis

The Economy and Interest Rates

5. Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the impact of the national lockdown on the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with cheap credit so that banks could help businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

Overall treasury position as at 31 March 2021

6. The Council's year end treasury debt and investment position for 2020/21 compared to 2019/20 is summarised in the table below:

Debt	31/03/2021 £m	Average Rate %	31/03/2020 £m	Average Rate %
General Fund debt	151.6	3.32	110.1	3.83
Housing Revenue Account (HRA) debt	146.4	3.23	146.4	3.31
PFI	45.2	n/a	46.3	n/a
Total debt	343.2	3.27	302.8	3.54
Investments				
Councils investment balance	8.3	0.17	13.9	0.74

Table 1 summary of year end treasury position as at 31 March 2021

Borrowing requirement and debt

7. The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31 March 2021 Actual £m	31 March 2021 Budget £m	31 March 2020 Actual £m
CFR General Fund	249.9	304.0	225.1
CFR HRA	146.4	146.4	146.4
PFI	45.2	49.2	46.3
Total CFR	441.5	499.6	417.8

Table 2 capital financing requirement

Borrowing outturn for 2020/21

8. During 2020-21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
9. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
10. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future. These spare cash balances have now been used and therefore we are starting to borrow again, as was outlined in the 2020/21 budget reports in February 2020.
11. During 2020/21 the following new loans were taken. The total of new loans was £51.5m. This borrowing was anticipated and is as a result of the progress made in delivering the capital programme. The associated revenue implications were included in the annual budget setting process.

Lender	Issue Date	Repayment Date	Amount £	Rate	Duration
PWLB	28/05/2020	28/05/2032	5,000,000	2.110%	12.00
PWLB	29/09/2020	16/04/2035	5,000,000	2.340%	14.54
PWLB	30/10/2020	15/04/2036	5,000,000	2.380%	15.46

PWLB	29/01/2021	15/04/2037	5,000,000	1.500%	16.21
PWLB	12/02/2021	15/04/2038	5,000,000	1.750%	17.17
PWLB	22/02/2021	15/04/2039	5,000,000	1.930%	18.14
PWLB	26/02/2021	15/06/2040	6,500,000	2.120%	19.30
PWLB	22/03/2021	15/07/2031	10,000,000	1.790%	10.31
PWLB	31/03/2021	15/07/2042	5,000,000	2.080%	21.29

Table 3 – New loans in 2020/21

12. During 2020/21 the following existing loans matured. The total of maturing loans was £10.0m

Lender	Issue Date	Repayment Date	Amount £	Rate	Duration
PWLB	25/05/2010	05/05/2020	5,000,000	3.700%	9.95
PWLB	07/11/2011	07/11/2020	5,000,000	3.140%	9.00

Table 4 – Maturing loans in 2020/21

13. No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment outturn for 2020/21

14. The Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 27th February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
15. The Council maintained an average investment balance of £15.690m in 2020/21 compared to £48.699m in 2019/20. The surplus funds earned an average rate of return of 0.17% in 2020/21 compared to 0.74% in 2019/20. Again, this has been a planned reduction of average balances held. As outlined in paragraph 10 above cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimised counterparty risk.

16. The comparable performance indicator for the Council's investment performance is the average London Inter Bank Bid Rate (LIBID) which represents the average interest rate at which major London banks borrow from other banks. Table 3 shows the rates for financial year 2020/21 and shows that for all cash holdings the rate of return exceeds the levels of the usual 7 day and 3 month benchmarks.

Benchmark	Benchmark Return	Council Performance
7 day	-0.07	0.17
3 month	0.015	0.17

Table 4 – LIBID vs. CYC comparison

Consultation

17. The report has been reviewed and scrutinised by Audit and Governance Committee on 16th June 2021.

Options

18. Not applicable.

Council Plan

19. Effective treasury management ensures the Council has sufficient liquidity to operate, safeguards investments, maximises return on those investments and minimises the cost of debt. This allows more resources to be allocated for delivering the Council's priorities as set out in the Council Plan.

Implications

20. This report has the following implications:
- **Financial** are contained throughout the main body of the report.
 - **Human Resources (HR)** There are no HR implications.
 - **One Planet Council / Equalities** There are no One Planet Council or equalities implications.
 - **Legal** Treasury management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice.

- **Crime and Disorder** There are no crime and disorder implications.
- **Information Technology (IT)** There are no IT implications.
- **Property** There are no property implications.
- **Other** There are no other implications.

Risk Management

21. The treasury function is a high-risk area due to the large value transactions that take place. As a result, there are strict procedures set out as part of the treasury management practices statement. The scrutiny of this and other monitoring reports is carried out by Audit and Governance Committee as part of the Council's system of internal control.

Contact Details

Authors:	Chief Officer Responsible for the report:		
Debbie Mitchell Chief Finance Officer Tel No (01904) 554161	Debbie Mitchell Chief Finance Officer		
Tony Clark Accounting Technician	Report Approved	Date	
Wards Affected: List wards or tick box to indicate all			All <input checked="" type="checkbox"/>
For further information please contact the author of the report			

Background Papers:

None

Annexes:

Annex A: Prudential Indicators 2020/21

List of Abbreviations Used in this Report

CIPFA - Chartered Institute of Public Finance & Accountancy
 MRP - Minimum Revenue Provision
 CFR - Capital Financing Requirement
 MPC - Monetary Policy Committee
 PWLB - Public Works Loan Board
 CLG – (Department for) Communities and Local Government
 LIBID – The London Interbank Bid Rate



Audit & Governance Committee**16th June 2021**

Report of the Chief Finance Officer

Redmond Review - Update**Summary**

1. This report provides an update on the Government's recently published updated response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

Recommendation

2. Audit & Governance Committee are asked to note the report.

Reason: So that the Committee are kept up to date on the progress in delivering the recommendations of the Redmond Review.

Background and analysis

3. In September 2020 the Committee noted the results of an independent review into the effectiveness of external audit and transparency of financial reporting in local authorities and that further information would be provided to the Committee as and when it became available.
4. Government subsequently published a response to the recommendations made by the review in December 2020 and, most recently, in May 2021.
5. The Ministry of Housing, Communities and Local Government (MHCLG) published its response to the findings of the review on 17 December 2020, grouped into five themes:
 - i. Action to support immediate market stability
 - ii. Consideration of system leadership options
 - iii. Enhancing the functioning of local audit and the governance for responding to its findings
 - iv. Improving transparency of local authorities' accounts to the public

- v. Action to consider the functioning of local audit for smaller bodies
- 6. The response confirmed the Government commitment to the principles of locally led audit regimes and that robust local scrutiny and accountability by the press and public are fundamental to the local audit framework.
- 7. To support the implementation of the recommendations the Government will provide £15m additional funding in 2021/22 to meet an anticipated rise in audit fees, driven by new requirement on auditors and to enable Councils to develop standardised statements of service information and costs. We are awaiting confirmation of this funding.
- 8. There has also been a continued extension of the deadline for publishing audited accounts from 31st July to 30th September for a period of 2 years with a commitment to review again to see whether there is a continued need to have this extended deadline.
- 9. A new independent body, the Office of Local Audit and Regulation (OLAR), will be created and be responsible for procurement, contract management, regulation and oversight of external audit. A White Paper has also been published setting out details of how the Government proposes to establish a new regulator, the Audit, Reporting & Governance Authority (ARGA) to replace the Financial Reporting Council (FRC).
- 10. Government will continue to engage with all stakeholders to refine their proposals for implementing the commitments made in response to the Redmond Review.
- 11. Full details of the Government response can be found here

December response

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

May update

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update>

Consultation

- 12. Not applicable as this report is for information only.

Options

13. Not applicable as this report is for information only.

Council Plan

14. Effective governance, along with the assurances provided by external audit processes, is vital and underpins all of the council's aims and objectives outlined in the Council Plan.

Implications

15. The implications are
- Financial – there are no financial implications to this report.
 - Human Resources - there are no human resource implications to this report.
 - One Planet Council / Equalities - there are no One Planet Council or equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

16. There are no specific risks identified as a result of this report.

Contact Details			
Author:		Chief Officer responsible for the report:	
Debbie Mitchell Chief Finance Officer		Debbie Mitchell Chief Finance Officer	
	Report approved	√	Date 04/06/2021
Specialist Implications Officer(s) None			

Wards Affected: <i>List wards or tick box to indicate all</i>	All	<input checked="" type="checkbox"/>
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For further information please contact the author of this report

Background Working Papers

None

Annexes

Not applicable



Audit & Governance Committee**16 June 2021**

Report of the Chief Finance Officer

Monitor 1 2021/22 - Key Corporate Risks**Summary**

1. The purpose of this paper is to present Audit & Governance Committee (A&G) with an update on the key corporate risks (KCRs) for City of York Council (CYC), which is included at Annex A.
2. A detailed analysis of KCR8 (Local Plan) is included at Annex B.

Background

3. The role of A&G in relation to risk management covers three major areas;
 - Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risk
 - Keeping up to date with the risk profile and effectiveness of risk management actions; and
 - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management
4. Risks are usually identified in three ways at the Council;
 - A risk identification workshop to initiate and/or develop and refresh a risk register. The risks are continually reviewed through directorate management teams (DMT) sessions.
 - Risks are raised or escalated on an ad-hoc basis by any employee
 - Risks are identified at DMT meetings

5. Due to the diversity of services provided, the risks faced by the authority are many and varied. The Council is unable to manage all risks at a corporate level and so the main focus is on the significant risks to the council's objectives, known as the key corporate risks (KCRs).
6. The corporate risk register is held on a system called Magique. The non KCR risks are specific to the directorates and consist of both strategic and operational risk. Operational risks are those which affect day to day operations and underpin the directorate risk register. All operational risk owners are required to inform the risk officer of any updates.
7. In addition to the current KCRs, in line with the policy, risks identified by any of the Directorates can be escalated to Council Management Team (CMT) for consideration as to whether they should be included as a KCR. KCRs are reported quarterly to CMT.
8. The Risk and Insurance Officer attends DMTs to update directorate risks.

Key Corporate Risk (KCR) update

9. There are currently 12 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks.
10. Annex C is a one page summary of all the KCR's and their current gross and net risk ratings.
11. In summary the key risks to the Council are:
 - KCR1 – Financial Pressures: The Council's increasing collaboration with partnership organisations and ongoing government funding cuts will continue to have an impact on Council services
 - KCR2 – Governance: Failure to ensure key governance frameworks are fit for purpose.
 - KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.
 - KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics

- KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
- KCR6 – Health and Wellbeing: Failure to protect the health of the local population from preventable health threats.
- KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
- KCR8 - Local Plan: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
- KCR9 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
- KCR10 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
- KCR11 – External market conditions: Failure to deliver commissioned services due to external market conditions.
- KCR12 – Major Incidents: Failure to respond appropriately to major incidents.

12. The risks in relation to Covid-19 affect most council services and have an impact on 11 out of 12 existing KCRs.

13. Risks are scored at gross and net levels. The gross score assumes controls are in place such as minimum staffing levels or minimum statutory requirements. The net score will take into account any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex D for reference.

14. The following matrix categorises the KCRs according to their net risk evaluation. To highlight changes in each during the last quarter, the number of risks as at the previous monitor are shown in brackets.

Impact					
Critical					
Major			6 (6)	1 (1)	
Moderate		1 (1)	3 (3)	1 (1)	
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

15. By their very nature, the KCRs remain reasonably static with any movement generally being in further actions that are undertaken which strengthen the control of the risk further or any change in the risk score. In summary, key points to note are as follows;

- New Risks- No new risks have been added since the last monitor
- Increased Risks – No KCRs have increased their net risk score since the last monitor
- Removed Risks – No risks have been removed since the last monitor
- Reduced Risks – No KCRs have reduced their net risk score since the last monitor

Updates to KCR risks, actions and controls

16. KCR1 – Financial Pressures. A new risk and control are included to recognise the risk of climate change.
17. KCR2 – Governance. There is an updated action to reflect the change in remote meeting procedures based on government policy.
18. KCR5 – Safeguarding. The improvement plan for ASC to address budget pressures is in place.
19. KCR6 – Health and Wellbeing. A new risk and control are included to recognise the risk of climate change. A new action is included to recognise the outbreak control plan review will take place in March 2022.
20. KCR8 – Local Plan. Additional controls are included to reflect progression through the Examination stage. These are covered in further detail in Annex B.
21. KCR9 – Communities. A new control has been added since publication of the Community Engagement Strategy.
22. KCR12 Major Incidents. A new risk and control are included to recognise the risk of climate change.

Options

23. Not applicable.

Council Plan 2019-2023

24. The effective consideration and management of risk within all of the council's business processes helps support achieving all eight of the key outcomes identified in the Council Plan.

Implications

25. There are no further implications.

Risk Management

26. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendations

27. Audit and Governance Committee are asked to:

- (a) consider and comment on the key corporate risks included at Annex A, summarised at Annex C;
- (b) consider and comment on the information provided in relation to KCR8 Local Plan included at Annex B;
- (c) note that the 2021/22 Monitor 2 report will include a detailed analysis of KCR11 External Market Conditions;
- (d) provide feedback on any further information that they wish to see on future committee agendas

Reason: To provide assurance that the authority is effectively understanding and managing its key risks.

Contact Details

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Chief Finance Officer

**Report
Approved ✓**

**Date
02/06/21**

Specialist Implications Officer(s)

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Wards Affected All

Annexes

- A – Key Corporate Risk Register
- B – Analysis of KCR8 Local Plan
- C – Summary of Key Corporate Risks
- D - Risk Scoring Matrix

Background Papers

Local Plan Working Group 16 March 2021 – York Local Plan Update

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

KCR 1 FINANCIAL PRESSURES: The ongoing government funding cuts and more recently the impact of Covid will continue to have an impact on council services. Over the course of the last 10 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities. In addition other partner organisations are facing financial pressures that impact on the council.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Reduction in government grants leading to the necessity to make savings</p> <p>Increased service demand and costs (for example an aging population).</p> <p>Financial pressures on other partners that impact on the council</p> <p>The spending review is one year only for 2021/22.</p> <p>Financial impact of Covid-19 on Council budgets</p> <p>Financial impact of Covid-19 on the economy as a whole</p> <p>Lack of resources to fully utilise Covid-19 government funding within set timescales, which are very short</p> <p>NEW: Increased severity and frequency of climate</p>	<p>Potential major implications on service delivery</p> <p>Impacts on vulnerable people</p> <p>Spending exceeds available budget</p> <p>Lack of long term funding announcements from central government creates uncertainty which hinders long term financial planning</p> <p>Lack of long term funding announcements from central government may impact on staff retention as it creates uncertainty for temporary posts funded by external funding</p> <p>Covid-19 will result in additional expenditure pressures (eg. Staff, PPE) and a shortfall in income (eg parking, commercial property), which are unlikely to be fully reimbursed by central government. This will result in potential short term</p>	Highly Probable	Major (21)	<p>Regular budget monitoring</p> <p>Effective medium term planning and forecasting</p> <p>Chief finance officer statutory assessment of balanced budget</p> <p>Regular communications on budget strategy and options with senior management and politicians</p> <p>Skilled and resourced finance and procurement service, supported by managers with financial awareness</p> <p>Ongoing analysis of implications of Covid-19 through budget monitoring and realignment of resources</p> <p>Robust recording of Covid 19 expenditure for MHCLG should increase likelihood of receiving the maximum reimbursement from central government</p> <p>Financial Strategy 2021/22 approved</p> <p>NEW: Climate change mitigation and adaptation programme</p>	Probable	Major (20)	New risk and control	Development of budget strategy for 2022/23 (Debbie Mitchell, 31/01/2022)

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KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
hazard events (e.g. flooding)	<p>budget pressures which will need to be mitigated by a reduction or reprioritisation of spending or use of reserves. In the long term additional savings will be required and use of reserves will reduce our financial resilience</p> <p>An economic downturn will affect the Council's main sources of funding; reducing business rates income if premises are vacant and reducing council tax income if more individuals require support due to unemployment.</p> <p>NEW: Increased cost of responding to emergency situations, as a result of climate change, and impact on service delivery.</p>							

