

Notice of a public meeting of

Audit and Governance Committee

To:	Councillors J Burton (Vice-Chair), Hollyer (Chair), Fisher, Mason, Melly, Rose and Whitcroft Mr Binney (Independent Member) Mr Leigh (Independent Member)
Date:	Wednesday, 22 May 2024
Time:	5.30 pm
Venue:	West Offices - Station Rise, York YO1 6GA

AGENDA

1. **Declarations of Interest** (Pages 1 - 2)

At this point in the meeting, Members and co-opted members are asked to declare any disclosable pecuniary interest, or other registerable interest, they might have in respect of business on this agenda, if they have not already done so in advance on the Register of Interests. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

[Please see attached sheet for further guidance for Members].

2. **Minutes & Action Log** (Pages 3 - 24)

To approve and sign the minutes of the meetings held on 28 February 2024 and 20 March 2024.

3. Public Participation

At this point in the meeting members of the public who have registered 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 our registration deadlines are set as 2 working days before the meeting, in order to facilitate the management of public participation at our meetings. The deadline for registering at this meeting is 5:00pm on Monday, 20 May 2024.

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 this agenda.

Webcasting of Public Meetings

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

During coronavirus, we made some changes to how we ran council meetings, including facilitating remote participation by public speakers. See our updates (www.york.gov.uk/COVIDDemocracy) for more information on meetings and decisions.

4. Corporate Governance Performance Report (Pages 25 - 48)

This report provides Members with updates in respect of:

- Corporate Governance performance report
- Information Commissioners Office cases
- Ombudsmen cases
- Potential new and emerging data protection and digital information legislation

5. Counter Fraud Framework Report (Pages 49 - 76)

This report presents the outcomes of the annual review of the council's counter fraud framework. It also includes a brief summary of national and local trends in counter fraud.

6. Internal Audit and Counter Fraud Work Programmes 2024/25 (Pages 77 - 96)

This report seeks the committee's approval for the indicative programme of internal audit work to be undertaken in 2024/25. It also includes the proposed programme of counter fraud work, which is provided for the committee's information.

7. Auditor's Annual Report 2021/22 and 2022/23 (Pages 97 - 140)

The Auditor's Annual Report (AAR) summarises the work Mazars have undertaken as the auditor for City of York Council for the years ending 31 March 2022 and 2023.

8. Audit and Governance Work Plan 2024/25 (Pages 141 - 144)

To consider the committee's work plan.

9. Urgent Business

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

Democracy Officer:

Name: Louise Cook

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Email: louise.cook@york.gov.uk

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.

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Declarations of Interest – guidance for Members

- (1) Members must consider their interests, and act according to the following:

Type of Interest	You must
Disclosable Pecuniary Interests	Disclose the interest, not participate in the discussion or vote, and leave the meeting <u>unless</u> you have a dispensation.
Other Registrable Interests (Directly Related) OR Non-Registrable Interests (Directly Related)	Disclose the interest; speak on the item <u>only if</u> the public are also allowed to speak, but otherwise not participate in the discussion or vote, and leave the meeting <u>unless</u> you have a dispensation.
Other Registrable Interests (Affects) OR Non-Registrable Interests (Affects)	Disclose the interest; remain in the meeting, participate and vote <u>unless</u> the matter affects the financial interest or well-being: (a) to a greater extent than it affects the financial interest or well-being of a majority of inhabitants of the affected ward; and (b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest. In which case, speak on the item <u>only if</u> the public are also allowed to speak, but otherwise do not participate in the discussion or vote, and leave the meeting <u>unless</u> you have a dispensation.

- (2) Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.
- (3) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations,

and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.

City of York Council

Committee Minutes

Meeting	Audit and Governance Committee
Date	28 February 2024
Present	Councillors J Burton (Vice-Chair), Hollyer (Chair), Fisher, Mason, Melly, Rose and Whitcroft Mr Leigh (Independent Member)
Apologies	Mr Binney (Independent Member)
Officers in Attendance	Bryn Roberts, Director of Governance and Monitoring Officer Mark Kirkham, Partner, Mazars Debbie Mitchell, Chief Finance Officer Helen Malam, Principal Accountant Lorraine Lunt, Information Governance and Feedback Manager/DPO Max Thomas, Head of Internal Audit, Veritau Connor Munro, Assistant Director of Audit Assurance, Veritau

47. Declarations of Interest (5:31 pm)

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.

48. Exclusion of Press and Public (5:32 pm)

Resolved: That the press and public be excluded from the meeting during consideration of Annexes 3 to 10 to Agenda Item 12 (Audit & Counter Fraud Progress Report) on the grounds that they contain information relating to the financial or business affairs of any particular person. This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

49. Minutes & Action Log (5:33 pm)

Resolved: That the minutes of the meeting held on 31 January 2024 be approved and then signed by the Chair as a correct record.

During the meeting various points were raised regarding the action log and it was agreed that each action would include a deadline and that any outstanding actions for committee members to complete would be emailed to them.

50. Public Participation (5:33 pm)

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

Andy Mendus spoke on Agenda Item 6, Update on Action Plan – No Purchase Order No Pay. He thanked officers for the work on the report and he made reference to a structural problem he had observed within the council. He noted that he had seen very little signs of any officer focus on seeking process improvements and he questioned if the council had any mechanisms in place to develop and streamline council procedures. He acknowledged the committee's responsibilities, and urged the committee to consider the agenda and webcast from the 28 September 2016 Audit and Governance Committee meeting.

51. Consultation Update (5:38 pm)

Members considered a report that provided details of a consultation issued by the Department for Levelling Up, Housing & Communities (DLUHC) in respect of local audit delays.

The Chief Finance Officer provided a brief overview noting that the consultation was in response to the growing backlog in the publication of audited accounts of councils across England. It was acknowledged that City of York Council did not have a backlog of unaudited accounts, with just 2022/23 to finalise following communication from the North Yorkshire Pension Fund auditor.

During discussion, the Partner from Mazars noted that due to the audit rotation rules, he would be handing over the

engagement lead role to a colleague. The committee thanked him for his work and commitment over the years.

Resolved: That the report be noted.

Reason: So that the committee was kept up to date with national issues in local audit.

52. Update On Action Plan - No Purchase Order No Pay (5:50 pm)

Members considered a report that provided an update on the ongoing review of No Purchase Order No Pay processes.

The Principal Accountant provided an overview noting the progress being made against all the agreed actions, as at Annex A to the report. She also acknowledged that the need for training new and existing users was evident. A new training course would be drafted and would be a mandatory requirement for all new users of the purchasing module, and for existing users, a refresher training module would be prepared for the council's online training system. The new training would commence in the summer and communications would also be issued to the council's suppliers to reiterate the council's policy around no purchase order no pay.

Members thanked officers for the report, and during discussion of the item commented on the action plan, the exemption list, the metrics and the timelines. The difficulties in implementing the changes to fix the fundamental issues to ensure full adherence to raising purchase orders was also discussed and officers confirmed that they were working with directorates to understand if further exemptions were required to the policy.

Members appreciated the scale of the review and questioned if the communications to all suppliers could be issued earlier in the process, including further discussions with senior officers, particularly those responsible for directorates that were failing in this area.

The Chief Finance Officer thanked members for their comments and acknowledged that staff resource to support this review was limited and that the action plan required time to be embedded across the authority. In the meantime, officers would liaise with

the Council Management Team to consider the barriers and ways to improve the system.

Resolved:

- (i) That the progress made to date be noted.
- (ii) That communication to all suppliers be issued as soon as possible.
- (iii) That officers liaise with the Council Management Team and Executive Member for Finance to consider the barriers and ways to improve.
- (iv) That the Chair and Principal Accountant consider when an appropriate time would be for the committee to receive an updated report.

Reason: To gain assurance that the council was taking proper action to respond to the agreed audit actions and improvements to purchasing processes are being made where necessary.

53. Corporate Governance Performance Report (6:18 pm)

Members considered a report that updated them on the:

- responses and updates to queries and questions from the Audit and Governance Committee meeting in November 2023.
- Corporate Governance Team (CGT) performance indicators.
- Information Commissioners Office (ICO).
- Ombudsmen including
 - Local Government and Social Care Ombudsman (LGSCO) and Housing Ombudsman Service (HOS) cases from the previous report in November 2023 to date of preparing the report on 13 February 2024.
- LGSCO and HOS complaints handling codes.

The Information Governance and Feedback Manager/Data Protection Officer (DPO) presented her report and she made reference to various sections, where she acknowledged that:

- the template used to present the key data was undergoing a review to meet legislative requirements, as well as the additional ICO guidance, and once completed, the performance data report would show the full year statistics and comparison data.

- there had been an improvement in the number of freedom of information and environmental impact reports (FOI/EIR) and data protection subject access to records requests being responded to within the statutory timescales, and work was continuing across the council to sustain this improvement.
- there had been six Local Government Social Care Ombudsman decisions since the last report to this committee. The decisions, including recommendations, remedies and actions, as shown in Annex 2 of the report, had now all been completed.
- The number of complaints received through the adult and social care legislation had risen this quarter but despite this increase there had been improvements made on the number of complaints responded to in time.
- The report highlighted the LGSCO Complaint Handling Code, which was launched in February 2024 and officers would continue to ensure the council adopted the code into its complaints handling policies and procedures.