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KCR 2 GOVERNANCE: Failure to ensure key governance frameworks are fit for purpose. With the current scale and pace of transformation taking place throughout the organisation it is now more important than ever that the council ensures that its key governance frameworks are strong particularly those around statutory compliance including information governance, transparency and health and safety.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increased interactions in relation to FOIA and transparency</p> <p>Failure to comply with data protection and privacy legislation</p> <p>Serious breach of health and safety legislation</p> <p>Failure to comply with statutory obligations in respect of public safety</p> <p>The initial response to Covid-19 required the Council to put in place urgent decision making guidance to ensure that decisions could be made rapidly, although there was no government guidance until 4 April.</p> <p>Response to Covid-19 has resulted in the requirement to conduct remote decision making meetings.</p>	<p>Increases in cases held or fines levied by Information Commissioner</p> <p>Failing to meet the legal timescales for responding to FOIA may result in reduced confidence in the council's ability to deal with FOIA and in turn, its openness and transparency</p> <p>Individuals will be at risk of committing criminal offences if they knowingly or recklessly breach the requirements of the GDPR legislation.</p> <p>Potential increased costs to the council if there are successful individual claims for compensation as a result of a breach of GDPR legislation.</p> <p>Impact on the end user/customer</p> <p>Public and staff safety may be put at risk</p> <p>Possible investigation by HSE</p>	Probable	Major (20)	<p>Electronic Communication Policy</p> <p>IT security systems in place</p> <p>Governance, Risk and Assurance Group (GRAG) covers a wide range of governance issues, including Covid-19 impacts</p> <p>Ongoing Internal Audit review of information security</p> <p>Health and Safety monitoring in place</p> <p>Regular monitoring reports to Audit & Governance committee and Executive Member decision sessions</p> <p>Open Data platform providing Freedom of Information (FOI) requested data</p> <p>Regular review of transparency code legislation and compliance</p> <p>Ongoing management of data architecture to provide de-personalised data to open data platform</p>	Possible	Major (19)	New action	<p>Review of Council constitution underway, to report to A&G and Council (Janie Berry 31/3/22)</p> <p>NEW: Review of arrangements for meetings from 21st June 2021 when lockdown is due to officially end as business as usual returns (Janie Berry June 2021)</p> <p>Delivery of a comprehensive member development and training programme covering all aspects of governance and decision making To include the constitution, safeguarding, information security. (Janie Berry 31/12/21)</p> <p>Member training is required in respect of the Code of Conduct and conflict of interests. The Council is considering the implementation of the</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	<p>Prohibition notices might be served preventing delivery of some services</p> <p>Prosecution with potential for imprisonment if Corporate Manslaughter</p> <p>Adverse media/ social media coverage</p> <p>Reputational impact</p> <p>The new decision making protocols in response to Covid-19 must still be made in accordance with the Council's constitution and statutory framework</p> <p>Risk of litigation against any decisions taken during the 'emergency' Covid-19 period</p>			<p>Public Protection Annual Control Strategy</p> <p>Additional resource, training and improved processes to deal with FOIA requests</p> <p>A team was set up to ensure both Officers and Members could participate in remote meetings; and to deal with specific issues highlighted in the remote decision making risk assessment. As some form of remote meetings will continue this team will remain in place and is proposed to continue in the new constitution.</p> <p>All officer and delegated decisions are reported publicly to Executive/ A&G to ensure transparency</p> <p>Ongoing Health and Safety Training programmes at all levels</p> <p>Ongoing regular review of internal audit reviews and recommendations</p> <p>SIRO role has changed to Director of Governance and the relationship between the Senior Information Risk Officer (SIRO) and the Caldicott Guardian is being strengthened</p>				<p>Model Code issued by the LGA (Janie Berry, 31/7/21)</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>Process for consistent completion of Data Protection Impact Assessments (DPIA) is being reviewed and will be circulated across the council</p> <p>Customer Complaints toolkit has been reviewed to be launched imminently</p> <p>Governance training provided for Directors</p>				

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KCR 3 EFFECTIVE AND STRONG PARTNERSHIPS: Failure to ensure partnership arrangements are fit for purpose to effectively deliver outcomes. In order to continue to deliver good outcomes and services, the council will have to enter into partnerships with a multitude of different organisations whether they are public, third sector or commercial entities. The arrangements for partnership working need to be clear and understood by partners to ensure they deliver the best possible outcomes.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively monitor and manage partnerships</p> <p>Partner (especially NHS, Academies) financial pressures may affect outcomes for residents</p> <p>Unilateral decisions made by key partners may effect other partners' budgets or services</p> <p>Financial pressure on York Teaching Hospitals NHS Foundation Trust (YTHFT) and Vale of York Clinical Commissioning Group (VOYCCG), which may have worsened further due to Covid-19</p>	<p>Key partnerships fail to deliver or break down</p> <p>Misalignment of organisations' ambitions and direction of travel</p> <p>Ability to deliver transformation priorities undermined</p> <p>Adverse impact on service delivery</p> <p>Funding implications</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Account management approach to monitoring key partnerships. CMT identified the 60 organisations who have the most potential to influence or affect organisational aims and priority outcomes for residents, and monitors on a quarterly basis. Each Corporate Director and the Chief Executive lead on specific relationships.</p> <p>Internal co-ordination such as Creating Resilient Communities Working Group (CRCWG) meet regularly to understand which areas of the council are working with different partners and what is happening across these agendas.</p> <p>There were many positive examples that partnerships worked well together in the event of the Covid-19 emergency and successfully deals with issues; eg. the Outbreak Management Board is a non- decision making body which meets regularly; the YCAB partnership; collaboration with DoE</p>	Possible	Moderate (14)	No change	No current actions

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KCR 4 CHANGING DEMOGRAPHICS: Inability to meet statutory duties due to changes in demographics. York has a rapidly changing demographic in relation to both residents and business. This brings with it significant challenges particularly in the delivery of adult social care and children's services. The council needs to ensure that community impacts are planned for and resourced.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Development and regeneration makes York more desirable and accessible to residents, students and business, resulting in increasing inward migration to York.</p> <p>An increase in the aging population requiring services from the council</p> <p>Increase in complexity of needs as people get older</p> <p>Increase in people living with dementia</p> <p>Increase in ethnic diversity of the population means that the council has to understand the needs of different communities in relation to how services are delivered</p> <p>Growing number of people with SEND or complex needs living into adulthood</p>	<p>Increased service demand from residents, including; statutory school placements, SEND, mental health, adult social care and environmental services (eg waste collection)</p> <p>Increased service demand in relation to business (eg Regulation, Planning)</p> <p>Impact of additional demands cause significant financial and delivery challenges, such as a rise in delayed discharges</p> <p>Reputational impact as these mainly impact high risk adult and children's social care service areas</p> <p>Unable to recruit workers in key service areas eg care worker</p> <p>To ensure that decisions made in relation to Covid- 19 are taken with a recognition of the different impacts on certain demographics</p>	Probable	Major (20)	<p>Place planning strategy to ensure adequate supply of school places</p> <p>DfE returns and school population reported every 6 months</p> <p>Local area working structures in frontline services, including Early intervention initiatives and better self-care</p> <p>Assessment and Care management review complete, to better manage adult social care demand on CYC based on community led support</p> <p>Advice and Information Strategy complete, to provide residents with direct access to support and services, to better manage adult social care demand on CYC, resulting in the launch of Livewell York</p> <p>Investment in support brokerage work with NHS integrated commissioning</p> <p>Stakeholder and officer group, to create a more connected and integrated health and social care system.</p> <p>Officer caseload monitoring</p>	Possible	Major (19)	No change	No current actions

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Demographic of workforce supply unable to meet workforce demand</p> <p>Failure to plan for the impact of a rapid change in demographics to front line service provision</p> <p>The impact of Covid-19 may disproportionately affect certain demographics; eg BAME and the older community are more likely to suffer health issues, blue badge holders affected by city centre changes, younger people by job losses</p> <p>The impact of Covid-19 accentuates the risk of widening inequalities</p>				<p>Internal co-ordination such as Creating Resilient Communities Working Group (CRCWG)</p> <p>York Skills Plan</p> <p>The Education Planning Team have completed a review of demographic data to determine the impact on schools</p> <p>Community Impact Assessments are carried out before decision making</p> <p>Redesign and implementation of new arrangements for early help and prevention</p> <p>Ongoing analysis of the Local Plan and Major development projects demographic data to determine the impact on all CYC services.</p>				

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KCR 5 SAFEGUARDING: A vulnerable child or adult with care and support needs is not protected from harm. Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organisational and reputational implications of ineffective safeguarding practice are acute.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)</p> <p>Lower numbers of vulnerable children in school due to Covid-19 may increase the risk of the Council failing to protect a vulnerable child</p> <p>Potential for an increased demand on Children's and Adult services after Covid-19 measures are lifted</p> <p>A statutory breach of contact issues for vulnerable children due to Covid-19 restrictions</p>	<p>Vulnerable person not protected</p> <p>Children's serious case review or lessons learned exercise</p> <p>Safeguarding adults review</p> <p>Reputational damage</p> <p>Serious security risk</p> <p>Financial implications, such as compensation payments</p> <p>Financial and resource implications of an increase in demand once the Covid 19 measures are lifted</p>	Probable	Major (20)	<p>Safeguarding sub groups</p> <p>Multi agency policies and procedures</p> <p>Specialist safeguarding cross sector training</p> <p>Quantitative and qualitative performance management</p> <p>Reporting and governance to lead Member, Chief Executive and Scrutiny</p> <p>Annual self assessment, peer challenge and regulation</p> <p>Audit by Veritau of Safeguarding Adults processes</p> <p>Children's and Adults Safeguarding Boards (LSCB & ASB)</p> <p>Ongoing inspection preparation & peer challenge</p> <p>National Prevent process</p> <p>DBS checks and re-checks</p> <p>Effectively resourced and well managed service</p> <p>Annual Safeguarding Board annual plan</p>	Possible	Major (19)	New Control	No actions

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>Controls implemented from peer review action plan</p> <p>Chief Officer Group which brings together Chief Officers from relevant organisations in relation to safeguarding eg police, CYC</p> <p>Children's Social Care records system is upgraded. This is monitored by a project board. Ongoing development is planned and awaiting costings.</p> <p>Ongoing work to ensure capacity is assured to enable any increase in demand to be met after Covid-19 restrictions are lifted</p> <p>Use of different methods of contact methods for vulnerable children, such as facetime, alongside working with the DoE and Ofsted</p> <p>Improvement Plan for Children's social care in place since 2020</p> <p>NEW: Improvement Plan for Adult Social Care to address current budget pressures in place May 2021</p>				

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KCR 6 HEALTH AND WELLBEING: Failure to protect the health of the local population from preventable health threats through preventable control measures.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to protect the health of citizens against preventable disease by ensuring appropriate levels of vaccination, immunisation and screening.</p> <p>Failure to demonstrate we are meeting the new responsibilities from central government which include;</p> <ul style="list-style-type: none"> • Outbreak control plan • Governance structure • Independent assurance process <p>Government policy in relation to Covid-19 may prioritise the economy over public health and lift restrictions too soon</p> <p>The impact of the non or late diagnosis of health issues due to the impact of Covid-19 on health services.</p>	<p>Likelihood of mass disease outbreaks</p> <p>Late diagnosis & delay in treatment of health conditions that could be identified earlier through routine screening e.g. breast & cervical cancer, diabetic sight loss</p> <p>Reduction in life expectancy</p>	Probable	Major (20)	<p>Liaison with NHS and Public Health England and development of plans to be able to make a large scale response e.g. Mass Treatment Plan.</p> <p>Health Protection Board recently established with good engagement across partners in local and regional meetings.</p> <p>Annual Health Protection Report to the Health and Wellbeing Board and Health & Adult Social Care Policy and Scrutiny Committee</p> <p>CYC Director of Public Health is co-chair with NHS England of the North Yorkshire & York Local Health Resilience Partnership.</p> <p>Internal audit of health protection governance has been completed giving reasonable assurance.</p> <p>Mass vaccination programme for flu and Covid</p> <p>The main focus of health protection since February 2020 being the public health response to the coronavirus pandemic. The Director of Public Health is leading the York response. An Outbreak Management Advisory Board</p>	Probable	Moderate (15)	New risk, control and action	<p>The COVID-19 outbreak prevention, management and response will continue to be the main focus throughout 2021/22 and until the pandemic is declared over.</p> <p>NEW: The Outbreak Control Plan is due for review in March 2022 (Sharon Stoltz, 31/3/22)</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>NEW: Failure to protect citizens from the adverse impacts of climate change</p>				<p>has been established together with a governance structure to oversee this work.</p> <p>The lessons learned from the peer review have been incorporated into the COVID-19 Outbreak Control Plan</p> <p>The publication of the 2020 Director of Public Health Annual Report includes a focus on health protection including the response to COVID-19.</p> <p>NEW: Climate change mitigation and adaptation programme</p>				

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KCR 7 CAPITAL PROGRAMME: Failure to deliver the Capital Programme, which includes high profile projects. The capital programme currently has a budget of £615m from 2019/20 to 2023/24. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Complex projects with inherent risks</p> <p>Large capital programme being managed with reduced resources across the Council</p> <p>Increase in scale of the capital programme, due to major projects and lifting of borrowing cap for Housing</p> <p>Reduction in expenditure required due to budget pressures as a result of Covid-19 may reduce future capital programmes</p>	<p>Additional costs and delays to delivery of projects</p> <p>The benefits to the community are not realised</p> <p>Reputational Damage</p> <p>Pausing or stopping projects as a result of Covid-19 may create some compliance issues and may mean that existing projects require extensions</p>	Probable	Major (20)	<p>Project boards and project plans</p> <p>Regular monitoring of schemes</p> <p>Capital programme reporting to Executive and CMT</p> <p>Financial, legal and procurement support included within the capital budget for specialist support skills</p> <p>Project Management Framework</p> <p>Additional resource to support project management</p> <p>Capital Strategy 2021/22 to 2025/26 approved in Feb 2021</p> <p>Capital Programmes are sufficiently staffed to deliver to timescales</p> <p>Internal Audit Report gave reasonable assurance on project management arrangements</p> <p>Ongoing procurement and legal review to highlight any issues which may arise as a result of pausing projects due to Covid-19</p>	Possible	Moderate (14)	No change	Development of capital strategy for 2022/23 (Debbie Mitchell, 31/01/2022)

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

KCR 8 LOCAL PLAN: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding. The council has a statutory duty to develop a Local Plan, a city wide plan, which helps shape the future development in York over the next 20 years. It sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address our increasing population needs.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to agree and adopt a Local Plan for the City.</p> <p>The Draft Local Plan has started but not completed the Examination stage. There remains a risk that if the Plan fails this stage more work may be required and / or the plan has to be withdrawn by Council and submitted again after the evidence base has been updated. In these circumstances the overall risk score remains unchanged.</p>	<p>The Local Plan Examination process continues and the policies in draft Local Plan is a "material planning consideration" in the consideration and determination of planning applications. Development proposals which are not in accordance with the Draft Plan may continue to be submitted as planning applications, resulting in refusals of planning permission and an increase in planning appeals. An "adopted" Local Plan following the Examination by the Planning Inspectors would carry greater weight than the draft Plan.</p> <p>There may be a negative impact on the council's strategic economic goals and may have an adverse impact on investment in the city until there is an adopted Local Plan which provides greater direction through land use allocations and policies</p>	Probable	Major (20)	<p>NEW: The Plan is at the Hearing stage of the Examination Process (which commenced Dec 2019) and the final outstanding evidence was submitted to Inspectors on 30 April 2021.</p> <p>NEW: 6 week formal public consultation launched on 25 May 2021</p> <p>NEW: Resource requirements planned and in place to ensure sufficient resource to deliver the plan (further details in Monitor 1 2021/22 report to A&G – Annex B para 13)</p> <p>The plan following national guidance, good practice and specialist legal advice.</p> <p>Continued close liaison with:</p> <ul style="list-style-type: none"> • MHCLG, • Planning Advisory Services • Planning Inspectorate • The appointed planning Inspectors. <p>The Local Plan Working Group (LPWG) , the Executive and full Council have all been engaged in the plan making process at appropriate</p>	Possible	Major (19)	New controls	Ongoing action: Monitoring of controls (Mike Slater, 31/03/2022)

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	<p>which guide and direct development.</p> <p>For some major planning applications which may be supported by the Council the development processes and decision making is slowed down by need to refer application to the Secretary of State for Housing, Communities and Local Government for consideration as to whether a Public Inquiry should be held or not.</p> <p>Central government (Ministry of Housing Communities and Local Government) have already identified York as a high priority to produce a Local Plan. The failure to prepare and produce a Local Plan in accordance with the timescale accepted by central government could possibly result in action from the Secretary of State for Communities and Local Government to directly intervene in the plan making process.</p>			<p>stages and before submission of Draft Local Plan for Examination.</p> <p>Corporate Director for Place and Assistant Director weekly monitoring / management of the process</p> <p>Additional resources to ensure delivery within timescales</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

KCR 9 COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services. The council needs to engage in meaningful consultation with communities to ensure decisions taken reflect the needs of residents, whilst encouraging them to be empowered to deliver services that the council is no longer able to do. Failing to do this effectively would mean that services are not delivered to the benefit of those communities or in partnership.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively engage with the communities we serve</p> <p>Failure to contribute to the delivery of safe communities</p> <p>Failure to effectively engage stakeholders (including Members and CYC staff) in the decision making process</p> <p>Failure to manage expectations</p> <p>Communities are not willing/able to fill gaps following withdrawal of CYC services</p> <p>Lack of cohesion in the planning and use of CYC and partner community based assets in the city</p>	<p>Lack of buy in and understanding from stakeholders</p> <p>Alienation and disengagement of the community</p> <p>Relationships with strategic partners damaged</p> <p>Impact on community wellbeing</p> <p>Services brought back under council provision – reputational and financial implications</p> <p>Budget overspend</p> <p>Create inefficiencies</p> <p>Services not provided</p> <p>Poor quality provision not focused on need, potential duplication, ineffective use of resources, difficulty in commissioning community services e.g. Library services</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>New service delivery models, including Local Area Teams. Local Authority Co-ordination Neighborhood Working</p> <p>Revised Community Safety Plan</p> <p>Devolved budgets to Ward Committees and delivery of local action plans through ward teams</p> <p>Improved information and advice, Customer Strategy and ICT support to facilitate self service</p> <p>CYC Staff and Member training and development</p> <p>The July 2019 supplementary budget provided additional resources to the safer community fund and community engagement officer</p> <p>Community Safety Strategy approved on 2 March 2020 covering the period 2020-2023</p> <p>Community Hubs set up to distribute food and medicine and provide shielding support</p>	Possible	Major (19)	New control	No actions

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>Helpline – phone and inbox 7 days a week including bank holidays</p> <p>Covid-19 crisis funds to help the financially vulnerable</p> <p>New role of the Community hubs as agreed in Oct 2020</p> <p>New management structure (Mar 2021) appoints Director Of Customers and Communities</p> <p>NEW: Community Engagement Strategy published</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