The Information Governance and Feedback Manager/DPO answered questions raised regarding the FOI statutory timeframes, the performance indicators, the stretch targets, and the ICO enforcement notice, and it was noted that:

- The goal was to meet the ICO's challenging stretch target of 95% but realistically the most achievable target was around 75% to 85%.
- An explanation would be provided to members regarding the discrepancy in the figures listed for the total % of FOI/EIR requests answered within statutory timescales, as noted in Annex 1 of the report. However, this was likely to be linked to the time the reports were produced.
- The council had fully complied with the requirements set out in the enforcement notice. However, whilst the ICO group manager had acknowledged that the council had complied fully with the requirements, they would not update the details on their website until the end of the 6-month period (13 March 2024). Following this, a detailed report on the progress of the improvement plan would be provided to the committee in the next quarterly update.
- The reports being built into the new case management system would be designed from ICO guidance and officers would also consider other additional data sets.
- The number of corporate complaints received had declined due to the Corporate Governance Team liaising

with departments who received repeated complaints to identify quicker resolutions. That work was starting to embed and analysis would be undertaken to fully understand the improvements it had made.

Members welcomed the significant improvements made and they thanked the Information Governance and Feedback Manager/DPO for her update.

Resolved: That the details contained in the report be noted.

Reason: So that members were provided with details and current performance from the Corporate Governance Team.

54. Early Intervention and Prevention of Roughsleeping - Contract Review (6:45 pm)

The Director of Governance and Monitoring Officer recommended that this item be withdrawn and an updated report be considered at a future meeting on the basis that it contained material inaccuracies and the process that the report was generated was not in accordance with what was agreed with the former supplier.

The Director acknowledged that the Chief Finance Officer had not had sight of the report and he explained the process that would be undertaken to ensure the revised report would meet all requirements. Following debate, members raised concerns regarding the content of the report and the process it had followed and they

Resolved:

- (i) That the report be withdrawn and deferred to a specific meeting of Audit and Governance Committee.
- (ii) That Members raise any specific matters within the report to the Director of Governance and Monitoring Officer

Reason: To allow officers to address the inaccuracies and ensure all report writing protocols were followed.

55. Update on the Review of the Constitution (7:01 pm)

The Director of Governance and Monitoring Officer provided a verbal update on the review of the Constitution. He informed the committee that the Constitution Working Group had met three times and were currently considering the council procedure rules.

Following discussion, particularly around the timelines, the most appropriate way to circulate the modifications and outstanding points and what impact the York and North Yorkshire Combined Authority's Constitution would have, it was

Resolved:

- (i) That the update be noted.
- (ii) That the most appropriate way to circulate the constitutional modifications and outstanding points be considered by the Constitution Working Group.
- (iii) That an additional Audit and Governance Committee meeting be arranged to consider spreading the current workload and to include the Constitution review.

Reason: To keep the committee updated on the review.

An adjournment took place between 7:17 pm and 7:24 pm

56. Internal Audit Work Programme Consultation 2024/25 (7:24 pm)

The committee considered a report that outlined arrangements for developing the internal audit work programme and requested their views on any areas that should be considered for audit in 2024/25.

The Assistant Director of Audit Assurance provided an overview making particular reference to the consultation report included at Annex 1 to the report which contained information on Veritau's approach to developing the work programme, and background on their internal audit opinion framework. It was noted that consultation with senior council officers on proposed 2024/25 internal audit work would be undertaken over the next two months and a draft internal audit work programme would then be brought to this committee for its approval.

During discussion and in answer to questions raised, members suggested some key areas to focus on which included the decision-making process, report writing protocols, equalities impact assessment (EIA) reports, social care as an entity, procurement contract management, financial governance including the capital programme.

Resolved: That the Audit & Governance Committee's views on areas that should be considered a priority for inclusion in the 2024/25 internal audit work programme, be noted.

Reason: Internal audit professional standards require that the views of this committee are considered when developing the internal audit work programme.

57. Audit And Governance Work Plan 2024 (7:37 pm)

The committee considered their work plan for the 2024/25 municipal year, and following discussion it was:

Resolved:

- (i) That the Chair, Vice-Chair and Director of Governance be delegated to consider the timeframes required to produce the revised Early Intervention and Prevention of Roughsleeping - Contract Review report and suggest a suitable meeting date.
- (ii) That the Local Government Association (LGA) peer review recommendations be removed from the 22 May 2024 Audit and Governance Committee (A&G) meeting as it would be considered by Executive initially, with any potential implications being referred to A&G at a later date.
- (iii) That an additional Audit and Governance Committee meeting be arranged to take place in June to consider spreading the current workload and to include the Constitution review.

Reason: To ensure the committee maintained a programme of work for 2024/25.

58. Audit & Counter Fraud Progress Report (7:49 pm)

Members considered a report that provided an update on the delivery of the internal audit work programme for 2023/24 and on counter fraud activity undertaken so far in the year.

The Head of Internal Audit provided a brief overview noting that eight internal audit reports had been finalised and a summary of key issues from those audits were provided in Annex 1 at Appendix B of the report. It was also noted that:

- Annex 1, of the report, provided an update on progress made against the 2023/24 internal audit work programme and included audits that were currently in draft, in progress, finalised or to do.
- Annex 2, of the report, provided the counter fraud progress report.

The press and public were then excluded from the meeting during consideration of Annexes 3 to 10 of the report, where the Head of Internal Audit and Assistant Director of Audit Assurance answered members questions.

Resolved: That the progress made in delivering the 2023/24 internal audit work programme, and current counter fraud activity, be noted.

Reason: To enable members to consider the implications of internal audit and fraud findings.

Cllr Hollyer, Chair

[The meeting started at 5.30 pm and finished at 8.32 pm].

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Meeting	Audit and Governance Committee
Date	20 March 2024
Present	Councillors J Burton (Vice-Chair, in the Chair), Melly, Rose and Whitcroft Mr Binney (Independent Member)
Apologies	Councillors Hollyer (Chair), Fisher and Mason Mr Leigh (Independent Member)
Officers in Attendance	Bryn Roberts, Director of Governance and Monitoring Officer

59. Declarations of Interest (5:32 pm)

Members were invited to declare at this point in the meeting any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests they might have in the business on the agenda. None were declared.

60. Public Participation (5:32 pm)

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

61. Proposed Changes to the Composition and Quorum of Staffing Matters and Urgency Committee (5:33 pm)

The Committee considered a report that proposed amending Article 11 of the Constitution by the introduction of the following paragraph:

1.3 The Committee shall comprise five members and shall have a quorum of three members.

The Director of Governance and Monitoring Officer noted the recent difficulties in organising a Staffing Matters and Urgency Committee (SMUC) which had highlighted a flaw in the Council's Constitution relating to SMUC and its quoracy. This position had impacted on the ability of the Council to conduct its

business in a lawful and timely manner, and in order to remedy this, it was proposed that Article 11 be further amended.

During discussion, it was acknowledged that it was preferable for committee places to be comprised of odd numbers to minimise the need for the Chair's casting vote. It was also noted that the political balance and number of places across all the remaining committees would continue to be reviewed by the Constitution Working Group prior to consideration by the Audit and Governance Committee and Full Council.

The operational issues and the urgency element of the change was acknowledged and it was confirmed that this issue had also been considered by the Constitution Working Group who had agreed that the proposed amendment would ensure that urgent business of the Council would be conducted more effectively, and it would allow for the quoracy of meetings to become more explicit in the Constitution.

The political balance calculation was discussed and the Committee noted that due to the quoracy change the overall seats would increase from 107 to 108. This would result in SMUC changing to three Labour and two Liberal Democrat places and overall there would be a political change to a scrutiny committee, where Labour would reduce its seats from six to five and the Liberal Democrats would rise from four to five.

Having being put to the vote, it was unanimously:

Resolved: That the proposed additional wording, as set out in paragraph 6 of the report and above, be endorsed, and remit the matter for consideration at the Council meeting to be held on Thursday, 21 March 2024.

Reason: In order to remedy an error in the Constitution, to ensure that the Council can lawfully and expeditiously carry on its business.

Cllr J Burton, Vice-Chair in the Chair
[The meeting started at 5.32 pm and finished at 5.47 pm].

Action Log

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	To be completed by	Completed
8	07/02/23	LGA Recommendations Report	That the Council undertake a three year review reporting to the Audit and Governance Committee to review the Council's performance against the ten recommendations outlined by the LGA and to report on the progress of Member training	Claire Foale	Officers reviewing how to operate the review and would bring proposals to the first meeting of the Committee post the upcoming local elections. This was due to be reported at the A&G meeting on 29 November 2023 but was then deferred to 28 Feb 2024 and now to May 2024, due to the recommendations from the LGA Peer Challenge not being ready for the report.	31-May-24	No
14	19/07/23	Review of the Constitution	The Committee requested that Officers drafted a procedure for how budget amendment proposals are considered by Council for inclusion to the Constitution, as part of the Constitution review	Bryn Roberts	Ongoing as part of the Constitution review	Ongoing	No
16	19/07/23	Review of the Constitution	To inform the Monitoring Officer of any areas of the Constitution Committee Members would specifically like reviewing.	Committee Members	Ongoing as part of the Constitution review	Ongoing	No
27	08/11/23	Corporate Governance Performance Report	The Information Commissioners Office had confirmed the council had complied with their enforcement notice and this result would be published on their website. Once available, officers to share the uniform resource locator (URL) link with Members.	Lorraine Lunt	The ICO group manager confirmed that they will not publish until the end of the 6 month period of the Enforcement Notice. However, they did acknowledge that we had complied fully with the requirements of it i.e. send responses and publish plan. An update will be provided at the end of the 6 month period (13th March 2024)	13-Mar-24	No

31	08/11/23	Corporate Governance Performance Report	Officers worked with the Business Intelligence Team to manage the corporate performance reports that were published on the council's open data platform. The Chair agreed to consult with the Business Intelligence Team to see if the data published could be consolidated to enable a more user friendly system	Chair		TBC	No
33	08/11/23	Report of the Monitoring Officer on suggested Constitutional Changes	That a cross party working group be established to consider the Constitutional changes for onward endorsement by the Audit and Governance Committee and then Full Council.	Bryn Roberts	This is ongoing and an update will be provided to A&G on 9 July	Ongoing	No
35	08/11/23	Publication of Internal Audit Reports	That the Access to Information procedure rules be included in the Constitution review, particularly around Members rights to information.	Bryn Roberts		Ongoing	No
40	31/01/24	Report of the Monitoring Officer	That the Monitoring Officer enquires if feedback can be provided to central government in relation to the process undertaken to approve a draft Constitution for the York and North York Combined Authority.	Bryn Roberts		TBC	No
42	31/01/24	Statement of Accounts	Provide members with a breakdown of the 2021/2022 and 2022/2023 member allowances and expenses.	Helen Malam Bryn Roberts	Will be emailed to Members	29/02/24	No
43	31/01/24	Key Corporate Risks	The officers working on the Local Plan be asked to provide an update on the risks to committee members.	Helen Malam	This will come as part of the KCR monitor 4 update	31/05/24	No
44	31/01/24	Key Corporate Risks	Officers to consider if there were any key corporate risks associated with accessing and utilizing additional resources through the York and North Yorkshire Combined Authority.	Helen Malam	This will come as part of the KCR monitor 4 update	31/05/24	No

45	31/01/24	Key Corporate Risks	1) The major metric risk definition used in the gross impact score for KCR 1, Financial Pressures be reconsidered. 2) The original risk scores could be included above the matrix that categorises the KCRs according to their net risk evaluation.	Helen Malam	This will come as part of the KCR monitor 4 update	31/05/24	No
46	31/01/24	Statement of Accounts and Work Plan	That the committee receives a summary of all the assets the council owns and officers consider the best way for this to be reviewed	Helen Malam/Bryn Roberts	Will be emailed to Members	29/02/24	No
49	31/01/24	Work Plan	That an update report be received on the Member Induction Programme including feedback from the Joint Standards Committee	Claire Foale	An update report to be received at the A&G meeting on 22 May 2024	22/05/24	No
50	28/02/24	Update on Action Plan - No Purchase Order No Pay	That communication to all suppliers be issued as soon as possible and that officers liaise with the Council Management Team and Executive Member for Finance to consider the barriers and ways to improve.	Helen Malam		31/05/24	No
51	28/02/24	Update on Action Plan - No Purchase Order No Pay	Consider when an appropriate time would be for the Committee to receive an update report.	Chair and Helen Malam		31/07/24	No
52	28/02/24	Corporate Governance Performance Report	Provide to Members an explanation regarding the discrepancy in the figures listed for the total % of FOI/EIR requests answered within statutory timescales.	Lorraine Lunt	The explanation will be included in the next Corporate Governance Performance report to Committee.	22/05/24	No
55	28/02/24	Update on the Review of the Constitution	Ahead of the A&G meeting where the Constitution will be presented, the Constitution Working Group to consider the most appropriate way to circulate to Committee Members the changes and outstanding points.	Bryn Roberts, Constitution Working Group	Ongoing as part of the Constitution review.	01/06/2024	No

Completed Actions Archive

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	Completed by	Completed
1	29/06/22	Issuing of Parking Permits	That the Committee request that CCSMC review how the Council issues parking permits.	Bryn Roberts	This has been referred to the Scrutiny Work Planning meeting, with a request that it be considered for inclusion on the forward work plan.	Bryn Roberts	Yes
2	07/09/22	KCR updates	<p>Updates to the Committee be provided on:</p> <p>KCR 1 (financial pressures): Information was requested on the impact of inflation on business rates and council tax payments, the potential impact of the care cap, and any indications of additional government support.</p> <p>KCR 9 (communities): A suggestion was made to include relationships with parish councils in this KCR.</p> <p>KCR 12 (major incidents): It was suggested that an explanatory note be added against the new risk (relating to commercial power outages).</p>	Debbie Mitchell	Information requested has been included in the KCR3 report being presented to A&G on the 18th January.	Helen Malam	Yes
3	07/09/22	Code of Conduct Training	That Members' comments regarding the training programme currently in preparation by officers be fed into the process, and that the committee have sight of the programme prior to the election period.	Bryn Roberts	Members' comments have been taken into account, and a report outlining the Members Induction Programme is to be considered by the Committee on 18 January 2023.		Yes
4	30/11/22	Final Statement of Accounts	Delegated authority to the Chair in consultation with the Vice Chair to approve and sign the final Statement of Accounts	Debbie Mitchell	We are awaiting the outcome of technical discussions before the accounts can be finalised and approved.	Emma Audrain	Yes

5	18/01/23	KCR updates	That report be added to the Committee work plan to review KCRs 8 The Local Plan and 12 Major Incidents.	Bryn Roberts/ Debbie Mitchell	Added to work plan - 8th November, KCR Monitor 2 report, including review of KCR12 Major incidents and 31st January KCR Monitor 3 report including review of KCR 8 Local Plan. This will then complete that action.	Helen Malam	Yes
6	18/01/23	KCR updates	That KCR 2 Governance include a control that the Committee will make recommendations to a meeting of Council following the Local Governance Association's report.	Debbie Mitchell	This has been actioned, with a control added to the latest version of the risk register.	Helen Malam	Yes
9	07/02/23	LGA Recommendations Report	To recommend to the Chief Operating Officer and the Leader of the Council to engage the LGA about initiating a Corporate Peer Review	Bryn Roberts	Taking place w/c 5 Feb 2024	Bryn Roberts Jan 2024	Yes
10	19/07/23	Internal Audit Reports	That a report be brought to the Committee outlining the Council's process for determining what information should be kept exempt from the press and public in relation to internal audit reports.	Bryn Roberts	To close following the next meeting	Bryn Roberts on 08/11/2023	Yes
11	19/07/23	Corporate Governance Report	That Q4 2022/23 data be included within the next Corporate Governance update report	Lorraine Lunt	Included in the report on 8th Nov	Lorraine Lunt on 08/11/2023	Yes
12	19/07/23	Corporate Governance Report	That Officers provide an update to Committee Members via email into the progress on responding to Adult and Children's Social Care complaints.	Lorraine Lunt	Update provided in the report on 8th Nov	Lorraine Lunt on 08/11/2023	Yes

13	19/07/23	Corporate Governance Report	That Officers review the ombudsman decisions and share with the Committee any additional decisions If not included within annex 3 to the report as intended.	Lorraine Lunt	Included in report on 8th Nov- confirming duplicate case in Annex 3 of July report and no additional decisions to include for that reporting period	Lorraine Lunt on 08/11/2023	Yes
15	19/07/2023 and 12/09/23	Review of the Constitution	That the Monitoring Officer review, in the Constitution, the Public Participation Protocol, the language used and a specific point regarding incoming new Leaders of the Council, as part of the Constitution review;	Bryn Roberts	To close following the next meeting	Bryn Roberts on 08/11/2023	Yes
17	19/07/23	Internal Audit Reports	That a report be added to the Committee work plan to review the policy and use of payment orders within the Council.	Debbie Mitchell	A report is included on the agenda for the November meeting	Debbie Mitchell	Yes
18	12/09/23	Minutes	That the action log be reviewed to demonstrate a clearer control process.	Bryn Roberts	To also include the completed actions archive in the agenda	Bryn Roberts/Dem Services	Yes
19	12/09/23	Minutes	That the full Key Performance Indicator range, discussed at the 19 July meeting, be split by directorates and circulated to Committee Members.	Lorraine Lunt	Will include updated format and content of KPI range in next report due on 28 February 2024 for further comment and feedback	28-Feb-24	Yes
21	12/09/23	Monitor 1 23/24 - Key Corporate Risks	Investigate what processes the council currently had in place for urgent extreme weather incidents and inform the Committee	Helen Malam	Update to be provided by email or at the next meeting	Helen Malam on 08/11/2023	Yes
22	12/09/23	Monitor 1 23/24 - Key Corporate Risks	Consider expanding Key Corporate Risk 12 to include the impacts extreme weather incidents had on communities and people's wellbeing	Helen Malam	Update to be provided by email or at the next meeting	Helen Malam on 08/11/2023	Yes
23	12/09/23	Monitor 1 23/24 - Key Corporate Risks	Investigate if there were any government schemes in place to recover the lost council tax income, due to students being exempt.	Helen Malam	Update to be provided by email or at the next meeting	Helen Malam on 08/11/2023	Yes