KCR 10 WORKFORCE/ CAPACITY: Reduction in workforce/ capacity may lead to a risk in service delivery. It is crucial that the council remains able to retain essential skills and also to be able to recruit to posts where necessary, during the current periods of uncertainty caused by the current financial climate and transformational change. The health, wellbeing and motivation of the workforce is therefore key in addition to skills and capacity to deliver.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>The necessity to deliver savings has resulted in a reduced workforce requiring new and specialist skills</p> <p>Recruitment and retention difficulties as the council may be seen as a less attractive option than the private sector</p> <p>Lack of succession planning</p> <p>HR Policies may not be consistent with new ways of working (eg remuneration policy)</p> <p>Uncertainty around long term funding from central government.</p> <p>Staff with EU citizenship may leave</p> <p>Adjustment to the new ways of working as a result of Covid-19 eg home</p>	<p>Increased workloads for staff</p> <p>Impact on morale and as a result, staff turnover</p> <p>Inability to maintain service standards</p> <p>Impact on vulnerable customer groups</p> <p>Reputational damage</p> <p>Single points of failure throughout the business</p> <p>Lack of long term funding announcements from central government may impact on staff retention as it creates uncertainty for temporary posts funded by external funding</p> <p>Potential recruitment issues if staff with EU citizenship leave and are difficult to replace.</p>	Probable	Major (20)	<p>Organisational Development Plan (replaces Workforce Strategy/ People Plan)</p> <p>Stress Risk Assessments</p> <p>PDRs</p> <p>Comprehensive Occupational Health provision including counseling</p> <p>HR policies e.g. whistleblowing, dignity at work</p> <p>Development of coaching/ mentoring culture to improve engagement with staff</p> <p>Corporate Cost Control Group monitoring of absence and performance reporting</p> <p>Apprenticeship task group</p> <p>Agency and Interim Staffing Policies</p> <p>Absence Management Policies</p> <p>Substance Misuse Policy</p>	Possible	Moderate (14)	No change	Ongoing action: Review of HR policies to ensure they complement the new ways of working in the future (Trudy Forster 31/03/22)

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>working, use of PPE, increased lone working due to need to social distance</p> <p>Additional workload due to Covid-19</p> <p>Reduction in posts due to restructures required to achieve budget savings</p>	<p>Impact on the health & wellbeing of staff has been and will be significant and may increase early retirements and leavers. Due to</p> <ul style="list-style-type: none"> • Remote working (working from home) can have a negative impact on wellbeing. • Work life balance – unable to separate work from home due to work being carried out within the home • Juggling childcare and working hours • Supporting home schooling for children <p>However many staff may see an increase in their Health & Well Being due to more agile working. Having greater flexibility between work and home life. As we are able to start returning to the office in a covid secure way it is expected that this will have an increase in Health & Well Being. Although it should be noted staff absence figures have fallen during this period.</p> <p>More agile and flexible working may also result in increased retention of staff and increase the attraction of</p>			<p>The council has signed up to a pledge to become a Time to Change Employer with a focus on mental health. As this changes from Time to Change we are looking at the continued mechanisms to support good mental health.</p> <p>A Workplace Health & Wellbeing Group has been established with staff & trade union representation which is chaired by the Head of HR.</p> <p>A staff health & wellbeing survey has been undertaken & this is being followed up by staff focus groups.</p> <p>Increase in regulatory compliance to protect the workforce eg Health and Safety regulations, working time directives</p> <p>Increase in Living wage</p> <p>Engagement with staff that had concerns about the EU settlement Scheme for European Citizens and offer of support through York Learning, Registrars and Citizens' Advice Bureau</p> <p>Joint Health and Safety Board and regular review of support for staff</p> <p>Vacancy Control Group set up as a result of budgetary savings and to mitigate any compulsory redundancies</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	candidates for vacant positons.			<p>Improved frequency of informal and formal meetings with Trade Unions to improve communications and relationships</p> <p>Staff questionnaire about returning to the workplace and impact on their health & well being</p> <p>Increased help and awareness of staff wellbeing and mental health as a result of the new ways of working during Covid-19 including Covid secure workspace, provision of PPE, establishment of office readiness group, regular communication and information sessions, advice, risk assessments, help with home office and ICT equipment, absence systems, symptom free testing and vaccinations, close working with Public Health.</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

KCR 11 EXTERNAL MARKET CONDITIONS: Failure to deliver commissioned services due to external market conditions.
 The financial pressures experienced by contracted services (in particular Adult Social Care providers) as a result of increases to the living wage and Covid-19 could put the continued operation of some providers at risk. The Council has a duty to ensure that there is a stable/diverse market for social care services delivery to meet the assessed needs of vulnerable adults/children.
 Some services provided by the Council cannot be provided internally (eg Park and Ride) and must be commissioned. External market conditions such as the number of providers willing to tender for services may affect the Council's ability to deliver the service within budget constraints.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increases to the national living wage.</p> <p>Recruitment and retention of staff</p> <p>If failure occurs, the Council may remain responsible for ensuring the needs of those receiving the service continue uninterrupted.</p> <p>Providers may go out of business as a result of Covid-19</p> <p>Many sectors under financial pressure due to Covid-19 (reductions in income or increase in expenditure)</p>	<p>Vulnerable people do not get the services required or experience disruption in service provision</p> <p>Safeguarding risks</p> <p>Financial implications: Increased cost of alternative provider Increased cost if number of providers are limited</p> <p>Reputational damage</p>	Unlikely	Major (18)	<p>Clear contract and procurement measures in place</p> <p>Ongoing review of operating and business models of all key providers and putting further mitigation in place, such as more robust contract monitoring and commissioning some 'enhanced' credit checks</p> <p>CYC investment in extra care OPHs has reduced recruitment pressure</p> <p>Revised SLA with independent care group and quarterly monitoring meetings with portfolio holder</p> <p>Increase in homecare fees to reflect actual cost of care</p> <p>Local policies in place for provider failure</p> <p>Short term financial assistance from Covid-19 pressures through supplier reliefs and government grants to business</p> <p>Ongoing attendance at Independent Care Group Provider Conference</p>	Unlikely	Moderate (13)	No change	No current actions

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>New Director of Commissioning post will improve proactive efforts in market development and market shaping</p> <p>The Council's market position statement is up to date</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

KCR 12 MAJOR INCIDENTS: Failure to respond appropriately to major incidents. Local Authorities are required by law to make preparations to deal with emergencies. Local Authorities have four main responsibilities in an emergency 1. to support the Emergency Services, 2. to co-ordinate non-emergency organisations, 3. to maintain their own services through a robust Business Continuity Management process and 4. to facilitate the recovery of the community. The Council must ensure that its resources are used to best effect in providing relief and mitigating the effects of a major peacetime emergency on the population, infrastructure and environment coming under its administration. This will be done either alone or in conjunction with the Emergency Services and other involved agencies, including neighbouring authorities.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>An uncoordinated or poor response to a major incident such as:</p> <ul style="list-style-type: none"> • Flood • Major Fire • Terrorist Attack • Civil Unrest in relation to political issues such as Brexit • Local lockdown due to Covid-19 <p>NEW: Failure to protect citizens from the adverse impacts of climate change</p>	<p>Serious death or injury</p> <p>Damage to property</p> <p>Reputational damage</p> <p>Potential for litigation</p> <p>Potential for corporate manslaughter charges if risks are identified and proposed actions not implemented</p> <p>NEW: Reduction in life expectancy</p>	Probable	Catastrophic (24)	<p>Emergency planning and Business Continuity Plans in place and regularly reviewed</p> <p>Strong partnerships with Police, Fire, Environment Agency and other agencies</p> <p>Support to Regional Resilience forums</p> <p>Support and work in partnership with North Yorkshire local resilience forums</p> <p>Investment in Community Resilience (re Flooding)</p> <p>Work with partners across the city to minimise the risk of a terrorist attack</p> <p>Implemented physical measures for certain events</p> <p>Review of city transport access measures</p>	Possible	Major (19)	No change	<p>Ongoing action: Regular review of emergency and business continuity plans (Neil Ferris, 31/3/22)</p> <p>Improvements to enhance flood protection (The Environment Agency)</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MAY 2021**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				Development of the local outbreak control plan and a variety of internal recovery strategies NEW: Climate change mitigation and adaptation programme				

Analysis of Key Corporate Risk 8: York Local Plan

1. This Annex provides a more detailed analysis of KCR8 – York Local Plan
2. The description of this risk is as follows: **Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of investment.** The Council has a statutory duty to develop a Local Plan, a city wide plan, which helps shape the future development in York over the next 20+ years. It sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address the needs of our increasing population.

Risk Detail

3. **The Council fails to agree and then adopt a Local Plan for the city.** The Council submitted the Draft Local Plan for Inspection in May 2019, in accordance with a timetable agreed with the Ministry of Housing Communities and Local Government. The production and submission of the Draft Plan represents significant step in reducing the risks associated with the failure to deliver a Local Plan for York. A number of LA's including City Of York Council were identified by central government as not making adequate progress in relation to the preparation of Local Plans. The submission of a Draft Local Plan for Examination (in May 2019) was an important milestone in the plan making process.
4. The draft Local Plan is being considered by two Planning Inspectors, Simon Berkley and Andrew Mc Cormack. They are considering all of the evidence, information and representations before making recommendations on whether the draft Local Plan meets legal and procedural requirements of the Planning and Compulsory Purchase Act 2004 (as amended) and the associated Regulations and whether it is sound and in accordance with the National Planning Policy Framework.
5. The draft Local Plan is at the hearing stage of the formal Examination process, which commenced on 10 December 2019. During and following the hearing sessions in December 2019 and also in 2020 the Inspectors have requested that the Council submit additional information. A summary of the progress made and work undertaken was reported to the Local Plan Working Group meeting on 16 March 2021 and is available on the Council website [here](#).

6. In February 2021 a timetable was agreed with the Planning Inspectors for the submission of the outstanding updated evidence and information. The required documents have been submitted to the Inspectors in accordance with this timetable, with the last of the documents was submitted to them on 30 April 2021.
7. Having received and considered the requested information the Planning Inspectors wrote to the Council on 5 May 2021 advising that arrangements should now be put in place for a 6 week consultation in relation to the documents / evidence submitted to the Planning Inspectors since December 2019. The formal public consultation commenced on 25 May and runs until 7 July 2021 This formal consultation is required before further hearing sessions take place, to consider the soundness of the plan and legal compliance, which are likely in early autumn. Providing the appointed Planning Inspectors are satisfied at that stage the Examination would move towards the consideration of the details and policies in the Plan probably in the spring of 2022 and if the Planning Inspectors are content with the draft plan policies and land allocations it would then be necessary for the Council to formally “adopt” the Local Plan, possibly in summer 2022.

Implications

8. The implications for the Council include:
 - The Local Plan Examination process continues and the policies in draft Local Plan is a “material planning consideration” in the consideration and determination of planning applications. Development proposals which are not in accordance with the Draft Plan may continue to be submitted as planning applications, resulting in refusals of planning permission and an increase in planning appeals. An “adopted” Local Plan following the Examination by the Planning Inspectors would carry greater weight than the draft Plan.
 - There may be a negative impact on the council's strategic economic goals and may have an adverse impact on investment in the city until there is an adopted Local Plan which provides greater direction through land use allocations and policies which guide and direct development.
 - For some major planning applications which may be supported by the Council the development processes and decision making is slowed down by need to refer application to the Secretary of State for Housing, Communities

and Local Government for consideration as to whether a Public Inquiry should be held or not.

- Central government (Ministry of Housing Communities and Local Government) have already identified York as a high priority to produce a Local Plan. The failure to prepare and produce a Local Plan in accordance with the timescale accepted by central government could possibly result in action from the Secretary of State for Communities and Local Government to directly intervene in the plan making process.

Controls

- 9 Officers have been following national guidance and good practice and taking specialist legal advice from very experienced, specialist planning barristers: David Elvin QC and Scott Lyness QC, throughout the plan making process.
- 10 Officers have had continued close liaison with: MHCLG, the Planning Advisory Services, the Planning Inspectorate and the two appointed planning inspectors since the Draft Local Plan was submitted for Examination. Officers have responded positively to requests for additional information, clarification of some details and the request from the planning inspectors for further consultation on evidence before reaching the hearing stage.
- 11 The Local Plan Working Group (LPWG), the Executive and full Council have all been engaged in the plan making process at appropriate stages and before submission of Draft Local Plan for Examination.
- 12 Officers have had continued close liaison with neighbouring authorities in relation to the plan proposals and the plan making process / timetable.
- 13 Progressing the Local Plan to adoption will require the use of both internal and external personnel. The following measures / actions will address the resource requirements to progress the Local Plan through to the next phase of Examination hearings;
 - It is expected that the Council will be able to retain the services of the two very experienced planning barristers who have been supporting the Council through the Examination process.
 - Alison Cooke, the interim forward planning policy manager has recently been appointed into a new permanent post as Head of Strategic Planning with effect from 1 June 2021.

- Recruitment is underway for an interim planning policy/ local plan officer to support Alison and the small team for the next 5-6 months.
- The Strategic Planning Policy team has a number of temporary and “acting up” arrangements in place. A minor restructure over the summer / autumn will deliver permanent posts reflecting the skills / experience required to deliver a comprehensive service to work on a full range of planning policy services , including the Local Plan.
- Any vacant posts in the new Strategic Planning Policy following the restructure will be filled externally.
- Mike Slater, (formerly AD for Planning and Public Protection) is to be retained in a chief officer post until the end of October 2021,(longer than required as part of the management restructure) to enable his continued input into the Examination process and the anticipated hearings in the autumn.
- Additional temporary staff are being recruited via Work With York to support the existing staff to consider, classify / code and summarise the all of the responses following the close of the 6 week local Plan consultation.
- The external consultants who have input specialist evidence into the Local Plan preparation have been retained to give evidence, as required, at the next stage of hearings in the autumn.
- Council officers from a range of professional backgrounds including housing, transport, environment and climate change will contribute as required to the Examination process.

Risk Rating

14 Whilst the direction of travel is positive the gross risk score is 20 (likelihood probable, impact major). After applying the controls detailed above the net risk score is reduced to 19 (likelihood possible, impact major)

KEY CORPORATE RISK REGISTER SUMMARY

Key Corporate Risk	Gross Likelihood	Gross Impact	Gross Score	Net Likelihood	Net Impact	Net Score
KCR1 Financial Pressures	Highly Probable	Major	21	Probable	Major	20
KCR2 Governance	Probable	Major	20	Possible	Major	19
KCR3 Effective and Strong Partnerships	Probable	Major	20	Possible	Moderate	14
KCR4 Changing Demographics	Probable	Major	20	Possible	Major	19
KCR5 Safeguarding	Probable	Major	20	Possible	Major	19
KCR6 Health and Wellbeing	Probable	Major	20	Probable	Moderate	15
KCR7 Capital Programme	Probable	Major	20	Possible	Moderate	14
KCR8 Local Plan	Probable	Major	20	Possible	Major	19
KCR9 Communities	Probable	Major	20	Possible	Major	19
KCR10 Workforce/ Capacity	Probable	Major	20	Possible	Moderate	14
KCR11 External Market Conditions	Unlikely	Major	18	Unlikely	Moderate	13
KCR12 Major Incidents	Probable	Catastrophic	24	Possible	Major	19

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Annex D- Risk Matrix

		Likelihood				
		Remote	Unlikely	Possible	Probable	Highly Probable
Impact	Catastrophic	17	22	23	24	25
	Major	12	18	19	20	21
	Moderate	6	13	14	15	16
	Minor	2	8	9	10	11
	Insignificant	1	3	4	5	7

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Audit and Governance Committee16th June 2021

Report of the Chief Finance Officer

Mazars Audit Strategy Memorandum**Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, summarises the audit approach for the year ended 31st March 2021.

Background

2. The report covers:
 - a) Engagement and responsibilities summary
 - b) Your audit engagement team
 - c) Audit scope, approach and timeline
 - d) Significant risks and other key judgment areas
 - e) Value for money arrangements
 - f) Fees for audit and other services
 - g) Our commitment to independence
 - h) Materiality and misstatements

Consultation

3. The Plan has been consulted on with the relevant responsible officers within the Customer & Corporate Services Directorate prior to it being reported to those members charged with governance at the council.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Council Plan

- 6. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

- 7. There are no implications to this report.

Risk Management

- 8. Not relevant for the purpose of the report

Recommendations

- 9. Members are asked to:
 - a) note the matters set out in the Progress report presented by Mazars;

Reason

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

Contact Details

Author:

Emma Audrain
Technical Accountant
Corporate Finance

Chief Officer Responsible for the report:

Debbie Mitchell
Chief Finance Officer

**Report
Approved**



Date

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Mazars CYC Audit Strategy Memorandum Year ending 31st March 2021

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Audit Strategy Memorandum

City of York Council

Year ending 31 March 2021



Contents

- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money arrangements
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements

Appendix – Key communication points

This document is to be regarded as confidential to City of York Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Governance Committee
City of York Council
West Offices
Station Rise
York
YO1 6GA

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

Dear Audit and Governance Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

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

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

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

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 387 8850.

Yours faithfully

Signed: 
Mark Kirkham (Jun 5, 2021 09:50 GMT+1)

Mark Kirkham

Mazars LLP

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

Tel: 0191 383 6300 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

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

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

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



Audit opinion

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



Fraud

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

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



Going concern

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



Value for money arrangements

We consider the arrangements the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to our work in section 5 of this report.