24	12/09/23	Monitor 1 23/24 - Key Corporate Risks	Consider the project management of the Castle Gateway Project and York Central to enable improved consultation and engagement with the general public. (KCR 7).	Helen Malam	Update to be provided by email or at the next meeting	Helen Malam on 08/11/2023	Yes
25	12/09/23	Monitor 1 23/24 - Key Corporate Risks	Modify the wording used in relation to the adoption date of the Local Plan. (KCR 8).	Helen Malam	Completed	Helen Malam	Yes
26	12/09/23	Treasury Management Monitor 1	That treasury management be included in the Member training schedule.	Debbie Mitchell	The explanation will be included in the next Corporate Governance Performance report to Committee.	22-May-24	Yes
27	12/09/23	Audit and Governance Work Plan	To receive a report that focused on implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	Bryn Roberts	To close following the next meeting	Bryn Roberts on 08/11/2023	Yes
28	12/09/23	Urgent Business	That an initial response be provided to Committee Members on the strategy to clear the Freedom of Information backlog and then an update, from the Information Governance Team, be provided at the next meeting.	IG Team / Bryn Roberts	Ahead of next CGT report on 8th Nov, the progress and improvement plan has been published on the council website https://www.york.gov.uk/freedom-information/information-commissioner's-office-ico-enforcement-notice-improvement-plan	Lorraine Lunt on 08/11/2023	Yes
29	08/11/23	Corporate Governance Performance Report	Following the covert surveillance training provided to Members of the A&G committee on 8 November, Committee Members to provide any feedback on the content of the annual report to Lorraine Lunt.	Committee Members	Members had been reminded to send comments to officers	Committee Members 08/03/2023	Yes
30	08/11/23	Corporate Governance Performance Report	The Improvement Plan to be revised to ensure Members could monitor the progress of any improvements and completed outcomes.	Lorraine Lunt	An updated improvement plan has been published on the council website with progress and it will also be included in the next report on 28 February 2024. This has also been discussed with the ICO Group Manager.	Lorraine Lunt 28/02/2024	Yes

32	08/11/23	Corporate Governance Performance Report	The stretch target set by the ICO was 95% or above, further analysis to be included in future updates to clarify the council's position.	Lorraine Lunt	This will be included in the next report due on 28 February 2024 and review for future reports from comments and feedback at the next Committee.	Lorraine Lunt 28/02/2024	Yes
34	08/11/23	Publication of Internal Audit Reports	To include details in a public summary report that highlights the key points and an overall conclusion of assurance levels for completed reports.	Veritau/Bryn Roberts	This will be ongoing. The information will be provided as part of all future internal audit & counter fraud progress reports brought to the committee.	Veritau/Bryn Roberts 01/02/2024	Yes
36	08/11/23	Treasury Management Mid-Year Review and Prudential Indicators 2022/23	Explore the investment portfolio available on the council's current accounts	Debbie Mitchell	Covered as part of member training	Debbie Mitchell 31/01/2024	Yes
37	08/11/23	Treasury Management Mid-Year Review and Prudential Indicators 2022/23	Further information to be issued to Committee Members regarding the Public Works Loan Board (PWLB) certainty borrowing rates, (as noted in table 6 at point 42 of Annex 1 to the report)	Debbie Mitchell	Covered as part of member training	Debbie Mitchell 31/01/2024	Yes
38	08/11/23	Update on No Purchase Order No Pay Process	More analysis in future reports, particularly relating to the: Exemption list, Value of invoice, PO invoice dates/approvals , Retrospective POs and the Action Plan.	Helen Malam	This will be included in the next report	Helen Malam on 28/02/2024	Yes
39	08/11/23	Monitor 2 2023/24 - Key Corporate Risks	To include an update on the progress of the Local Plan (KCR 8).	Helen Malam	This will be reported at the A&G meeting on 31 January 2024	Helen Malam on 31/01/2024	Yes
41	31/01/24	Local Government Association (LGA) Peer Challenge	That Members comments regarding the interviewee list and the LGA engaging with a broader spectrum of stakeholders be fed back to the LGA for consideration.	Claire Foale	Recommendations from Audit and Governance were taken on board with additional workshops arranged for Trade Unions, Elected Members, and Talkabout panel members invited as residents.	Claire Foale 09/02/2024	Yes

47	31/01/24	Treasury Management Training	The treasury management training recording would be circulated around committee members.	Louise Cook	Completed	Louise Cook on 02/02/2024	Yes
48	31/01/24	Work Plan	That the workplan be populated to include the 2024/25 finance reports	Debbie Mitchell	Completed	Helen Malam 12/03/2024	Yes
54	28/02/24	Early Intervention and Prevention of Rough sleeping	That Members raise any specific matters within the report to the Director of Governance and Monitoring Officer	Committee Members	Members had been reminded to send comments to the Director	Committee Members 10/05/2024	Yes
56	28/02/24	Work Plan	Consider the timeframes required to produce the revised Salvation Army report and suggest a suitable meeting date.	Bryn Roberts, Chair and Vice Chair	Completed - arranged to take place on 22 May 2024	Bryn Roberts	Yes
57	28/02/24	Work Plan	That an additional meeting be arranged to take place to consider spreading the current workload and include the constitutional review.	Bryn Roberts, Louise Cook	Completed - arranged for 9 July 2024	Louise Cook 31/03/2024	Yes

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Meeting:	Audit and Governance Committee
Meeting date:	22/05/2024
Report of:	Director of Governance
Portfolio of:	Cllr Douglas Leader, responsible for Strategy, Policy, and Partnerships

Audit and Governance Committee Report: Corporate Governance Performance Report

Subject of Report

1. This report provides Members with updates in respect of:
 - Corporate Governance performance report
 - Information Commissioners Office cases
 - Ombudsmen cases
 - Potential new and emerging data protection and digital information legislation

Policy Basis

2. Having appropriate processes and procedures in place to ensure the council
 - investigates and responds to complaints (corporate, adults social care and children's social care), comments, compliments and concerns, and Ombudsmen cases
 - manages and monitors valid and in time responses to all FOI and EIR requests and other requests for information or information disclosure
 - provides support, advice and guidance for data protection and privacy compliance
 - provides assurance to customers, employees, contractors, partners, and other stakeholders that all information, including confidential and personal information, is dealt with in accordance with legislation and regulations and its

confidentiality, integrity and availability is appropriately protected.

3. Compliance is aligned to the current and draft Council Plan which is part of the council's corporate code of governance. This also then aligns with the 10-year Plan (York 2032) such as performance management and service planning.

Recommendation and Reasons

4. Members are asked:

- 4.1 To note the details contained in this report.
- 4.2 To provide any comments or feedback from this report.

Reason: So that Members are provided with details and current performance from the Corporate Governance Team.

Background

5. Corporate Governance Performance report

- 5.1 The full performance indicators are available on York Open Data at <https://data.yorkopendata.org/group/transparency>
- 5.2 Please see the performance report for Quarters 1, 2, 3 and 4 covering April 2023 to March 2024 at Annex 1.
- 5.3 As set out in report to Committee in February, the performance report has changed. This is from comments and feedback, guidance published by the ICO on collecting and reporting on key data and the ongoing configuration, build and testing of performance reports following the implementation of a change to the case management system.
- 5.4 The ongoing configuration, build and testing for performance reporting is taking longer than anticipated due to priorities and deadlines for the CGT's caseload and impacts on this from our staffing resource and capacity. We will continue to progress this work to provide more detailed reporting going forward.

- 5.5 However I can confirm the performance data reported to this Committee and published for FOI/EIR does meet the legislative requirements set out in part 8.5 of the [section 45 code of practice](#) as well as the additional ICO guidance [How to report on your performance on handling requests for information under FOIA 2000 | ICO](#) such as the number of requests subject to FOIA or EIR, the time period that the data is split into and performance against statutory timescales for FOI/EIR.
- 5.6 There has been a continuous and sustained improvement in both the number of FOI/EIR and data protection subject access to records (SAR) requests responded to within the statutory timescale each quarter throughout the full year reporting period of March 2023 to April 2024.
- 5.7 There has been an increase in this quarter of the number of complaints received and dealt with under the children's social care services legislation
- The Children Act 1989 Representations Procedure (England) Regulations 2006
- 5.8 There has been a decrease in number of complaints received and dealt with under the adults' regulations.
- The Local Authority Social Services and National Health Service Complaints (England) Regulations 2009
- 5.9 The numbers of complaints received are influenced by factors such as increased demand on council services and the restrictions the current budget and financial circumstances are placing on these services.