Reporting to the NAO

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



Electors' rights

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

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

02

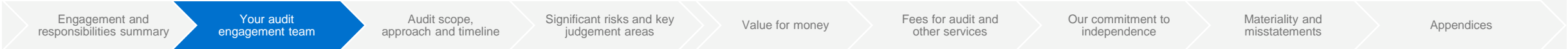
Section 02:

Your audit engagement team

2. Your audit engagement team

Your external audit service will be led by Mark Kirkham

Who	Role	E-mail
Mark Kirkham	Engagement Lead	mark.kirkham@mazars.co.uk
Mark Outterside	Engagement Manager	mark.outterside@mazars.co.uk
Louise Allison	Engagement team leader	louise.allison@mazars.co.uk



03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

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

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

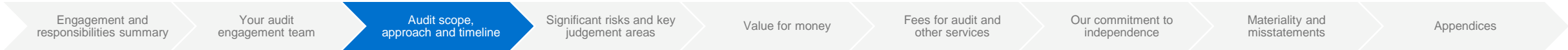
Audit approach

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

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

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

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



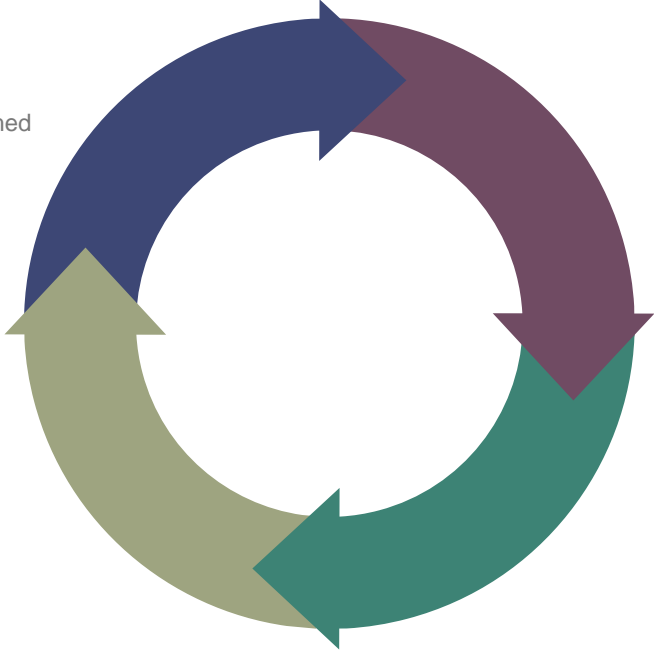
3. Audit scope, approach and timeline

Planning (March)

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

Completion (September)

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

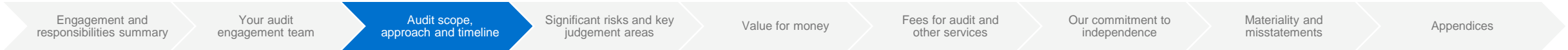


Interim (March - April)

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork (June to September)

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



3. Audit scope, approach and timeline

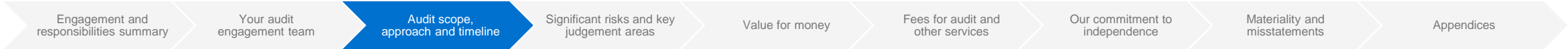
Management’s and our experts

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

Item of account	Management’s expert	Our expert
Defined benefit liability	AON Hewitt	PwC, consulting actuary, on behalf of National Audit Office.
Property, plant and equipment valuation	Council’s valuer	We will take into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	We will review Link Asset Services' methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct.

Service organisations

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



04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

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

Significant risk

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

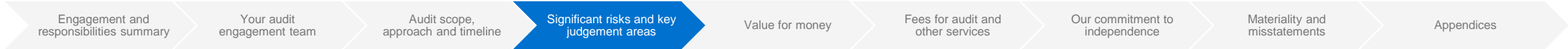
Enhanced risk

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

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

Standard risk

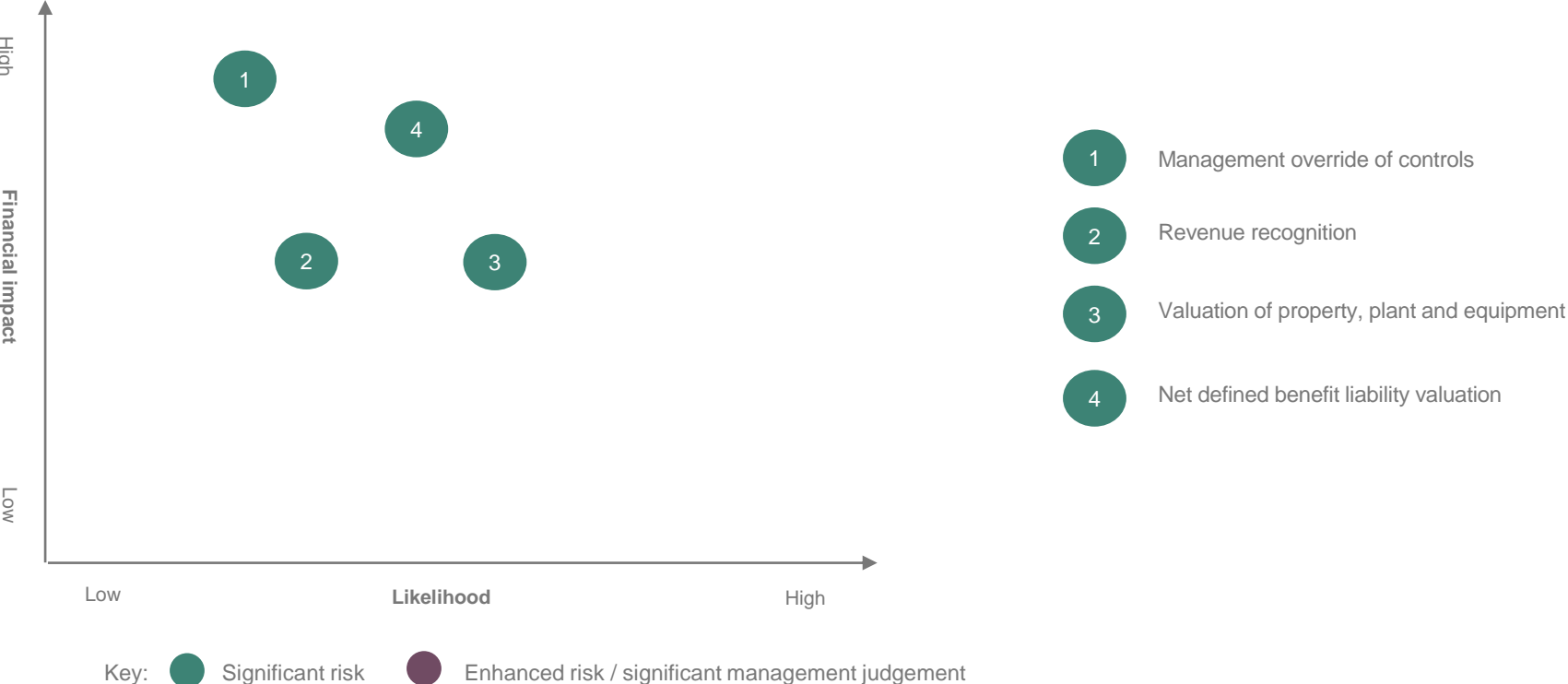
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the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



4. Significant risks and other key judgement areas

Summary risk assessment

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



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

4. Significant risks and other key judgement areas

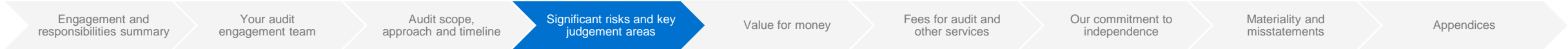
Specific identified audit risks and planned testing strategy

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

Significant risks

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

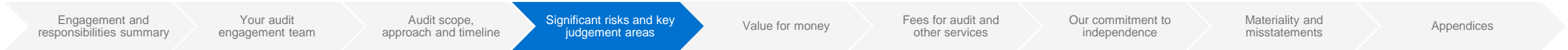
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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Revenue recognition</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal for all income streams in 2020/21. We have identified income from fees and charges, as the key area for audit testing. We will consider whether Covid-19 grant income presents and audit risk when we receive the statement of accounts.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	●	○	●	<p>We plan to address this risk through a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end receivables; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.

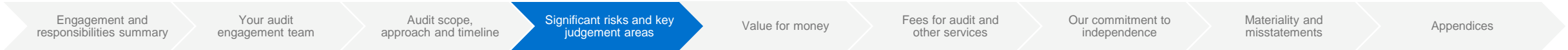


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings Council dwellings, infrastructure assets, other land and buildings were the Council’s highest value assets totalling £755 million in 2019/20. The balance sheet also included investment properties totalling £60.3 million, and assets held for sale totalling at £1.2 million in 2019/20.</p> <p>Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings. We will:</p> <ul style="list-style-type: none"> • assess the scope and terms of engagement with the Valuer; • assess the competence, skills and objectivity of the Valuer; • assess how management use the Valuer’s report to value land and buildings included in the financial statements; • test the accuracy of the data used in valuations; • challenge the Council and Valuer’s assumptions and judgements applied in the valuations; • review valuation methodology used, including the appropriateness of the valuation basis; • consider the reasonableness of the valuation by comparing the valuation output with market intelligence; and <p>In line with 2019/20 and the continuing Covid-19 pandemic, we will monitor the valuation approach and whether a material uncertainty disclosure will be required for 2020/21.</p>

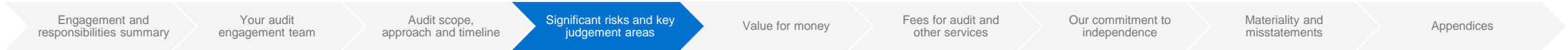
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4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
4	<p>Net defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the North Yorkshire Pension Fund’s Actuary; liaising with the auditors of the North Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements. <p>In line with 2019/20 and the continuing Covid-19 pandemic, we will monitor the valuation approach and whether a material uncertainty disclosure will be required for 2020/21</p>



05

Section 05:
Value for Money

5. Value for money arrangements

The framework for our work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to arrangements from 2020/21. While we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

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

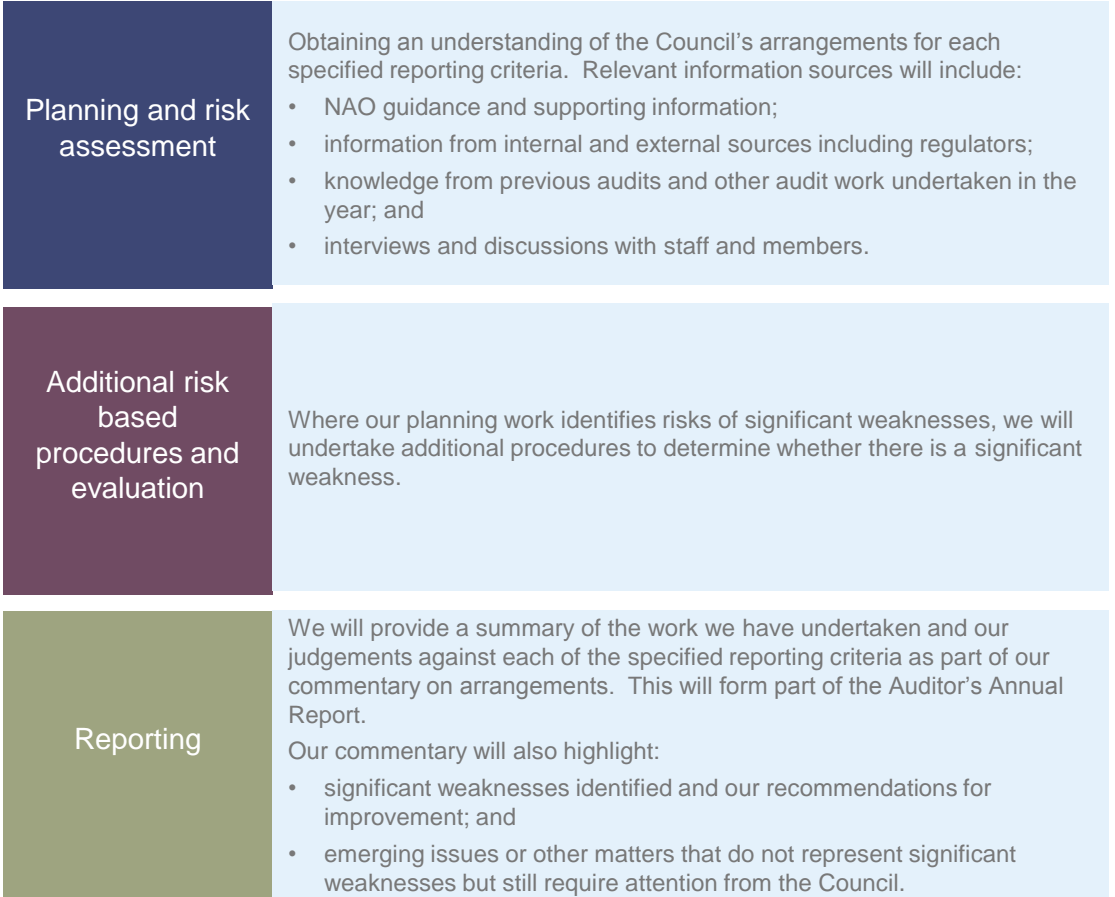
Specified reporting criteria

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

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

Our approach

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



5. Value for money arrangements

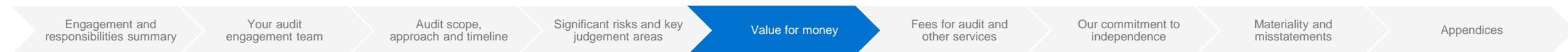
Identified risks of significant weaknesses in arrangements

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

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. On completion of our risk assessment, we will report any risks of significant weaknesses in arrangements identified to the Audit and Governance Committee.

For the 2020/21 financial year, we have however identified the issues below that will form an area of focus for our work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p>Issues which led to a qualified 'except for' VFM conclusion in the 2019/20 audit</p> <p>Although we are no longer required to provide a qualified or unqualified conclusion, in 2019/20 we reported a weakness in decision making arrangements and processes relating to the Chief Executive's severance payment.</p> <p>We therefore consider this to be a potential weaknesses in arrangements to be followed up in 2020/21.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> review management's response to address the recommendations highlighted in our Public Interest Report; and consider how we will report any issues per the requirements of the Code.
2	<p>Financial sustainability</p> <p>In February 2021, the Council issued its Financial Strategy (2021/22 to 2025/26), which confirmed a 2020/21 net revenue budget of £131.4 million, predicated by a savings proposals of £7.9 million, equating to 6% of the total revenue budget.</p> <p>This financial challenge is not new and or unique to the Council, however, it does present a significant area of focus in respect of the arrangements the Council has in place to deliver financial sustainability over the medium term.</p>	●	○	○	<p>We will:</p> <ul style="list-style-type: none"> review the Council's financial planning arrangements, including the adequacy of budget assumptions and saving plans; assess the Council's arrangements to monitor progress in delivering the financial plan and savings; and consider the robustness of the Council's judgements relating to the impact of the pandemic on the Council's financial plans, including reliance on any additional central government support.



06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

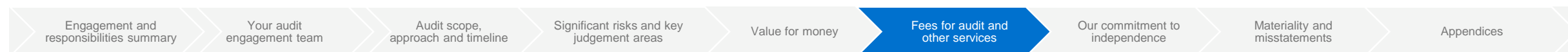
Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Scale audit fee	£78,237	£78,237
<i>Fee variations:</i>		
Additional testing on pension valuations, property valuations, consideration of statutory requirements, additional work required by the regulator and consideration of the impact of COVID-19 ¹	TBC	£27,418
Additional work relating to elector's rights and severance payments	TBC	£27,856
Additional work arising from the change in the Code of Audit Practice (indicative) ²	TBC	-
Total	£78,237	£133,511

¹ As previously reported, the 2019/20 scale fee had been adjusted to take into account the additional work. In common with our other local government clients, we will be completing work in these areas in 2020/21 and expect to raise fee variations for this additional work.

² The new Code of Audit Practice and associated guidance changes the way in which we undertake and report our value for money work in 2020/21 (as detailed in section 5) and will require additional audit input. We expect the fee impact to be 15-20% of the statutory audit fee. The final fee will take into account the extent of the additional work actually required. We will continue to liaise with management on any proposed changes to the fee.

Fee variations are subject to confirmation from PSAA.

PSAA have issued a consultation on the 2021/22 audit fee scale. We will revisit our fee proposal in line with the outcome of this consultation to ensure we are consistent with sector wide changes.

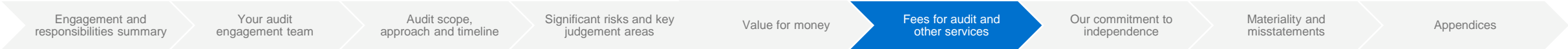


6. Fees for audit and other services

Fees for non-PSAA work

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

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Other services - Housing Benefits Subsidy Assurance	£12,000	£11,800
Certification of Teachers' Pension return (excluding VAT)	£6,000	£5,900



07

Section 07:

Our commitment to independence

7. Our commitment to independence

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

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

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

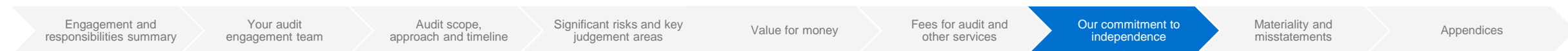
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the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

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

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

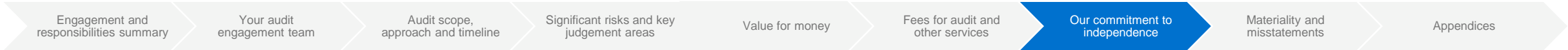
Principal threats to our independence and identified associated safeguards are set out on the following page.

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



7. Our commitment to independence

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



08

Section 08:

Materiality and other misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	£8,800
Performance materiality	£6,600
Specific materiality:	
• Officer Remuneration	£5
• Termination Payments	£50
• Members Allowances	£50
Trivial threshold for errors to be reported to the Audit and Governance Committee	£260

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

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

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

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

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

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

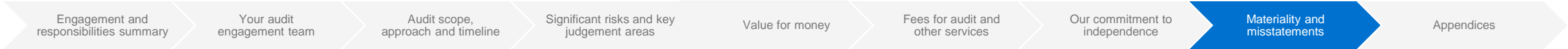
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and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

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

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

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

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



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold 2% of Gross Revenue Expenditure (at Surplus/deficit on Provision of Services level). Based on the prior year gross expenditure we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £8.8m.

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

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

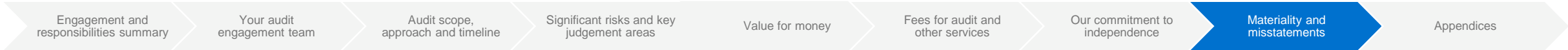
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.26m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

Reporting to the Audit and Governance Committee

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

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



A

Appendix: Key communication points

Appendix: Key communication points

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

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

Form, timing and content of our communications

We will present the following reports:

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

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

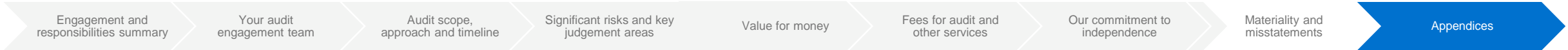
Key communication points at the planning stage as included in this Audit Strategy Memorandum

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

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

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

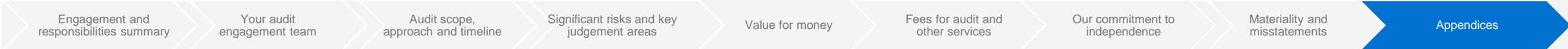
- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft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



Appendix: Key communication points

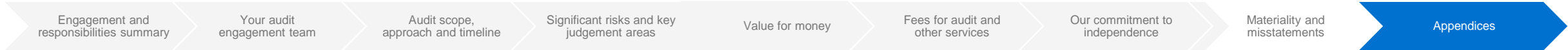
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

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



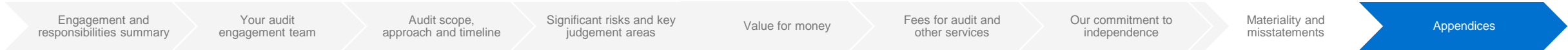
Appendix: Key communication points

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



Appendix: Key communication points

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



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*where permitted under applicable country laws.

**Agenda Item**

Audit and Governance Committee

16 June 2021

Report of the Head of Internal Audit

Annual Report of the Head of Internal Audit and Annual Counter Fraud Report

Summary

- 1 This report includes the Annual Report of the Head of Internal Audit, which summarises internal audit work undertaken in 2020/21 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control. An annual report setting out counter fraud activity and performance is also included.

Background

- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The annual report is included at annex 1 to this report.
- 3 Internal audit services are provided to the council by Veritau, which also provides a counter fraud service. An annual report setting out counter fraud activity and performance is also included as part of this report, and is included at annex 2.
- 4 Annex 1 includes a summary of findings from recently finalised audit work. The finalised audit reports listed in appendix B to the annex are published online, along with the papers for this committee. The report on Contract Management for Make it York, shown in appendix B, is included in the agenda papers as annex 3 to this report, as the opinion given was limited assurance.

Consultation

- 5 Not relevant for the purpose of the report.

Options

- 6 Not relevant for the purpose of the report.

Analysis

- 7 Not relevant for the purpose of the report.

Council Plan

- 8 The work of internal audit helps the council achieve its objectives by evaluating and promoting improvement in the effectiveness of risk management, control and governance processes.

Implications

- 9 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

- 10 The council will not comply with proper practice for internal audit if the results of audit work are not reported to senior management and the Audit and Governance Committee.

Recommendation

- 11 Members are asked to:

- (a) note the results of internal audit and counter fraud work undertaken.

Reason

To enable members to consider the implications of internal audit findings, and inform their assessment of the effectiveness of counter fraud arrangements.

- (b) note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's framework of governance, risk management and internal control .

Reason

To enable members to consider the implications of internal audit findings.

- (c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with Public Sector Internal Audit Standards.

Reason

To enable members to consider the opinion of the Head of Internal Audit.

- (d) note that no significant control weaknesses have been identified by internal audit during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

Author:

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Head of Internal Audit
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01904 552940

Chief Officer responsible for the report:

Janie Berry
Director of Governance
Telephone: 01904 555385

**Report
Approved**



Date 7 June
2021

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 – annual report of the Head of Internal Audit
- Annex 2 – annual counter fraud report
- Annex 3 – internal audit report: Contract Management – Make it York

Available on the council's website

The following internal audit reports referred to in annex 1 are published on the council's website:

- SEN Ofsted Inspection & written statement of action (WSoA)
- Home working
- ICT Server Administration and Security
- ICT Licence Management
- Public Health – Healthy Child Service
- Cash handling

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





ANNUAL HEAD OF INTERNAL REPORT 2020/21

16 June 2021

ANNEX 1



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 Background	4	 Internal audit work carried out	4
 Follow up of agreed actions	5	 Professional standards	5
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Ed Martin
Audit Manager



Max Thomas
Head of Internal Audit

Circulation list: Members of the Audit and Governance Committee



BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2020/21

- 2 During the last year, the Covid pandemic has had a significant impact on the council's working practices. In addition, much of the council's resources have been directed towards responding to Covid related issues. This has also impacted upon the work of internal audit.
- 3 A summary of internal audit work undertaken during the year is included in appendix A, below. During the first part of the year, work on core audit assignments was suspended at the request of the council. This included finalisation of work from the previous year and follow up of previously agreed actions. During this period, Veritau continued to provide support to the council, including providing advice and assisting in the processing of Covid-19 business support grants (alongside the counter fraud team). Work recommenced after summer 2020, with all audit work being undertaken remotely.
- 4 Audit work undertaken since then has focussed on those areas considered higher risk, including any issues arising from changes to arrangements as a result of the pandemic. We have also taken a pragmatic approach to finalising work suspended during the early part of the year. For example, in cases where the impact of the pandemic meant that the original findings were no longer directly relevant. In some cases we have given advice to services about any issues found, where these were still relevant. In other cases, we have rolled forward the original findings into new work undertaken or planned, to review the findings in light of subsequent changes. The delay in starting work during the year has also meant that we currently have a higher level of outstanding 2020/21 work than would normally be expected at this point. The intention will be to bring the audit cycle back in line with normal arrangements over the next two years.

- 5 Appendix B, below, provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee. Appendix C provides an explanation of our assurance levels and priorities for management action. Finalised reports listed in appendix B are published online, along with the papers for this committee. The report on Contract Management for Make it York is included in the agenda papers as annex 3 as the opinion given is limited assurance.



FOLLOW UP OF AGREED ACTIONS

- 6 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. Due to the pandemic, follow up of agreed actions was suspended in the first half of 2020/21. We have now recommenced this work and a summary of the current position is included in appendix D.



PROFESSIONAL STANDARDS

- 7 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the committee each year as part of the annual report. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 8 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018¹. This concluded that Veritau internal audit activity generally conforms to the PSIAS².
- 9 The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP are given in appendix E.

¹ Reported to the Audit and Governance committee in February 2019.

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- 10 The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.



OPINION OF THE HEAD OF INTERNAL AUDIT

- 11 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides **Substantial Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.
- 12 The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers. However, in giving the opinion, we would note that Covid-19 has significantly affected the council over the last year, with a wide ranging impact on business operations and controls. While the work of internal audit is directed to the areas that are most at risk, or provide most value for the council, it is not possible to conclude on the full extent of the impact of Covid-19 on the council's operations.

Audit	Status	Assurance Level
Special educational needs: Ofsted inspection and written statement of action	Final report issued	Substantial Assurance
Contract management – Make It York	Final report issued	Limited Assurance
Home working	Final report issued	Reasonable Assurance
ICT server administration and security	Final report issued	Substantial Assurance
ICT licence management	Final report issued	Substantial Assurance
Public health – healthy child service	Final report issued	Reasonable Assurance
Adoption services	Final report issued	Substantial Assurance
Council tax & NNDR	Draft report issued	
Community hubs	Draft report issued	
Commercial waste	Draft report issued	
Environmental health	Draft report issued	
Council tax support and benefits	Draft report issued	
Project management	Draft report issued	
Schools themed audit – cyber security	Draft report issued	
Debtors	Fieldwork in progress	
Ordering and creditor payments	Fieldwork in progress	
Business continuity and emergency planning	Fieldwork in progress	
Health and Safety	Fieldwork in progress	
Records Management	Fieldwork in progress	
ICT asset management	Fieldwork in progress	
Information Security	Fieldwork in progress	

Continuing healthcare	Fieldwork in progress	
<p>Other work</p> <p>Internal audit work has been undertaken in a range of other areas during the period, including those listed below.</p>		
<ul style="list-style-type: none"> • Covid related advice: including administration of government grants; processes for CYC discretionary grants; supplier relief; and use of video conferencing applications. • Follow up of agreed actions. • Creditors data analytics work. • Internal investigations. • Support and advice provided through the year on controls and processes, including: blue badge administration, corporate complaints policies and procedures, gifts and hospitality, housing IT systems and related processes, cheque control and security. • Grant certification work, including transport grants, Scambusters, Troubled Families, Covid grants. 		

APPENDIX B: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
SEN Ofsted Inspection & written statement of action (WSOA)	Substantial Assurance	The audit reviewed procedures and controls to ensure robust governance arrangements are in place to deliver the written statement of action, and progress and outcomes can be evidenced through robust monitoring.	May 2021	Accountability and governance arrangements are clearly stated. A SEND improvement board (SIB) receives regular monitoring reports for each workstream in the improvement plan. Weaknesses were identified relating to the terms of reference of the SIB and action tracking (priority 3).	Terms of Reference of the SEND Improvement Board (SIB) will be updated. All outstanding actions will be reviewed at the next SIB and their status updated.
Contract Management – Make it York	Limited Assurance	The audit reviewed contract management arrangements for Make it York, including financial monitoring, performance, and activity.	April 2021	Performance measures are defined and reviewed. Good controls are in place for financial monitoring. Weaknesses included service user feedback not being collected; key quarterly performance and financial reports not being produced and provided ahead of client/contractor meetings; and no annual Make it York business plan and revised service level agreement being produced for 2019/20 or 2020/21.	Detailed findings, and the actions agreed are included in the audit report included as annex 3 to this agenda item. Actions included development of a new contract, including escalation processes; a requirement for user feedback to be gathered as part of a new service level agreement; and recommencement of quarterly performance reporting and strengthening of the process. A new service level agreement was due to be taken to the council's Executive in May 2021.
Home working	Reasonable Assurance	The audit reviewed corporate guidance for homeworking during	May 2021	Appropriate guidance is in place. Reasonable steps have been taken to	Action already implemented to improve

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		<p>Covid-19, management of assets used by homeworkers and, remote management arrangements.</p> <p>An audit had been conducted in this area immediately prior to the pandemic. This further audit re-evaluated processes and controls in light of the significant change in arrangements during the pandemic.</p>		<p>support and manage staff working from home. Some need for support for staff making difficult phone calls was identified. Allocation of council assets to homeworkers is generally managed well. Some improvements were made during the audit to address one area of weakness.</p> <p>A future workplace strategy, post-pandemic, is being developed.</p>	<p>record keeping for office furniture issued to, and returned by, staff.</p> <p>Human resources and the workforce development unit to identify training to support handling of difficult phone calls when working at home.</p>
ICT Server Administration and Security	Substantial Assurance	The audit reviewed: access to data centres, environmental controls, configuration and performance monitoring.	May 2021	<p>Suitable controls are in place to secure servers against physical and logical attacks and to monitor server performance and control the data centre environment. Some weaknesses were found: audit logs of access attempts by privileged users were not being reviewed; some ICT policies required review; procedure documentation for server rooms, servers, and applications was out of date; and the annual data centre deep clean was overdue.</p>	<p>Monthly reports of use of admin accounts will be produced and reviewed; a more secure method for accessing servers will be piloted.</p> <p>ICT policies will be reviewed and updated and made available on the intranet.</p> <p>Data centre access procedures will be reviewed and updated, along with other procedures.</p> <p>Covid-19 has led to a delay in the deep clean but this will be arranged and carried out as soon as possible.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
ICT Licence Management	Substantial Assurance	The audit reviewed procedures and controls for: licence utilisation & deployment, subscription strategy, and management of Microsoft licences.	May 2021	Use of licences is monitored for applications in use. The purchase of licences is appropriately authorised. Some weaknesses identified in leavers processes, the ability of a small number of users to access unlicensed applications, and the robustness of licence monitoring for some applications.	Actions relating to access to unlicensed applications and licence monitoring have been completed. An improvement to the leavers' processes is planned including coordination / sharing of information on leavers and changes in job roles across all relevant departments.
Public Health – Healthy Child Service	Reasonable Assurance	The audit reviewed procedures and controls for governance and management of the healthy child service and quality assurance processes.	May 2021	Appropriate governance and management arrangements are in place. However, job descriptions require updating. Performance management for the 0-5yrs service is robust. Performance management arrangements for the 5-19yrs service will be reviewed as part of strategy updates. Quality assurance audits are completed and reported appropriately. However, there was no overall policy or procedure for conducting QA audits or for addressing required improvements through formal action plans.	Guidelines for carrying out audits will be produced. Advice will be sought to ensure these employ best practices. Governance structures will be used to monitor annual QA audit plans and implementation of improvement plans to address weaknesses identified in audits.
Cash handling	High Assurance	The audit reviewed procedures and controls for cash handling and reduction of cash payments.	April 2021	Cash handling procedures are robust. Some issues were noted regarding frequency of banking. Reasonable efforts are being made to remove and reduce cash payments.	Cash will be banked more frequently so that safe insurance limits are not exceeded.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial assurance	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 assurance	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 assurance	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.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX D: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. 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, and ultimately may be referred to the Audit and Governance Committee.

Follow up work was suspended at the request of the council, to allow officers to respond to Covid-19, and for auditors to assist with other areas of work. Follow up work restarted in autumn 2020. This report covers agreed actions with target implementation dates up to 30 April 2021.

Actions followed up

A total of 136 actions have been followed up since the last report to this committee in September 2019. A summary of the priority of these actions is included below.

Actions followed up	
Priority of actions*	Number of actions followed up
1	0
2	62
3	74
Total	136

Actions followed up by directorate			
Customer & Corporate Services	Economy & Place	Children, Education & Communities	Health, Housing & Adult Social Care
0	0	0	0
28	16	16	2
19	23	30	2
47	39	46	4

Of the 136 agreed actions 78 (57%) had been satisfactorily implemented and 35 (26%) were no longer needed³.

³ For example because of other changes to procedures or because the service has ended or changed significantly.

Actions with revised implementation dates

In 23 cases (17%) the action had not been implemented by the target date and 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 are unavoidable. Over the last year, in a number of cases, it has been accepted that resources have been directed to responding to Covid-19. 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.

Actions with revised implementation dates				
Priority of actions*	Customer & Corporate Services	Economy & Place	Children, Education & Communities	Health, Housing & Adult Social Care
1	0	0	0	0
2	8	0	3	1
3	4	0	7	0
Total	12	0	10	1

Priority 1 & 2 actions outstanding for more than 6 months

Priority 1 and Priority 2 actions that have been outstanding for more than 6 months after the original implementation date are listed in the table below. This includes 19 priority 2 actions – there are no outstanding priority 1 actions. Actions outstanding for more than six months will continue to be reported as part of updates on follow up work, until they have been addressed.

Audit	Priority	Original date	Revised date	Action	Update
Health and Safety 2017-18	2	31 March 2018	31 November 2021	<p>Health and Safety guidance in relation to public events was not available on the council website. Existing guidance on the council's website was to be reviewed and guidance on the application process developed.</p> <p>The new guidance will be published on the council's website and clearly signposted from the council's intranet and Make It York's website.</p> <p>Note that a further audit of arrangements for events safety is planned for the current year, and will follow up this issue in more detail, alongside a review of wider arrangements.</p>	<p>The service provided an update in April 2021:</p> <p>A new SAG officer is in post and is taking these actions forward. Website links between the council and Make it York will be in place by June 2021. In the last year work has concentrated on ensuring Covid risk assessments and management was in place for events.</p> <p>It is expected that new guidance for events will be given nationally as we come out of the pandemic; therefore, guidance will be reviewed and updated in line with that. A revised date of November 2021 has been agreed with the service for completing this action.</p>
Contributions to Care 2017-18 (Children's social care)	2	31 July 2019	31 August 2020	All children receiving continuing care funding will be reviewed to check whether formal agreements ('NHS Notification of Continuing Care details' forms) are in place. For any children where this form is not held, the CCG will be requested to provide a completed form.	Verbal confirmation has been received that this action has been completed. Internal audit will be requesting evidence or re-testing the original issue to confirm this before this action is formally marked as completed.
GDPR Readiness 2018-19	2	30 November 2019	Options paper to be presented to Digital Records Management	The information governance toolkit will be finalised and approved. Once approved, the toolkit will be publicised internally and published on the intranet, with targeted awareness and training sessions delivered.	Not fully completed due to resource pressures and contingency plans in Corporate Governance Team from the start of Covid19.