6. Information Commissioner's Office cases

- 6.1 The progress of our improvement plan following the now fully complied with requirements from the ICO enforcement notice, is published on the council website at [Information Commissioner's Office \(ICO\) enforcement notice and improvement plan – City of York Council](#)
- 6.2 There have been no published decision notices about the council's handling and responding to FOI/EIRs by the ICO since the last report to Committee in February 2024. There has also been no other ICO regulatory action against the council. You can find out

more about what actions the ICO can take at [Action we've taken | ICO](#)

7. Ombudsmen cases

- 7.1 There were no Housing Ombudsman Services (HOS) cases and fourteen LGSCO cases with decisions since the last report to Committee in February 2024 to date this report was prepared. Details of all the decisions including recommendations, remedies and actions are shown at Annex 2.
- 7.2 The following were the findings and decisions determined by the LGSCO:
- Three were closed after initial enquiries with no further action
 - Three were closed as out of the jurisdiction of the LGSCO
 - Five were not upheld with either no fault or no further action
 - One was premature
 - Two were upheld with fault and injustice
- 7.3 The CGT undertakes ongoing work with CMT, Directorate Management Teams as well as with individual service areas to ensure that we share learning opportunities across the council and to identify areas for improvement from Ombudsmen cases.

8. Data protection and digital information bill

<https://publications.parliament.uk/pa/bills/cbill/58-03/0265/220265v2.pdf>

- 8.1 The bill is currently in the Committee stage of the House of Lords and is expected to be passed in May and come into force shortly afterwards.
- 8.2 It will make changes to the current legislation and regulations shown below
- UK GDPR
 - Data Protection Act 2018 (DPA 18)
 - Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR)
- 8.3 The likely changes are not on the same scale as for the implementation of GDPR pre-2018. However, the CGT has started this work and planning for the potential changes such as

- Review and update policies and procedures to ensure they reflect new or amended requirements
- Developing and implementing of a training plan
- Developing and implementing of a communications plan

8.4 Updates will be provided in future reports to this Committee however some of the potential changes to the current requirements are shown in Annex 3.

Consultation Analysis

9. No consultation was undertaken for this report. However, feedback from reports to CMT, meetings and discussions with managers informs this report.
10. Where required, internal and/or external consultation will be conducted to progress the work and actions required to comply with the improvement plan in response to the ICO enforcement notice.

Risks and Mitigations

11. The council has a duty to comply with the various aspects of complaints, data protection, privacy, and information governance related legislation. Failing to comply with these can result in Regulators and/or Ombudsmen taking actions against the council such as reprimands, enforcement action, monetary fines, financial remedies for individuals. Often these decisions and actions are published on the Regulator or Ombudsmen websites, as well as doing press releases and statements. This can lead to reputational damage, reduce the council's overall effectiveness as well as a loss of trust in the council.
12. In some circumstances individual members of staff may be at risk of committing criminal offences for example if they knowingly or recklessly breach data protection legislation and compliance requirements or deliberately destroy, alter, or conceal a record after it has been requested.
13. Data protection impact assessments (DPIAs) are an essential part of our accountability obligations and is a legal requirement for any type of processing under UK GDPR. Failure to conduct a DPIA

when required may leave the council open to enforcement action, including monetary penalties or fines. However, as there is no personal data, special categories of personal data or criminal offence data being processed for this performance report, there is no requirement to complete a DPIA.

Contact details

14. For further information please contact the authors of this Report.

Author

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Job Title:	Information governance and feedback manager/DPO
Service Area:	Governance and Monitoring
Telephone:	01904 554145
Report approved:	Yes
Date:	10/05/2024

Background papers

No papers but listed below the links to background information shown in the report

<https://data.yorkopendata.org/group/transparency>

[section 45 code of practice](#)

[How to report on your performance on handling requests for information under FOIA 2000 | ICO](#)

[Information Commissioner's Office \(ICO\) enforcement notice and improvement plan – City of York Council](#)

<https://publications.parliament.uk/pa/bills/cbill/58-03/0265/220265v2.pdf>

Annexes

- Annex 1 – Performance report (no pages are exempt)
- Annex 2 – Ombudsmen cases (no pages are exempt)
- Annex 3 - Data protection and digital information bill (no pages are exempt)

Abbreviations

DPIAS - Data protection impact assessments

ICO - Information Commissioner's Office

CMT – Council Management Team

CGT – Corporate Governance Team

UK GDPR – United Kingdom General Data Protection Regulation

DPA 18 - Data Protection Act 2018

PECR - Privacy and Electronic Communications (EC Directive)
Regulations 2003

HOS - Housing Ombudsman Service

LGSCO – Local Government and Social Care Ombudsman

FOI – Freedom of Information Act

EIR – Environmental Information Regulation

SAR – (Data) Subject Access Request

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Performance report

Data	Quarter 1 – April to June 2023	Quarter 2 – July to Sept 2023	Quarter 3 – Oct to Dec 2023	Quarter 4 – Jan to Mar 2024
Total FOI/EIR requests received	375	430	340	479
Total FOI/EIR requests closed within statutory timescale	293	340	312	391*
Total FOI/EIR requests closed outside statutory timescale	82	90	28	29*
Total % FOI/EIR requests answered within statutory timescale	78%	79%	92%	93%
Total % FOI/EIR requests answered outside statutory timescale	22%	21%	8%	7%
Total SAR requests received	38	33	42	56*
Total SAR requests closed within statutory timescale	23	19	38	40*
Total SAR requests closed outside statutory timescale	15	14	4	3*
Total % SAR requests answered within statutory timescale	60%	58%	90%	93%
Total % SAR requests answered outside statutory timescale	40%	42%	10%	7%

Performance report

Data	Quarter 1 – April to June 2023	Quarter 2 – July to Sept 2023	Quarter 3 – Oct to Dec 2023	Quarter 4 – Jan to Mar 2024
Other requests for information types received	103	87	76	112
Rights of Individuals requests received	8	7	9	5
ICO cases received	0	2	0	Not yet available
Number of comments received	262	202	102	124
Number of compliments received	84	55	53	Not yet available
Number of concerns received	1	0	0	Not yet available
Number of “corporate” complaints received	480	364	170	299
Number of childrens social care complaints received	11	6	8	11
Number of adults social care complaints received	11	6	17	9
Number of LGSCO cases received	4	4	3	Not yet available
Number of HOS cases received	1	3	1	1

*For information - where the figures appear to not add up to the totals, this is due to responses that are still outstanding either due to the statutory timescales for responding being outside of the reporting period or an appropriate extension has been applied and that has not yet been reached. The reasons why the figures for Q1, Q2, Q3 are not showing these discrepancies, is due to this report being brought forward from July 2024, and so it has not been possible to do the calculations as there are cases that have not yet reached either their response or extension deadlines.

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Omb Ref Which Omb Directorate Service Area Date of final decision	Outcome	Summary of Final Decision	Actions (as list with dates for completion)	Date Actions Complete (as corresponding list)
23 014 467 LGSCO Place Planning Enforcement 30/01/2024	Closed after initial enquiries – out of jurisdiction	We cannot investigate this complaint about the Council's decision not to take enforcement action in relation to a planning condition attached to a development in Mr X's locale. This is because Mr X is complaining as a councillor and not a member of the public so the complaint falls outside our jurisdiction.	NA	NA

23 016 368 LGSCO Children & Education Short Breaks 19/02/2024	Premature	We will not pursue the complaint because it has not yet been through your own complaints' procedures. If you consider it would be impossible for the Council to resolve the complaint through its own procedures, please let us know immediately and explain why.	NA	NA
23 014 405 LGSCO Children & Education Children in need of protection 23/02/2024	Closed after initial enquiries – out of jurisdiction	We cannot investigate this complaint about how the Council assessed the complainant's parenting skills. This is because the assessment has been considered in court.	NA	NA

<p>23 001 150 LGSCO Children & Education Children in need of protection 27/02/2024</p>	<p>Upheld: fault and injustice</p>	<p>Miss Y complains the Council wrongly withdrew a proposed package of extended financial support for a Special Guardianship Order (SGO). The complaint was investigated through the statutory complaints procedure but did not conclude with the outcomes Miss Y hoped for. In our view, the investigation was thorough and evidence based but there is some outstanding personal injustice which the Council has agreed to remedy.</p>	<p>By the 26th March * Pay £250 in recognition of the distress caused to Miss Y when the Council raised her expectations because of poor communication; and * Pay a further £150 in recognition of the significant delays during the complaints investigation.</p> <p>By the 16th April * Contact Miss Y to ask whether she would like to complete an updated SGO financial assessment. This may be beneficial in light of recent changes to her household's circumstances; * Remind relevant social workers to manage expectations and to be mindful of how they communicate with carers about financial offers which remain subject to management approval. This could be through a briefing paper, team meeting or part of a training session * Remind those involved in statutory children's complaint investigations, and investigating officers, of the timescales in the statutory guidance. This could be through a briefing paper, team meeting or part of a training session.</p>	<p>All actions completed within timescales</p>
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23017119 LGSCO Place Highway 01/03/2024	Not upheld: no fault	We will not investigate this complaint about the Council's policy not to allow pedestrians or cyclists to access the main area of a waste recycling centre area. This is because an investigation would be unlikely to find fault with the Council's actions	NA	NA
23016035 LGSCO Place Planning Enforcement 01/03/2024	Closed after initial enquiries – no further action	We will not investigate Mr X's complaint about the contents and issue of a warning letter for an alleged breach of planning control. This is because the Council's actions did not cause Mr X significant injustice warranting an investigation.	NA	NA

23017432 LGSCO Place Highways Regs 27/03/2024	Closed after initial enquiries – no further action	We will not investigate this complaint about signage because there is not enough evidence of fault to justify investigating	NA	NA
23011530 LGSCO Place Waste 05/03/2024	Upheld: fault and injustice	Miss X complained the Council repeatedly failed to collect her household waste as part of its assisted collection service. Miss X says the Council's actions have caused her avoidable stress and frustration. We found fault by the Council and the Council has agreed to apologise to Miss X and provide a financial remedy.	<p>To address the injustice to Miss X, the Council has agreed to take the following action within one month of the final decision:</p> <ul style="list-style-type: none"> * Provide an apology to Miss X. We publish guidance on remedies which sets out our expectations for how organisations should apologise effectively to remedy injustice. The organisation should consider this guidance in making the apology I have recommended in my findings; * Make a symbolic payment of £200 to Miss X in recognition of the stress and frustration caused; * Agree in writing with Miss X, a collection/return point for her waste containers, and to share this information with the waste collection crews. <p>The Council has also agreed to take the following additional action within three months of the final decision:</p> <ul style="list-style-type: none"> * Review the Council's process for issuing reminders to the waste crews to identify any improvements in how it carries out its assisted collection service, and * Extend the in-cab prompts regarding Miss X's 	All actions completed within timescales

			collections for three months from the date of the final decision.	
23019133 LGSCO Corporate Services Council tax 11/04/2024	Not upheld: no further action	We will not investigate this complaint about added charges in connection with debt recovery action by agents of the Council. This is because the	NA	NA

		enforcement fees and charges were entitled to be added as they are the result of the complainant's non-compliance with a court issued liability order for unpaid council tax		
23019379 LGSCO Place Planning 12/04/2024	Not upheld: no further action	We will not investigate this complaint about the Council's decision that a house extension is permitted development. There is not enough evidence of fault to justify investigating.	NA	NA
23019220 LGSCO Adult Social Care & Integration Social Care 18/4/2024	Not upheld: no further action	We will not investigate this complaint about the Council' decision not to allow Mrs X to return to temporary accommodation. This is because an investigation would	NA	NA

		be unlikely to find fault with the Council's actions.		
23009888 LGSCO Place Housing Standards 29/04/2024	Not upheld: no fault	Mrs B says the Council failed to provide her with clear guidance about the disabled facilities grant process, failed to properly consider her needs, failed to take action when the works completed by the contractor are not fit for purpose and wrongly paid the contractor. There is no fault by the Council.	NA	na

<p>23020075 LGSCO Place Housing Management 08/05/2024</p>	<p>Closed after initial enquiries – out of jurisdiction</p>	<p>We cannot investigate this complaint that the Council will not cut back a tree near Mr X's home as this complaint relates to the Council's role as a social housing provider and so is not within our remit.</p>	<p>NA</p>	<p>NA</p>
<p>23021064 LGSCO Place Planning 09/05/2024</p>	<p>Closed after initial enquiries – no further action</p>	<p>We will not investigate this complaint about the Council's decision to grant planning permission to develop land which the complainant says is a full and free right of way. We cannot determine the status of the land. Nor can we require the Council to withdraw the planning permission. Both of</p>	<p>NA</p>	<p>NA</p>

		which are outcomes the complainant is seeking.		
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Data protection and digital information bill 2024 – some of the changes

- The Information Commissioner’s Office (ICO) will change to the “Information Commission” which will be a corporate body with a chief executive.
- Proposed changes to the definition of Personal Data which will limit the assessment of identifiability of data to the controller or processor, and persons who are likely to receive the information, rather than anyone in the world.
- Create a clearer legal basis for political parties and elected representatives to process personal data for the purposes of democratic engagement.
- Cookies will be allowed to be used without consent for the purposes of web analytics and to install automatic software updates. Also, non-commercial organisations e.g. charities and political parties, will be able to rely on the soft opt in <https://ico.org.uk/for-organisations/direct-marketing-and-privacy-and-electronic-communications/guide-to-pecr/electronic-and-telephone-marketing/electronic-mail-marketing/#softoptin> for direct marketing purposes, if they have obtained contact details from an individual expressing interest.
- Data protection impact assessments (DPIAs) will be replaced by less prescriptive “Assessments of High-Risk Processing.”
- The obligation for some controllers and processors to appoint a data protection officer (DPO) will be removed. However, public bodies and those who carry out processing likely to result in a “high risk” to individuals will be required to designate a senior manager as a “Senior Responsible Individual”.
- Right of data subjects to access their records:
 - terms “manifestly unfounded” or “excessive” requests, in Article 12 of the UK GDPR, will be replaced with “vexatious” or “excessive” requests.
 - data controllers may only be obliged to undertake a reasonable and proportionate search for information request under the right of access.

- Reform the way births and deaths are registered in England and Wales, enabling the move from a paper-based system to registration in an electronic register.



Meeting:	Audit and Governance Committee
Meeting date:	22/05/2024
Report of:	Head of Internal Audit (Veritau)
Portfolio of:	Cllr Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Counter Fraud Framework Report

Subject of Report

1. This report presents the outcomes of the annual review of the council's counter fraud framework. It also includes a brief summary of national and local trends in counter fraud.

Policy Basis

2. The council's counter fraud policy makes clear that it does and will not tolerate fraud or corruption against it. Assessment of the council's exposure to the risk of fraud is important in efforts to minimising it, as is an effective policy framework.

Recommendation and Reasons

3. The Audit and Governance Committee is asked to:
 - note the Counter Fraud and Corruption Development Plan and updated Fraud Risk Assessment at appendices A and B of annex 1.

Reason: In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.

Background

Overview

4. Fraud remains a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order to protect income and assets public sector bodies must continuously develop their counter fraud measures to meet evolving threats. As part of the counter fraud service provided to the council, Veritau conducts an annual review of its counter fraud framework. This report presents the outcome of the latest review.

Counter Fraud Framework Review

5. The report detailing the latest counter fraud framework review is contained in annex 1. It also contains an annual development plan and updated fraud risk assessment.

Consultation Analysis

6. Not relevant for the purposes of this report.

Risks and Mitigations

7. The council will fail to comply with proper practice if counter fraud and corruption arrangements are not reviewed periodically.

Contact details

For further information please contact the authors of this Report.

Author

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Service Area:	Veritau Limited
Telephone:	01904 552940

Report approved:	Yes
Date:	13/05/2024

Background papers

None

Annexes

- Annex 1: Counter Fraud Framework Review

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COUNTER FRAUD FRAMEWORK REPORT

22 May 2024



Annex 1

Assistant Director Corporate Fraud:
Jonathan Dodsworth

Head of Internal Audit:
Max Thomas

1



INTRODUCTION

- 1 Fraud has become the most common offence in the UK, accounting for 41% of all crime¹. It is a significant risk to the public sector. Fraud threats continue to evolve with new tools and techniques being used. It is also increasingly originating from national and international actors, as opposed to being a locally occurring issue.
- 2 The government estimated that between £33 and £58 billion of public expenditure was lost to fraud in 2020/21². At a local level, fraud can impact the ability of local authorities to support public services and it can cause reputational damage.
- 3 To provide an effective response to fraud the council needs to have a robust counter fraud framework in place that helps prevent, detect, and deter fraud. Fraudsters continually develop their approach to exploit systems and obtain funds. Counter fraud work therefore needs to develop at least as quickly as the techniques used by criminals seeking to defraud the council.
- 4 The purpose of this report is to present the findings from the counter fraud team's annual review of the counter fraud framework. It also sets out some of the current developments in counter fraud nationally and locally.



NATIONAL DEVELOPMENTS

- 5 The Public Sector Fraud Authority (PSFA) was launched in August 2022. The formation of the PSFA represents a potentially significant step in the government's efforts to modernise its counter fraud response. In the past year the PSFA has received increased investment and continues to develop functional standards to support counter fraud professionals across government. These functional standards, alongside best practice guidance and the Government Counter Fraud Profession, help set standards for the training and development of counter fraud professionals. The work of the PSFA increasingly influences the training and development of new and existing members of the counter fraud team.
- 6 The PSFA is responsible for the delivery of the National Fraud Initiative (NFI) to public sector bodies including local authorities. The exercise matches data within and between public and private sector bodies to prevent and detect fraud. All local authorities are required to take part. Sitting within the National Counter Fraud Data Analytics Service, the NFI is likely to benefit from the PSFA's investment in new technology, including artificial intelligence, which will increase the quality of datamatching and amount of fraud detected.

¹ [Progress combatting fraud \(Forty-Third Report of Session 2022-23\)](#), Public Accounts Committee, House of Commons

² [Tackling fraud and corruption against government \(Sixty-Ninth Report of Session 2022-23\)](#), Public Accounts Committee, House of Commons

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The government has introduced new legislation that aims to hold organisations to account where they profit from employees committing fraud. The Economic Crime and Corporate Transparency Act, amongst a range of reforms to tackle financial crime, proposes a new offence of Failure to Prevent Fraud. The Act became law in October 2023, but the offence of Failure to Prevent Fraud isn't expected to come into force until late 2024 or 2025. It will require companies, in the public and private sector, to have strong policies in place to prevent fraud. Failure to do so could result in unlimited fines. The counter fraud team will review requirements imposed by the legislation, examine guidance that is due to be published this year and advise on any updates needed to policy.