Audit	Priority	Original date	Revised date	Action	Update
			Board by end of June 2021. Subsequent dates dependent on decision. (no later than February 2022 – in line with Microsoft 365 implementation schedule)	The data protection policy statement will be made available on the council’s website.	A records management toolkit has been drafted and sent to the Digital Records Management Board for feedback and comment. A classification scheme for information and file/folder naming conventions is already agreed and will be rolled out as part of Microsoft 365 implementation. The above informs the wider information governance toolkit which is currently being drafted.
GDPR Readiness 2018-19	2	30 November 2019	30 June 2021	A programme of work will be developed, in conjunction with service areas and directorates, to identify gaps in the provision of privacy information for higher risk processing. Once all gaps have been identified, the Corporate Governance Team will provide support to service areas in developing and publishing appropriate privacy information so that individuals’ right to be informed is met.	Work has continued to write, publish and update privacy notices. Work underway includes: review of the information asset register to ensure all record of processing activities (ropa) requirements are covered; records management surveys and analysis; ongoing / increased provision of privacy notices (i.e. for the rights of individuals to be informed) on the council website. Current privacy notices are also reviewed where there are any proposed changes to what may be done with personal identifiable information. The original action is tied to the work above on the information asset register but there is a programme of work to continually monitor and

Audit	Priority	Original date	Revised date	Action	Update
					review privacy notices and therefore the responsible officer believes that this action is substantially complete. Internal audit will be re-testing to confirm whether the control weakness originally identified has now been addressed.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	Improvements and developments to the information asset register application already identified will be formally requested to be implemented by ICT and included in the ICT work programme. This will include enhanced reporting capabilities, the outputs from which will form part of the Data Protection Officer's regular information governance update to corporate management team.	Not fully completed due to resource pressures and contingency plans in Corporate Governance Team from the start of Covid19. Further development of the current information asset register is underway with ICT. Work is underway with the Business Intelligence team to improve reporting capabilities and standard reporting format to CMT and A&G. The new reporting "template" will be provided to A&G at the July 2021 meeting for their feedback on content, format and style prior to introduction of the new reports from September 2021.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	A programme of work will be developed, in conjunction with service areas and directorates, to identify gaps in information asset entries. Once all gaps have been identified, the Information Governance and Feedback Team will provide support to service areas in completing their	Not fully completed due to resource pressures and contingency plans in Corporate Governance Team from start of covid19. This is linked to the work and progress of the above action to develop and improve the information asset register and ability to obtain

Audit	Priority	Original date	Revised date	Action	Update
				information asset records and in ensuring that they are kept under regular review.	management information that identifies gaps and areas for improvement.
GDPR Readiness 2018-19	2	30 November 2019	30 June 2021	Legal Services will investigate the status of the high priority contracts and will put arrangements in place to ensure that the council is adequately protected from any failure of its contractors to comply with the requirements of the GDPR.	Contract clauses and schedules for data processing where needed, are in place. Responsible officer stated that action is substantially complete and this is now done routinely. Internal audit will be re-testing to confirm whether the control weakness originally identified has now been addressed.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	The Local Government cyber fundamentals eLearning solution will be rolled out to all staff as a mandatory training requirement.	The cyber security fundamentals e-learning is still be implemented. This was delayed by accessibility and technical issues but these have recently been resolved. There are a number of other e-learning modules available and these are mandatory modules for all staff. These include: data protection, information governance; information security. Also any users of NHS SystemOne e.g. public health, have access to and must regularly complete NHS information governance training.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	Arrangements will be put in place between the Workforce Development Unit and the Information Governance and Feedback Team to receive regular reports on	Due to Covid19 resource pressures and contingency plans regular reporting on completion of training was halted. Six monthly reports on

Audit	Priority	Original date	Revised date	Action	Update
				completion of mandatory data protection training. Data on training completion rates will form part of the DPO's (data protection officer) regular information governance update to GRAG, CMT and DMTs.	completion of mandatory data protection training will be reinstated and feedback provided to GRAG and DMT/CMT. This will be included in the review of information governance reporting content and format, which A&G will be consulted on in July 2021 and will be used for reporting from September 2021.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	Themes arising from reported and investigated personal data breaches will be reported to GRAG, CMT and DMTs and to Audit and Governance Committee as part of the DPO's regular information governance update.	This will be included in the review of information governance reporting content and format, which A&G will be consulted on in July 2021 and will be used for reporting from September 2021.
Schools - Budget Management 2018-19	2	31 December 2019	31 December 2021	<p>1. The Scheme for Financing schools requires schools to submit termly monitoring reports, unless directed to provide more frequent reports in support of a licensed deficit. The scheme will be updated to include a recommendation that schools also prepare monitoring reports more frequently for their governors to ensure effective management of financial resources. The revised scheme will be presented to Schools forum in July and subject to approval, published Summer 2019.</p> <p>2. To support schools in preparing reports more regularly the authority will introduce a model spreadsheet for use by schools.</p>	<p>The Scheme for financing schools is being updated. This has not been completed due to capacity within the team. However, this work will be prioritised and completed by December 2021.</p> <p>Verbal confirmation has been received that action 2 and 3 have been completed.</p> <p>Internal audit will be requesting evidence to confirm this before this action is formally marked as completed.</p>

Audit	Priority	Original date	Revised date	Action	Update
				<p>This will include a reconciliation to the start budget and actual transactions held on the FMS system. This will be introduced in May 2019</p> <p>3. To support Governors to discharge their responsibilities for effective financial management we will introduce and promote two new services:-</p> <p>a) A financial Health Check, to report back to Governors</p> <p>b) Finance Training for senior leadership - what to focus on and how to ensure the school has effective financial management. Development and consultation on what the services should cover will take place during Spring and Summer 2019. Due to the timing of the traded offer, this will be introduced in the offer launched in November 2019.</p>	
Schools - Budget Management 2018-19	2	31 December 2019	31 March 2020	<p>The submission deadline for the start budget is set by the Scheme for Financing Schools</p> <p>1. The submissions calendar will be shared with the Governance team to assist them to set Governors meetings which enable budgets to be submitted on time. It should be recognised that the reporting window is very tight after allowing for Easter holidays.</p> <p>2. Budget planning software will be introduced which supports scenario planning and holds a "working" budget.</p>	<p>Verbal confirmation has been received that these two actions have been completed.</p> <p>Internal audit will be requesting evidence to confirm this before this action is formally marked as completed.</p>

Audit	Priority	Original date	Revised date	Action	Update
				This will support schools to prepare budget options in advance of the busy March – May period	
Housing Fraud 2018-19	2	30 April 2020	31 July 2021	Data matching exercises are not being done with other records such as the electoral roll or benefits system. Staff in the Repairs Service also don't have access to a picture of the tenant on the SX3 rents system.	This is dependent on a new IT system being implemented; this has been delayed but is expected to be in place by the end of 2021. A revised date has been set to check on progress of the project earlier than that and for audit to provide advice and support to the project if required.
Housing Fraud 2018-19	2	30 April 2020	31 July 2021	<ol style="list-style-type: none"> 1. There have been some issues in the past with data sharing/ cross checking of systems within the council for data protection reasons. The Supported Housing Manager will ensure that this is revisited to ensure cross checking of housing systems against benefits and electoral rolls are maximised. 2. Photos of the system should also be available to repairs staff and the service will look into how this could be made possible as part of the new ICT system due for implementation in 2021 and whether there is a system that can be implemented sooner. 	This action is dependent on a new IT Housing system. Covid19 has resulted in a number of delays to IT projects. The new system is not expected to go live until early 2022 but a further follow up date has been set earlier to check on progress, expected timescales and ensure these actions will be addressed in the new system.
ICT Governance and Cyber Security 2018-19	2	31 August 2019	31 August 2020	GRAG Terms of Reference have been updated and will be ratified by 31 March 19. The Head of ICT attends GRAG as required. Corporate risk register updates are in hand and will be completed by 31	The actions regarding GRAG is complete. Verbal confirmation has been received that risk register actions have been completed. Evidence has been requested to confirm this before this

Audit	Priority	Original date	Revised date	Action	Update
				Mar 19 and then on an ongoing basis. ICT risk registers are updated as appropriate.	action is formally marked as completed.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	The Chair of Governors will ensure that the minutes are an accurate and comprehensive record of the discussions of the budget. The advised format for reports to Governors will be used from the staffing and finance meeting held 14/11/19. The Head teacher and SBM have calendared in a monthly meeting to evidence scrutiny of the monitoring reports.	An update has been received from the school business manager and new headteacher confirming that the actions have been completed. As this was a limited assurance audit the issues will be re-tested. We are in the process of arranging a date with the school for a follow up audit.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	Due to capacity issues there had been a delay in completing this work which has now corrected.	As noted above – a follow up review is being arranged.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	We will request at the next meeting with CYC and secondary schools (16/10/19) that the timeline for these charges is changed so that we can move them to a week after the end of term rather than a month (which is the timeframe currently applied). The receipt of invoiced charges and internal charges are now double-checked against the bank statement and Powersolve statement, and outstanding charges chased immediately. Action will be taken in accordance with the debt management policy (see point 1.1).	As noted above – a follow up review is being arranged.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	We will request additional access to the Orovia system for the School Business Manager and further training so that	As noted above – a follow up review is being arranged.

Audit	Priority	Original date	Revised date	Action	Update
				salaries can be checked and monitored through this system. We are still using the historic system for salary checking.	

APPENDIX E: INTERNAL AUDIT - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- the requirement for all audit staff to complete annual declarations of interest
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- attendance on relevant courses and access to e-learning material
- the maintenance of training records and training evaluation procedures
- membership of professional networks
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing and other associated work documented using the company's automated working paper system (Sword Audit Manager)
- file review by senior auditors and audit managers and sign-off at each stage of the audit process
- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets monitored and reported to each client on a regular basis
- regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit work are subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board⁴ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey 2021

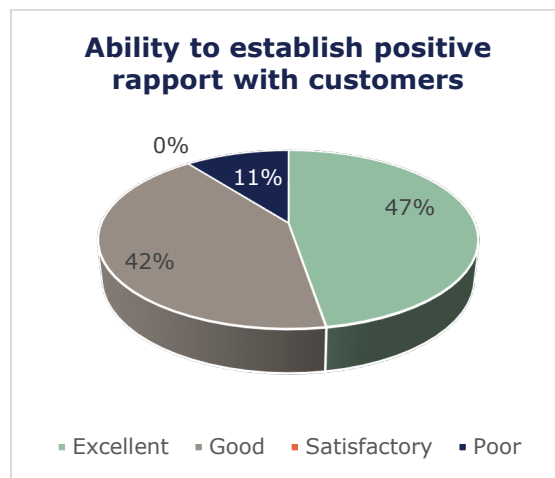
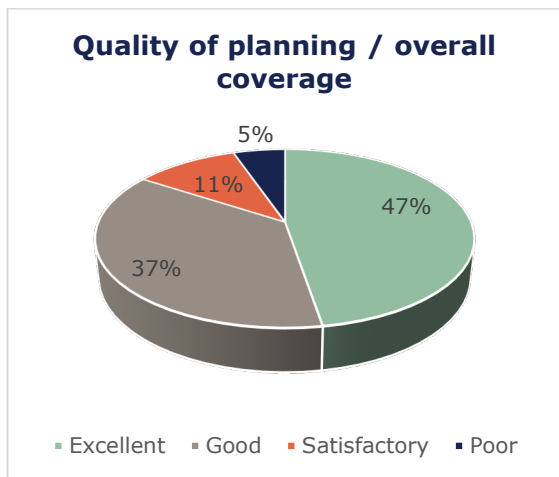
In March 2021 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 165 surveys (2020 – 136) were issued to senior managers in client organisations. A total of 19 responses were received representing a response rate of 12% (2020 – 11%). The surveys were sent using Survey Monkey and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

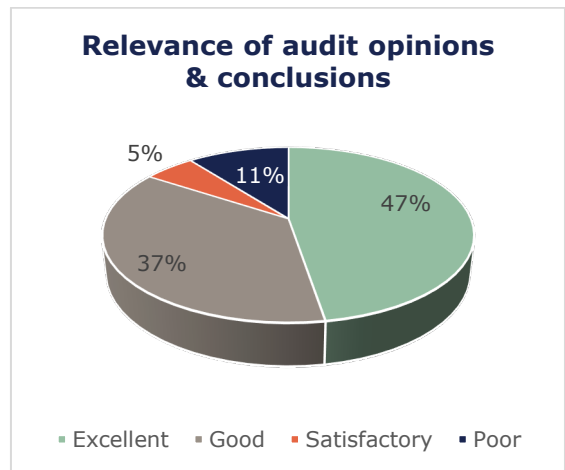
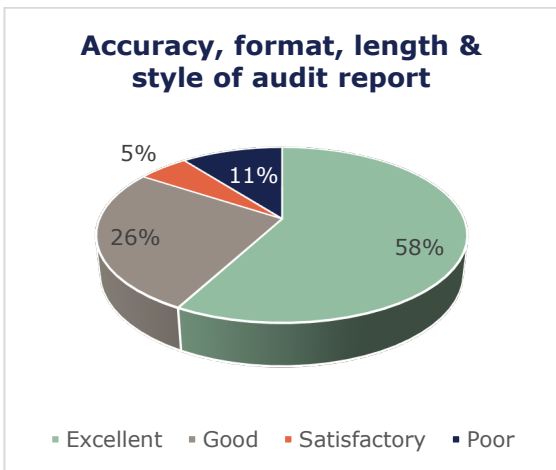
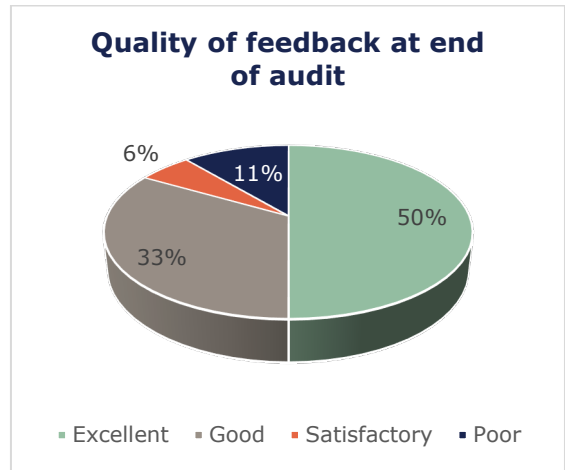
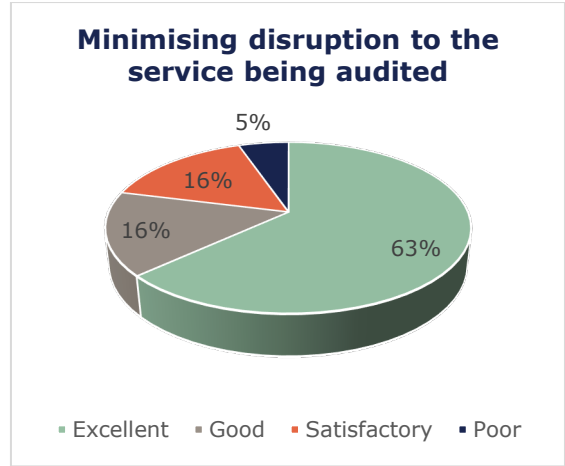
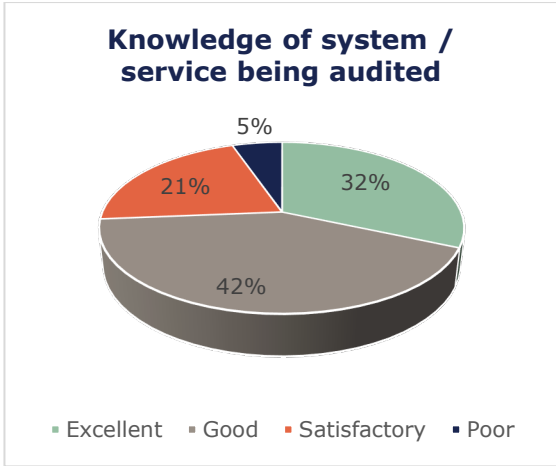
- Excellent (1)
- Good (2)

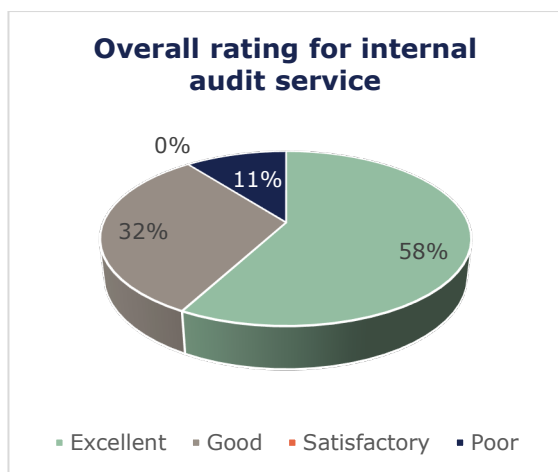
⁴ As defined by the relevant audit charter.

- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 5%).







The overall ratings in 2021 were:

	2021		2020	
Excellent	11	58%	3	20%
Good	6	32%	11	73%
Satisfactory	0	0%	0	0%
Poor	2	11%	1	7%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist 2021

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. A comprehensive update of the checklist was undertaken in 2020, following revisions by CIPFA.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action.