LOCAL PICTURE

8

Substantial numbers of referrals of potential fraud continue to be received by the counter fraud team. These referrals cover a range of different fraud types and value. In 2023/24 there was a 20% increase in the number of referrals received (386) from the previous year. The counter fraud team will undertake a range of approaches to investigation depending on the seriousness, value and length of a suspected fraud. To ensure we provide most value, full criminal investigations are only undertaken when it is in the economic interests of the council. Many lower value referrals relate to benefits and council tax discounts. The counter fraud team will be piloting a new compliance system to ensure appropriate action is taken in these cases. The aim is to stop fraud occurring at an early stage.

9

Following the Covid-19 pandemic, there has been an increased emphasis on managing fraud risks in government funded grant schemes. Local authorities must now more formally consider the local arrangements in place to mitigate and address fraud when distributing central government funds. The counter fraud team has recently supported the council to assess fraud risks and develop a fraud management plan for the Home Upgrade Grant scheme. This was a requirement of funding by the Department for Energy Security and Net Zero. There is an expectation that many government grants will require similar input in future.



COUNTER FRAUD FRAMEWORK

9

The council has a robust counter fraud framework which includes a counter fraud policy, a fraud risk assessment, and a number of related policies (eg whistleblowing and anti-money laundering). A review of the framework is conducted annually.

10

No updates to the overarching counter fraud policy are currently required. However, we have identified the need to develop a new approach to the counter fraud strategy. Updated arrangements are set out below, along with a revised fraud risk assessment. We've also identified a need to update the whistleblowing policy. This policy was last updated in 2019. The law and guidance around whistleblowing has not significantly changed since then, however the policy would benefit from updating some of the language and terminology used to reflect current requirements and

1

practices. We will undertake consultation on updates to the whistleblowing policy later this year.

11 The council's last Counter Fraud and Corruption Strategy 2020-2023 was approved by the Audit and Governance committee in February 2021. It's principles and objectives were in line with Fighting Fraud and Corruption Locally: A strategy for the 2020s. This national strategy was written by the Fighting Fraud and Corruption Locally (FFCL) board with the support of local government counter fraud professionals and the Local Government Association.

12 In the past, the council's counter fraud strategy was designed to span multiple years to run parallel with the national strategy and was supported by an annual strategy action plan. However, the FFCL board do not at this time intend to make any updates to the national strategy. A change of approach is therefore required. Going forward, Veritau will produce an annual counter fraud development plan which sets priorities for counter fraud development work each year. The 2024/25 Counter Fraud and Corruption Development Plan is contained in appendix A of this report. Objectives for this year include:

- piloting a new compliance system for lower value fraud referrals
- producing an updated whistleblowing policy for the council and rolling out new whistleblowing e-learning packages to council employees
- engaging with HR and managers to ensure that the issue of 'polygamous working' is well known within the organisation and that concerns are acted upon
- building expertise around new grant requirements within the counter fraud team to support the council.



FRAUD RISK ASSESSMENT

13 Veritau completes an annual Fraud Risk Assessment, designed to identify areas of fraud that present the greatest risk to the council. The risk assessment is informed by national and regional reports of fraud affecting local authorities, fraud reported to and investigated by the counter fraud team, and changes in process and the operating environment. The results of the assessment are used to:

- develop or strengthen existing fraud prevention and detection measures
- revise the counter fraud policy framework
- focus future counter fraud and audit work.

14 The risk assessment is included at appendix B. It shows both the inherent and residual risks associated with risk areas relevant to the council. Inherent risk ratings show the risk to the council if no controls to prevent fraud were in place. The residual risk rating indicates the potential risk level after current controls are taken into account.

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- 15 We have intentionally avoided defining 'high', 'medium', and 'low' risk. This is because the purpose of the assessment is to give an illustration of the relative risk of each area and to demonstrate how counter fraud and internal audit resource is prioritised to help the council combat fraud. However, in arriving at a high, medium or low assessment, we have considered the potential value of losses due to fraud (impact) and the likelihood of the fraud taking place.
- 16 It is important to stress that this risk assessment has been carried out internally, within Veritau, based on our collective understanding of fraud risk in the sector and of the council's fraud risk controls. It should not be confused with the council's own risk assessment process which is carried out by officers and is set out in the council's Risk Management Policy and Strategy.
- 17 Changes to the risk assessment this year include:
- the addition of grant schemes. Government departments are increasingly requesting that local authorities develop a fraud management plan for grant schemes they are asked to administer. The plans set out measures in place to prevent, detect, and investigate fraud. Failure to document and implement these measures could result in council requests for grant funding being denied, loss of public funds if fraudulent applications succeed, and the potential for the council to become liable for irrecoverable payments made incorrectly.
 - an update to employment fraud to reference the emerging issue of 'polygamous working'.
- 18 The updated risk assessment is contained in appendix B, below.

APPENDIX A

Counter Fraud and Corruption Development Plan 2024/25

Veritau are responsible for maintaining, reviewing, and strengthening counter fraud arrangements at the council. An annual review of priorities for developing counter fraud arrangements is undertaken. The Counter Fraud and Corruption Development Plan sets out the key goals and objectives of the counter fraud team over the course of the financial year. It reflects national and local developments as well as the FFCL national strategy for local government.

Actions to be taken over the next year are set out below.

Development activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Implement compliance processes to address lower value fraud <ul style="list-style-type: none"> • consultation with relevant teams • development of new processes and letter templates within the counter fraud team • reconfiguration of the team's case management system • implement monitoring arrangements to 	September 2024	Veritau / Revenues	A pilot compliance scheme for benefit and council tax discounts is planned for 2024/25.

Ref	Action Required	Target Date	Responsibility	Notes
	review results and help refine the approach.			
2	Rollout whistleblowing e-learning courses for employees and managers <ul style="list-style-type: none"> platform for the courses to be confirmed training packages to be incorporated into chosen platform new courses to be promoted amongst employees and take up monitored. 	September 2024	Veritau	Two new whistleblowing e-learning packages have been created. Training to be made available to council employees.
3	Update whistleblowing policy <ul style="list-style-type: none"> Veritau to draft updated policy consultation with relevant stakeholders, eg HR department, unions draft policy taken to committee for approval 	January 2025	Veritau	An updated whistleblowing policy will be written, consulted upon, and presented for approval.

Ref	Action Required	Target Date	Responsibility	Notes
	<ul style="list-style-type: none"> update intranet and publicise new policy. 			
4	<p>Develop expertise and arrangements for supporting the council with new government grant requirements relating to fraud risks</p> <ul style="list-style-type: none"> gather best practice using recent grant exercises, and available guidance from a range of government departments that provide grants assign specialist officer within counter fraud team evaluate any relevant training to build knowledge internally publicise support offered by counter fraud team. 	March 2025	Veritau	If appropriate we will also consider developing guidance and standard templates that can be used to support arrangements.

Ref	Action Required	Target Date	Responsibility	Notes
5	<p>Increase awareness of the emerging threat of 'polygamous working' within the council</p> <ul style="list-style-type: none"> • discuss issue with Human Resources department • develop publicity material and case studies • alert managers to the issue including signs of it occurring and what to do if suspected. 	August 2024	Veritau	Instances of employees working for multiple organisations have been reported nationally and detected locally. While the levels of this type of fraud are low it is important to raise awareness.
6	<p>Refine annual fraud risk assessment to include comments and views from across the council</p> <ul style="list-style-type: none"> • identification of fraud risk owners within the council • discussion of fraud risk and logging comments and concerns 	January 2025	Veritau	A more robust fraud risk assessment process will produce a stronger assessment and feed into development of counter fraud service.

Ref	Action Required	Target Date	Responsibility	Notes
	<ul style="list-style-type: none"><li data-bbox="304 308 674 408">inclusion of views in the next annual fraud risk assessment.			