The following areas of non-compliance remain largely unchanged from last year.

Conformance with standard	Current position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the

Conformance with standard	Current position
was accepted?	Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the respective priorities of audit work?	<p>Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).</p> <p>Work is currently ongoing to introduce flexible audit planning arrangements. As part of this exercise, we will be seeking to assign priorities to audit activities on an ongoing basis during the course of the relevant reporting period. Once complete, the new arrangements will remove this area of non-compliance.</p>
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was last undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the south west of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee on 06/02/2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁵ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. An action plan was developed to address these areas. These actions have all been completed, other than one area (shown below) which remains in progress.

Recommendation	Current Position
<p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (Attribute Standard 2050).</p>	<p>This work is in progress. Work has been undertaken over the last two years to identify other sources of assurance for each client. This exercise is ongoing, and more detailed actions have been incorporated into a longer term development strategy for Veritau internal audit services (see below).</p>

In 2020/21, the Quality Assurance group reviewed internal processes for the follow up of actions agreed during internal audit assignments. It found that follow up work is generally being undertaken routinely, and in line with

⁵ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

expected procedures. In the majority of cases, actions raised in our reports are completed by the client and these actions address the issues originally raised.

Findings from follow up work are recorded on the Veritau internal audit management system. In most cases, sufficient evidence is held on the system to show that actions have been completed. However there are some cases where responses received from clients do not fully demonstrate that those actions have addressed the original findings. We also found that some improvements are needed to documenting and updating of information on the system. In particular, records were not always up to date, with some actions which had passed the agreed deadline remaining outstanding. This is partly due to the impact of Covid 19 – with a number of clients requesting an easing of follow up work during the pandemic. In 2021 we will review all outstanding actions, to bring details up to date. We will also be providing further training to the audit teams on documenting evidence to support the findings from follow up work.

In the last year, we have also recognised the need for a more fundamental review of internal audit practices within Veritau. While current arrangements meet the standards, the pace of change in local government and the wider public sector mean that we need to update aspects of the service to ensure it stays up to date and continues to deliver good value. We have therefore developed a three year strategy to help us improve the service. The strategy sets out the actions we will be taking within Veritau to modernise our practices, from April 2021. The five key areas we are focussing on are:

- increasing engagement across all clients
- further development of strategic planning frameworks
- redesign and modernisation of audit processes (for example flexible work planning and reducing the time to deliver findings)
- increasing investment in high value data analytics work
- introducing better measures of outcomes from audit work, to enable us to direct resources to areas of most value to our clients

6.0 Overall Conformance with PSIAS ***(Opinion of the Head of Internal Audit)***

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

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COUNTER FRAUD ANNUAL REPORT 2020/21

Date: 16 June 2021

ANNEX 2



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Jonathan Dodsworth
Assistant Director - Corporate Fraud



Max Thomas
Head of Internal Audit

Circulation list: Members of the Audit and Governance Committee



BACKGROUND

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau delivers a corporate fraud service to the council which aims to prevent, detect and deter fraud and related criminality. We use qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud found. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 This purpose of this report is to provide assurance to the Audit & Governance committee that the council has effective counter fraud arrangements in place and to summarise counter fraud activity in 2020/21. The report also updates the committee on whistleblowing reports and outcomes.



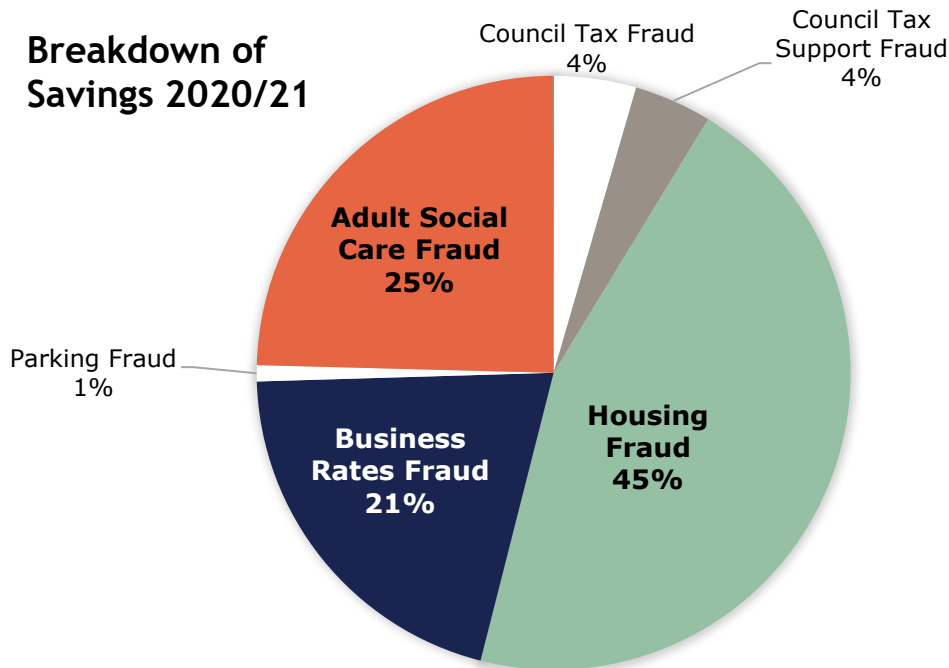
KEY PERFORMANCE FIGURES

- 4 The counter fraud team helped the council make £350k of counter fraud savings in 2020/21, against an annual target of £200k. This represents an increase of £100k from the previous financial year and the highest level of savings achieved in the past five years.
- 5 The team supported council colleagues by reviewing over 2,000 applications for Covid-19 related business grants in pre and post payment checking exercises throughout the course of the year. In addition to the savings detailed above over £170k of payments relating to business grants were either stopped or recovered.
- 6 The team received over 335 referrals of suspected cases of fraud in the course of the financial year including reports from the public, council staff, external agencies, and issues identified through proactive exercises. Over 190 investigations were completed in 2020/21 with successful outcomes¹ achieved in 46% of cases.
- 7 Two people were successfully prosecuted, two council properties were recovered, two fraudulent right to buy applications were stopped, warnings were issued to 35 people, two false applications for housing were blocked, one person received a formal caution, and five false applications for school placement were blocked.
- 8 A detailed summary of performance can be found in appendix A, below.

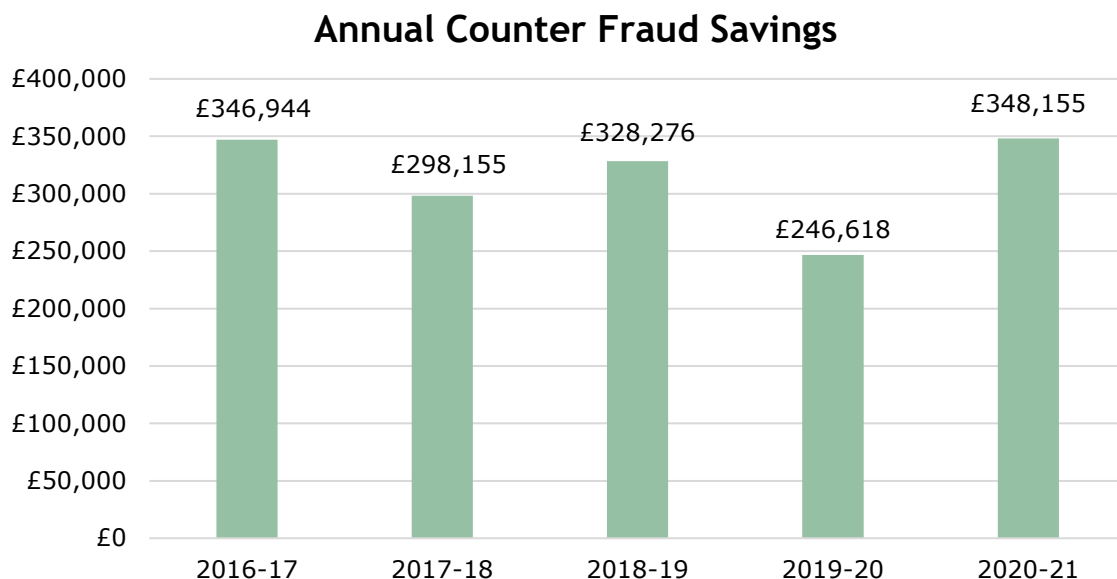
¹ Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, or management action taken.

ANALYSIS OF RESULTS

- 9 The counter fraud team has an annual target of £200k to achieve in savings. These comprise repayment of debt arising from investigative work, a maximum of one year future savings if an investigation has stopped an ongoing fraud that would otherwise have continued, and the prevention of any one off payments that would have been made without the intervention of the team, e.g. a right to buy discount. The chart below shows the areas where savings were achieved in 2020/21.



- 10 Over the past 5 years Veritau has helped the council make over £1.5 million in counter fraud savings, averaging £314k per financial year.





COVID-19

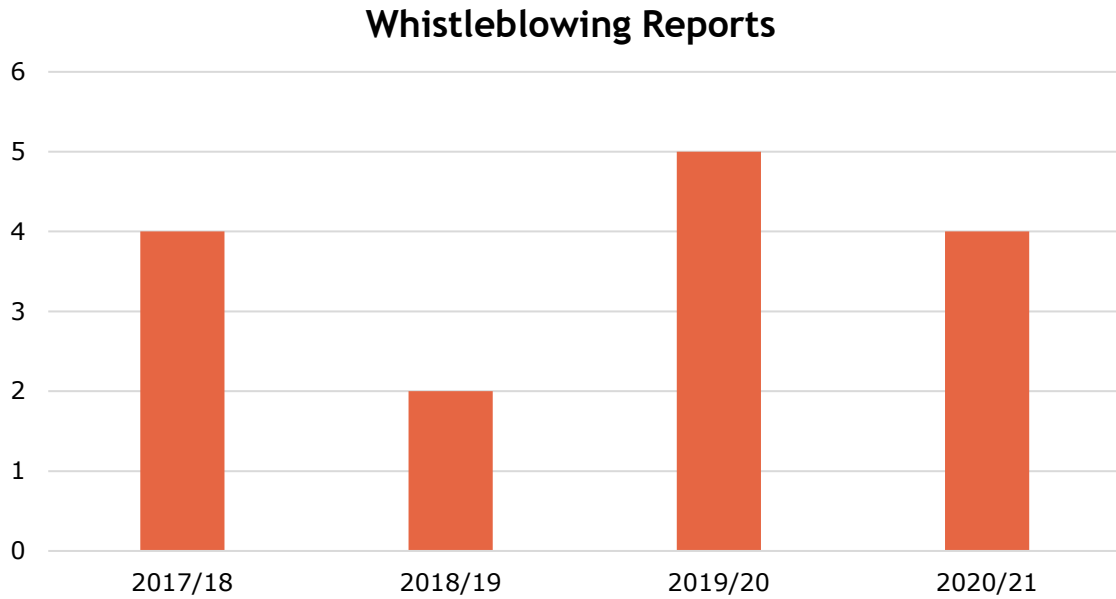
- 11 The council has played a key role in distributing government grants to local businesses in 2020/21. In total the council distributed over £100 million in grants over the course of the year. This was a difficult task, with pressure to distribute grants quickly to provide essential support whilst keeping the risk of fraud to an acceptable level. The grant schemes have been targeted by criminals operating locally, nationally, and internationally. However, checking arrangements in place within the council, supported by the work of the counter fraud team, has helped to keep numbers of fraudulent payments to a minimum.
- 12 Veritau supported the council by undertaking around 1850 pre-payment checks on applications during the first lockdown period in 2020. A further 180 checks were made in 2021 as part of a government mandated post-event assurance exercise.
- 13 Potentially fraudulent claims for Covid-19 related grants were investigated by the counter fraud team. Thirty investigations were completed in 2020/21 which resulted in £173k of payments either being blocked or recovered. A number of investigations are still ongoing.
- 14 A data matching exercise designed to ensure that payments made through the council's Microbusiness Grant Fund was also conducted by the team. This exercise helped prevent £21k of incorrect payments being made.
- 15 Throughout the year the counter fraud team supported the council by facilitating access to national data matching resources. These checks were made to help ensure that payments were made to bank accounts matching the businesses applying for support. They also helped to ensure that the businesses applying for grants were eligible under the rules of the government schemes.
- 16 The counter fraud team has shared and received information relating to national scams by organised criminal gangs with government departments, national bodies, and regional partners.



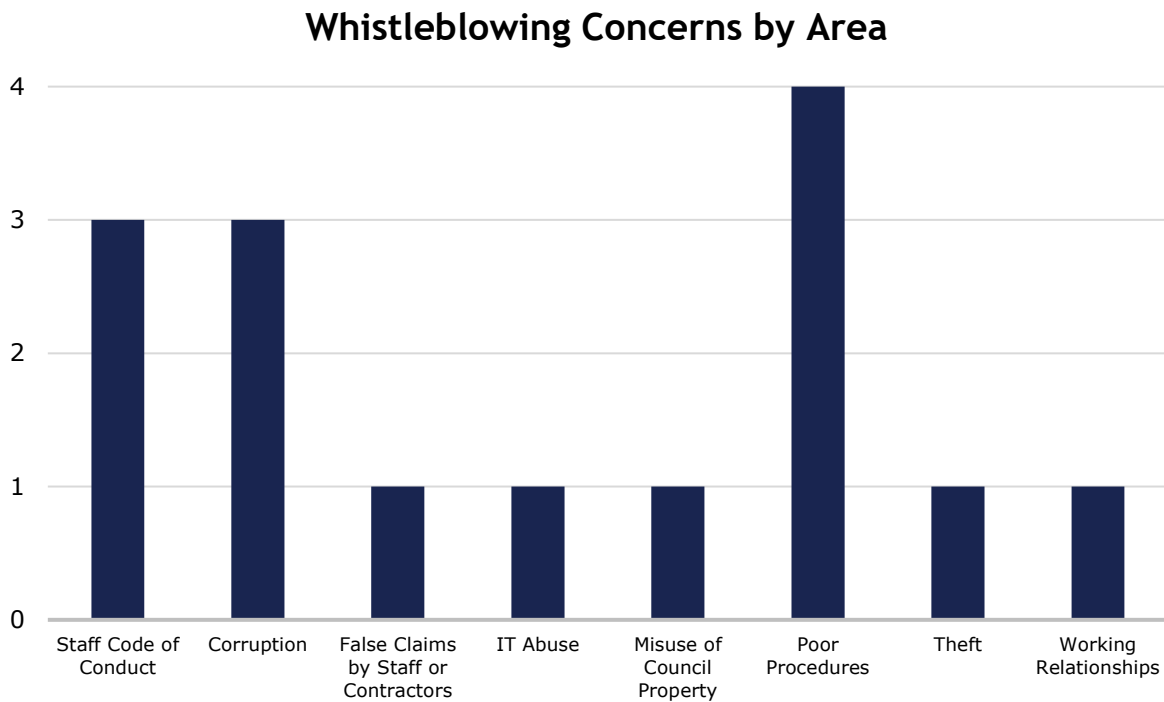
WHISTLEBLOWING

- 17 Veritau supports the council's whistleblowing processes and has had overall responsibility for the policy since 2018. A new whistleblowing policy was adopted in 2020, following consultation with the Audit and Governance Committee and other key stakeholders.
- 18 An e-learning package on whistleblowing was developed and made available to council staff in November 2020. Over 125 council managers have completed the training to date. Further publicity of the policy and the e-learning package is planned for 2021/22.

19 The figure below shows the number of whistleblowing reports recorded over the past four financial years – 15 in total.



20 The following figure details the categories of whistleblowing reports received over the same period.



- 21 Four whistleblowing reports were received in 2020/21. These related to false claims by a contractor, poor procedures within a council department, code of conduct issues by a member of staff, and misuse of council property by council employees.
- 22 Two of the whistleblowing reports were reviewed by council officers. The report relating to poor procedures resulted in improvements within the department. The report relating to false claims by a contractor was found to not be valid.
- 23 The code of conduct issue and misuse of council property are being investigated by Veritau and those investigations are ongoing.

COUNTER FRAUD MANAGEMENT

- 24 Veritau undertakes a range of non-investigative activity to support the development of counter fraud work at the council. In 2020/21 a new counter fraud strategy for the council was produced and the counter fraud policy was updated.
- 25 Raising awareness of fraud is an important function of the counter fraud team, amongst council staff and the public. Training sessions were delivered throughout the year to council departments by the counter fraud team. This year awareness sessions have been delivered via video conferencing instead of in person. A specific cybercrime awareness month was organised and publicised to all staff in October, and content was also published and circulated to staff for International Fraud Awareness Week in November.
- 26 This year's council tax billing included a leaflet advising the public on how to report fraud if they have concerns. Any prosecution action taken by the council is publicised in order to provide a deterrent to people contemplating similar offences. Two people were prosecuted for abuse of disabled blue badges in 2020/21 and both were publicised in local media outlets.
- 27 Veritau contributes to national counter fraud publications. Data was provided to the annual CIPFA counter fraud tracker which documents fraud against local authorities. In addition, Veritau contributed to and supported development of the national counter fraud strategy for local authorities, Fighting Fraud and Corruption Locally, which was released in April 2020.
- 28 The counter fraud team ensures that the council meets its legal obligations surrounding counter fraud work. It manages work connected to the National Fraud Initiative, an exercise run by the Cabinet Office, in which council participation is mandatory. It also provides annual transparency data for publication by the council.
- 29 The work of the counter fraud team was recognised in November when it was nominated as a finalist for outstanding team in the Tackling Economic Crime Awards.

APPENDIX A: COUNTER FRAUD ACTIVITY 2020/21

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2020/21.

	2020/21 (Actual: Full Yr)	2020/21 (Target: Full Yr)	2019/20 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£348,155	£200,000	£246,618
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	46%	30%	63%
Amount of savings from the prevention of Covid-19 grant fraud	£173,000	n/a	n/a

Caseload figures for the period are:

	2020/21 (Full Year)	2019/20 (Full Year)
Referrals received	335	384
Number of cases under investigation	103	97
Number of investigations completed	191	172

Summary of counter fraud activity

Activity	Work completed or in progress
Data matching	<p>The 2020/21 National Fraud Initiative (NFI) commenced in 2020. Data was gathered from a range of council areas, formatted, and securely sent to the Cabinet Office for data matching. Resulting matches have been released periodically from February 2021 onwards. Over 7,000 matches have been released to date.</p> <p>In addition to traditional areas, the NFI has included data matching of Covid-19 grant data. This has enabled checks to be undertaken that were unavailable to local authorities previously, e.g. cross boundary data matching. Thirty-eight matches have been released.</p> <p>An in-house data matching exercise looking at the council's Microbusiness Grant Scheme identified a number of incorrect applications which resulted in £21k of savings for the council.</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 completed in 2020/21 includes the following:</p> <ul style="list-style-type: none"> • Covid-19 related fraud – The team completed 30 investigations into Covid-19 related grant fraud in the last financial year. Six warnings were issued, six applications were blocked, and five investigations led to savings and/or loss being identified. In total, £173k of payments were either blocked or recovered as a result of investigative work • Social Care fraud – The counter fraud team completed 18 investigations in this area in 2020/21. One person received a formal warning about their conduct. Invoices were raised in a further five cases and fraud was prevented in two cases. Savings of £84k were made during the financial year, predominantly through repayment of debt owed to the council following successful investigations. • Council Tax and Business Rates fraud – In 2020/21 the team completed 25 investigations into these two areas and made £86k in savings for the council. Seven warnings were issued to businesses and members of the public.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Housing fraud – In the last financial year, working in conjunction with housing officers, the team recovered two council properties, prevented two fraudulent right to buy applications, blocked two false applications for housing, and issued two warnings. The two blocked right to buy applications saved the council £155k in discounts that would be applied to the purchase of properties under the scheme. • Internal fraud - One internal fraud investigation was completed in 2020/21. No fraud or wrongdoing was found. • External or third party fraud – The team completed six investigations in this area in the last financial year. Three of the investigations led to fraud being identified and in one case blocked. • Parking fraud – The counter fraud team works closely with parking services to address misuse of disabled blue badges and other parking permits within the city. Approximately 70% of investigations completed last year resulted in a successful outcome. Two people were successfully prosecuted for misusing disabled blue badges. In both cases the circumstances were considered serious enough to warrant such action. A further seventeen people were either cautioned or received a written warning. • Council Tax Support fraud – The team completed 31 investigations in this area which led to five warnings being issued. A loss to the council was identified in a further three cases, and fraud was prevented due to one investigation. This area produced £14.5k in savings for the council in 2020/21. • Education verification – The counter fraud team works with the schools team to investigate and deter false applications for school places. Eleven applications for school places were verified in 2020/21. Five false applications were subsequently blocked. • York Financial Assistance Scheme fraud – The counter fraud team completed two investigations in this area in the last financial year, but no fraud was found.
Fraud Management	<p>In 2020/21 a range of activity was undertaken to support the council’s counter fraud framework.</p> <ul style="list-style-type: none"> • The counter fraud team regularly alerts council departments to emerging local and national fraud threats.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • In May 2020, the council’s counter fraud transparency data was updated to include data on counter fraud performance in 2019/20, meeting the council’s obligation under the Local Government Transparency Code 2015. • In April / May 2020, the counter fraud team assisted the council by undertaking pre-payment checks on large numbers of applications for Covid-19 business grants to prevent fraud and error. • The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in September 2020. The information contributed to CIPFA’s annual report detailing the extent of fraud against local authorities. • In October 2020, the counter fraud team ran a cybercrime awareness month, delivering cybercrime awareness information to council employees through a number of bulletins provided over the course of the month. • The Veritau counter fraud team was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards in October 2020. • In November 2020, the counter fraud team raised awareness of fraud internally and amongst the general public as part of International Fraud Awareness Week. • A whistleblowing e-learning package was launched in November 2020 as part of a campaign to raise awareness of the new whistleblowing policy. • In March 2020, a leaflet was included in annual council tax billing making the public aware of how to report concerns of fraud to the council. • Throughout the Covid-19 pandemic, the counter fraud team has provided support to the council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.

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Contract Management - Make it York
City of York Council
Internal Audit Report 2020/21

Business Unit: Customer and Communities Directorate and Place Directorate
Responsible Officer: Director of Customer and Communities and Corporate Director of Place
Service Manager: Assistant Director Customer and Communities
Date Issued: 8 April 2021
Status: Final
Reference: 19080/036

	P1	P2	P3
Actions	0	4	0
Overall Audit Opinion	Limited Assurance		



Summary and Overall Conclusions

Introduction

There are a number of Council Services that are delivered via third parties under different contractual arrangements. These include arrangements with Make It York for the provision of Marketing, Tourism and Business Information Services.

Make It York is a shareholder Ltd company owned wholly by CYC. The 3 year contract with the Council commenced in April 2015 and was subsequently extended for a further 3 years. The contract cost was set at £798K per year for the provision of services with an income stream to the Council of 474K per annum, plus a dividend of at least £25K per annum. Net funding of the contract is currently in the region of £290K.

Objectives and Scope of the Audit

The purpose of this audit is to provide assurance to management that procedures and controls within the system will ensure that:

- the contract agreement includes appropriate performance measures and controls to ensure effective information flow ;
- performance measures are correctly applied in monitoring service delivery;
- there is effective financial monitoring of the contract;
- contract activity remains compliant with current council policy and plans over the life of the contract;
- support has been given during Covid-19 that is compliant with the contract, and government guidance.

Key Findings

The contract documents include performance measures which are measurable and are currently being reviewed in line with the contract specification. Service user feedback has not however been included as a performance measure in the service level agreement (SLA) despite the requirement to collect relevant user feedback data being included in the specification. It is recommended that this is addressed. Quality standards are included in the contract and a process for taking action if performance targets are not met is clearly stated.

To ensure effective information flow, the responsibilities of MIY in relation to regular formal communication and the provision of reports is clearly set out. It was noted however, that there are no escalation procedures or penalties specified in the contract, eg for failing to meet reporting requirements.

The contract requires regular performance review meetings where performance reports from MIY will be considered and any action required to mitigate underperformance addressed. To inform these meetings quarterly performance narrative reports, reporting on the outcomes and targets specified in the SLA, are required to be produced by MIY. These reports have not been produced since September 2018. Client/contractor meetings are therefore not fully informed on performance and assurance cannot be given that poor performance is identified and appropriate action taken.

Other key reports which have not been produced consistently are the monthly Key Account Management (KAM) reports during the period October 2018 to December 2019. Reporting issues have been discussed during the client/contractor meetings but all actions agreed by MIY (in particular in relation to producing performance narrative reports) have not yet been taken.

Good controls are in place for financial monitoring of the contract. All payments from the council to MIY have been made promptly to date and charges have been raised for contract income due, property rents, service charges and other contract costs. However, no contract income has been received from MIY since quarter three of the 2019/20 financial year, and property rents, service charges and other contract costs have not been paid for during the financial year 2020/21. The level of debt (at end of December 2020) was in the region of £663k. As MIY are a council-owned company the contract manager, and other relevant officers, receive monthly financial information from MIY. The council has been closely monitoring the current financial position of MIY, which has been significantly affected by the coronavirus pandemic, during which the income streams have been severely reduced.

To ensure activity remains compliant with council policy throughout the life of the contract a process for agreement of an MIY annual business plan and an associated refreshed SLA is in place. However, this process was not completed for 2019/20, due to a change in MIY's Managing Director, with no annual business plan and revised SLA being approved. The process for 2020/21 was being followed but, with the arrival of the coronavirus pandemic, this was taken off the forward plan. Without a revised SLA, and revisions to monitoring outcomes, effective monitoring of performance cannot take place.

Support given to MIY during the pandemic has been compliant with the government's procurement policy note 02/20 on supplier relief and the officer decision taken on 24 March 2020 to provide financial relief to suppliers. Revised working arrangements were notified to portfolio holders in April 2020 and amendments to the SLA agreed by the Executive Member for Economy and Strategy (22 September 2020). The financial position of MIY throughout the pandemic has been monitored and challenged by the council. A request for a council support package for recovery has been submitted by MIY and was agreed by the council's Executive committee on 16 December 2020.

Overall Conclusions

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.

1 Contract reporting requirements and escalation procedures

Issue/Control Weakness

Reporting requirements to the council have not been fully met. There is no penalty or clear method of addressing failure to meet reporting requirements in the contract documents.

Risk

The council is unable to evidence delivery of a high quality service which achieves the agreed outcomes.

Findings

The reporting and communication requirements for the contract are specified in Schedule 4 of the contract documents. They require the following reports to be produced:

- Quarterly Narrative Performance Reports
- Quarterly Key Account Management Reports
- An Annual Performance Report for publication
- Twice yearly Reports to Shareholder Committee (to report progress and achievement of outcomes and approval of the following year’s business plan)
- Reports to Scrutiny Committee in response to relevant reviews

Quarterly narrative reports have not been produced since September 2018 and the annual report for 2019/20 has also not been produced... No Key Account Management reports were produced for the period October 2018 to December 2019. The lack of reporting has been discussed during the client/contractor meetings but none of the actions agreed by MIY (in particular to produce performance narrative reports) had been completed at the time of the audit.

There is a process for addressing failure to deliver and perform services in accordance with the specification and to charge reasonable costs of required action by the council in the case of a breach of contract. However, there is no clear process in place for escalation of issues such as failure to meet reporting requirements and there is no facility to apply penalties under the contract. The failure of MIY to comply with all reporting arrangements continues to be an issue.

Agreed Action 1.1

A new contract will be drawn up to be entered into with MIY by 30 September, 2021. This contract will include a process for escalation of issues including failure to meet reporting requirements with appropriate commensurate penalties.

Priority	2
Responsible Officer	Assistant Director Customer and Communities
Timescale	30 September 2021

2 SLA and performance measures

Issue/Control Weakness

Current SLA performance monitoring measures do not include user feedback which is a service specific requirement.

Risk

The council will be unable to evidence delivery of a high quality service which is valued by users.

Findings

The Service Level Agreement, schedule 1 part 3 (Outcomes and Service Levels), does not include service user feedback as a performance measure. This is despite the requirement to "collect relevant data including user feedback to evidence performance against objectives" being included in Schedule 1 part 2 (Service Specific Requirements). It is important that measures are in place that can demonstrate that services provided directly by MIY eg to support business, tourism and events are valued and are of a high standard.

Agreed Action 2.1

The requirement for MIY to put in place measures to gather user feedback will be included in the new Service Level Agreement which will form part of the new contract. MIY will then be required to write this into their new business plan and report on it annually.

Priority

2

Responsible Officer

Assistant Director
Customer and
Communities

Timescale

30 September 2021

3 Performance monitoring

Issue/Control Weakness

Performance monitoring reports have not been produced by MIY and effective performance monitoring has not been in operation.

Risk

Poor performance is not identified and addressed

Findings

Performance monitoring discussions at monthly client/contract meetings and at the annual review meeting were to be informed by the quarterly narrative performance reports and annual review report produced by MIY, reporting on the outcomes and services levels set out in the Service Level Agreement (SLA).

The last narrative report produced by MIY covered the period July to September 2018. This report did not include all of the performance measures specified in the SLA.

The last annual report produced covered 2018/19 and provided an overview of achievement during the year but it was not linked to the SLA through any performance measures. There has therefore been no specific measure of performance throughout the current contract. The lack of performance data against agreed measures may result in a failure to identify poor performance and to introduce the appropriate mitigation strategies.

The reasons for this lack of performance reporting are not clear and minutes have not been taken at client/contractor meetings. Any issues with the target outcomes and measures included in the SLA should be discussed and addressed so that effective performance monitoring can be introduced.

Agreed Action 3.1

The return to quarterly performance reporting will be enforced through the client management meetings. Arrangements will be put in place, through the new contract, to provide for the quarterly report to be signed off by the MIY board so that any failure to provide the report would immediately be apparent to the board. A feedback loop will be put in place whereby the council gives feedback on the report to the board.

Priority	2
Responsible Officer	Assistant Director Customer and Communities
Timescale	30 June 2021

4 Alignment with Council strategy

Issue/Control Weakness

A revised business plan and refreshed SLA were not agreed for 2019/20, The process was disrupted for 2020/21 by the coronavirus pandemic.

Risk

The contractor may not meet council objectives and requirements.

Findings

A process is specified in the contract documents for setting and agreeing an annual business plan to align with council objectives and priorities and for refreshing the SLA in line with this business plan. However, the current contract has been in place since April 2018 and a revised business plan and refreshed SLA has not been agreed throughout the contract period.

The business plan was not revised for 2019/20 due to a change in MIY's Managing Director (although assurance was given that priorities did not change significantly during this period).

Without an agreed annual business plan and a refreshed SLA covering the operations of contractor for the coming year, assurance cannot be given that activities of the contractor are in alignment with council strategy and effective monitoring of performance cannot take place.

It is acknowledged that the process for 2020/21 was being followed but with the start of the pandemic this was taken off the forward plan. An emergency plan, directed by council priorities, was agreed by the Executive Member for Economy and Strategy for 2020/21. Timescales for tasks were set where appropriate and progress regularly monitored and updated through close liaison with MIY. MIY and the council will need to work together to ensure an agreed business plan is in place for 2021/22.

Agreed Action 4.1

A new SLA will be taken to the Council's Executive for approval on 20 May 2021.

Priority

2

Responsible Officer

Assistant Director
Customer and
Communities

Timescale

20 May 2021

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 4 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

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Audit & Governance Committee – draft work plan

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

Theme	Item	Lead officers	Scope
16th June 2021			
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
Finance	Treasury Management Outturn Report	<u>CYC</u> Emma Audrain/ Debbie Mitchell	To provide Members with an update on the Treasury Management Outturn position for 2020/21.
Risk	Key Corporate Risks Monitor 1	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including: KCR 8 – Local Plan
External Audit	Mazars Audit Progress Report (if required)	<u>Mazars</u> Mark Kirkham	Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
External Audit	Mazars Audit Strategy Memorandum	<u>Mazars</u> Mark Kirkham	
Internal Audit	Annual Report of the Head of Internal Audit	<u>Veritau</u> Max Thomas/ Richard Smith	This report will summarise the outcome of audit and counter fraud work undertaken in 2020/21 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
28th July 2021			
External Audit	Mazars Audit Completion Report	<u>Mazars</u> Mark Kirkham	Report from the Councils external auditors setting out the findings of the 2020/21 Audit.
Finance	Draft Statement of Accounts incl. Annual Governance Statement	<u>CYC</u> Emma Audrain/ Debbie Mitchell	To present the draft Statement of Accounts to the Committee prior to the 2020/21 Audit including the Annual Governance Statement
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Corporate Governance Report	<u>CYC</u>	To provide Members with an update on current

		Lorraine Lunt	information governance issues.
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
8th Sept 2021			
External Audit	Mazars Annual Audit Letter	<u>Mazars</u> Mark Kirkham	Report from the Councils external auditors setting out the findings of the 2020/21 Audit.
Risk	Key Corporate Risks monitor 2	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including: KCR 12
Internal Audit	Internal Audit & Fraud Plan & Progress report	<u>Veritau</u> Max Thomas/ Richard Smith	An update on progress made in delivering the internal audit work plan for 2020/21 and on current counter fraud activity. Including reporting on progress made by council departments in implementing actions agreed as part of internal audit work
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Corporate Governance Report	<u>CYC</u> Lorraine Lunt	To provide Members with an update on current information governance issues.
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
Finance	Final Statement of Accounts	<u>CYC</u> Emma Audrain/ Debbie Mitchell	To present the final audited Statement of Accounts following the 2020/21 Audit.
Other	MIY Contract Management	<u>CYC</u> Charlie Croft	
20th Oct 2021			
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
16th Nov 2021			
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
1st Dec 2021			
Risk	Key Corporate Risks monitor 3	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including: KCR 13
External Audit	Mazars Audit Progress (if required)	<u>Mazars</u> Mark Kirkham	Update report from external auditors detailing progress in delivering their responsibilities as the Council's

			external auditors
Finance	Treasury Management Mid-year review 20/21 and review of prudential indicators	<u>CYC</u> Debbie Mitchell	To provide an update on treasury management activity for the first six months of 2020/21
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Corporate Governance Report	<u>CYC</u> Lorraine Lunt	To provide Members with an update on current information governance issues.
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
Internal Audit	Internal Audit & Fraud Plan & Progress report	<u>Veritau</u> Max Thomas/ Richard Smith	An update on progress made in delivering the internal audit work plan for 2020/21 and on current counter fraud activity. Including reporting on progress made by council departments in implementing actions agreed as part of internal audit work
2nd Feb 2022			
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
9th March 2022			
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
6th April 2022			
Risk	Key Corporate Risks monitor 4	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs)
External Audit	Mazars Audit Progress (if required)	<u>Mazars</u> Mark Kirkham	Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Governance	Progress against the Action Plan	<u>CYC</u> Janie Berry	
<i>TBC</i>			
Governance	Review of the Constitution	<u>CYC</u> Janie Berry	

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