Appendix B: Fraud Risk Assessment (May 2024)

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
Adult Social Care Fraud	<p>Losses can occur through deprivation or non-declaration of capital. For example, the transfer or disguise of property and assets in order to avoid paying for residential or domestic care provision. Fraud can also occur through the misuse of the Direct Payment scheme. For example, where money allocated to meet a customer's assessed needs are not used to procure appropriate services.</p> <p>In cases where fraud or error is identified, the average loss is £22k (based on the outcomes of investigations by the counter fraud team over the past six years). Losses in individual cases can be much higher, especially if they are not detected at an early stage.</p>	High	<p>Applications for care funding are carefully assessed to ensure that recipients meet the eligibility criteria and that any financial contribution for care by the customer is correctly calculated.</p> <p>Use of Direct Payments is monitored by council officers who check for possible false claims and overstated needs.</p> <p>The financial assessment team have access to credit checking to help identify undeclared assets.</p> <p>The residual risk of Adult Social Care fraud is still considered to be high. This is due to the scale of losses and the speed at which they can be accrued. It is also a reflection of the difficulty all councils have in detecting assets when people are determined to keep them hidden.</p>	High	<p>Veritau has established relationships with senior management and officers responsible for the provision of adult social care; concerns of fraud are regularly reported to the counter fraud team (CFT) for investigation. Internal audit (IA) periodically conducts audits in higher risk areas, eg Direct Payments.</p> <p>CFT continue to deliver a rolling programme of fraud awareness to staff with responsibilities for assessment and payments.</p> <p>Investigation of fraud in this area provides a deterrent to those considering committing it and can assist the council to recover losses through the court system.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
Creditor Fraud	<p>Fraud against creditor payment systems has increased in terms of volume and sophistication over the past three years. The mandatory publication of payment data makes councils particularly vulnerable to attack. Attacks are often the work of organised criminal groups who operate from abroad. Individual losses due to fraud can be extremely large (in excess of £1 million). The likelihood of recovery is low once a fraud has been successfully committed.</p> <p>The most common issue is mandate fraud (payment diversion fraud) where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in bank details. Other types of fraud include whaling, where senior members of the council are targeted and impersonated in</p>	High	<p>The council has strong controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details.</p> <p>Segregation of duties exist between the ordering, invoicing and payments processes.</p> <p>The residual risk of creditor fraud is still considered to be high due to potentially high levels of loss, the frequency of attacks on public organisations, and the council's reliance on staff working for both the council and its suppliers to follow processes. Human error is a factor in many successful mandate fraud attacks.</p>	High	<p>Veritau regularly provide support and advice to the Creditors Team relating to processes.</p> <p>IA regularly perform audits of the ordering and creditor payment processes, eg segregation of duties and controls to prevent mandate fraud. An audit on the above areas is scheduled for 2024/25. IA also undertake duplicate payment checks on a quarterly basis.</p> <p>CFT undertake fraud awareness training for payments staff. Increased awareness provides a greater chance to stop fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud reported to CFT are reported to the relevant agencies, such as the National Cyber Security Centre, as well as directly to the email provider from which false emails originated.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>order to obtain fraudulent payments.</p> <p>In recent years there have been increased instances nationally and regionally of hackers gaining direct access to email accounts of suppliers and using these to attempt to commit mandate fraud. These attempts can be much more difficult to detect and prevent.</p> <p>Increased remote working has resulted in greater opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds.</p>				<p>The counter fraud team share intelligence alerts relating to attempted fraud occurring nationally with relevant council officers to help prevent losses.</p> <p>As part of any investigation of attempted fraud in this area, the CFT will advise on improvements that will strengthen controls.</p>
Cybercrime	Cybercrime is an evolving area where criminals are continually refining their techniques in order to overcome controls, to obtain unauthorised access and information, and to frustrate systems.	High	The council has a highly skilled ICT department which helps mitigate the threat of cybercrime. The ICT department reviews threat levels and controls (eg password requirements for staff) on a routine basis.	High	IA undertakes a risk assessment of key IT risks facing the council and routinely includes IT audits in the annual work programme. In 2024/25 there are four audits planned in this area, including cybersecurity (user awareness) and ICT disaster recovery.

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>Types of cybercrime experienced by local authorities include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds or systems access/data which could impact service delivery to residents.</p> <p>There have been a number of high profile cyber-attacks on public and private sector organisations in recent years. Attacks stemming from the hacking of software or IT service providers have become more prevalent. These are known as supply chain attacks and are used by hackers to target the end users of the software created by the organisations targeted.</p>		<p>The ICT department use filters to block communications from known fraudulent servers and they encourage staff to raise concerns about any communications they do receive that may be part of an attempt to circumvent cybersecurity controls.</p> <p>Despite strong controls being in place, cybercrime remains a high residual risk for the council. Human error was found to be a factor in 82% of cyber breaches according to a recent study³. Council systems could be exposed by as yet unknown weaknesses in software. Suppliers of software or IT services could also be compromised which may allow criminals access to council systems believed to be secure.</p>		<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. The CFT works with ICT to support activities on raising awareness. A campaign to mark cybersecurity awareness month is undertaken annually.</p>

³ [2022 Data Breach Investigations Report](#), Verizon

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
Council Tax & Business Rates Frauds (discounts and exemptions)	<p>Council Tax discount fraud is a common occurrence. CIFAS conducted a survey in 2022 in which 10% of UK adults said they knew someone who had recently committed single person discount fraud. In addition, 8% of people thought falsely claiming a single person discount was a reasonable thing to do. Individual cases of fraud in this area are of relatively low value but cumulatively can represent a large loss to the council.</p> <p>Business Rates fraud can also involve falsely claiming discounts that a business is not entitled to, eg small business rate relief. Business Rate fraud is less prevalent than Council Tax fraud but can lead to higher losses in individual cases.</p>	High	<p>The council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information be provided on application forms, and visits to properties are undertaken where needed, to verify information. Messages appear on annual bills issued by the council reminding residents and businesses to update their circumstances when necessary.</p> <p>The council routinely takes part in the National Fraud Initiative, and periodically undertakes reviews of single person discounts with companies who undertake data matching exercises.</p>	Medium	<p>CFT deliver periodic fraud awareness training to staff in revenues and customer services teams about frauds affecting Council Tax and Business Rates.</p> <p>IA routinely reviews the administration of Council Tax and Business Rates as one of the council's key financial systems.</p> <p>CFT provide a deterrent to fraud in this area through the investigation of potential fraud which can, in serious cases, lead to prosecution.</p>
Council Tax Support Fraud	Council Tax Support (CTS) is a council funded reduction in liability for Council Tax. It is	High	The council undertakes eligibility checks on those who apply for support.	Medium	CFT routinely raise awareness of fraud with teams involved in processing claims for CTS.

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>resourced through council funds. Fraud and error in this area is of relatively low value on a case-by-case basis but cumulatively fraud in this area could amount to a substantial loss.</p> <p>CTS fraud can involve applicants failing to declare their total assets or income. Those receiving support are also required to notify relevant authorities when they have a change in circumstances that may affect their entitlement to support.</p> <p>Most CTS claims are linked to state benefits (eg Universal Credit) which are administered by the Department for Work and Pensions (DWP). The council has limited influence on DWP decision making which makes it harder to address fraud in this area.</p>		<p>The DWP use data from HMRC on claimants' incomes which is then passed through to council systems. This mitigates the risk of claimant's not updating the council with income details.</p> <p>There are established lines of communication with the DWP where claims for support are linked to externally funded benefits.</p> <p>The council reports suspected fraud to the DWP but this does not always give the council control over resolving false claims for CTS.</p>		<p>CFT provide a deterrent to fraud in this area through the investigation of potential fraud which can, in serious cases, lead to prosecution.</p> <p>Concerns of fraud are routinely reported to CFT by the public and members of staff. If fraud cannot be addressed by the council directly it is reported to the DWP.</p> <p>CFT engage with the DWP at a senior level to foster joint working wherever possible.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
Housing related Fraud	Council properties represent a significant asset to the council. Housing fraud can deprive the council of these assets through false applications for Right to Buy. Tenants who sublet or falsely obtain council properties remove a property from a person or family in true need of housing and can negatively affect the council financially if people are in temporary accommodation and are waiting for a suitable property to become available.	High	<p>The council has strong controls in place to prevent false applications for housing.</p> <p>The housing department engages with tenants regularly to ensure properties are not being misused. They also conduct identification and money laundering checks on applications for Right to Buy.</p>	Medium	<p>CFT provide a deterrent to fraud in this area through the investigation of any suspected subletting of council properties using powers under the Prevention of Social Housing Fraud Act. Offenders face criminal prosecution and repossession of their council properties.</p> <p>CFT undertake verification exercises on Right to Buy applications that are likely to proceed.</p>
Procurement Fraud	<p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority (CMA) estimates that having a cartel within a supply chain can raise prices by 30% or more.</p> <p>In 2020 CIPFA reported losses of £1.5m for local authorities,</p>	High	The council has established Contract Procedure Rules. The rules are reviewed regularly and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice to ensure procurement processes are carried out correctly. The team also has a dedicated procurement	Medium	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. CFT provide training to raise awareness of fraud risks and investigate any suspicions of fraud referred.</p> <p>CFT and IA monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>due to procurement fraud. It found that 8% of fraud detected in this area involved 'insider fraud'.</p>		<p>compliance officer who proactively looks for potential issues in this area.</p> <p>A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made.</p>		<p>IA regularly undertake procurement themed audits which help to ensure processes are effective and being followed correctly. An audit is scheduled relating to the council's preparedness for the new procurement act which comes into force on 1st October. IA also regularly reviews key council contracts as part of the audit programme.</p>
Internal Fraud	<p>Fraud committed by employees is a risk to all organisations. Internal fraud within the council occurs infrequently and usually results in low levels of loss. However, if fraud or corruption occurred at a senior level there is the potential for a greater level of financial loss and reputational damage to the council.</p> <p>There are a range of potential employee frauds including theft, corruption, falsifying timesheets</p>	Medium	<p>In the past two years the council has introduced new whistleblowing and anti-bribery policies. Campaigns are held annually to promote the policies and to remind staff how to report any concerns.</p> <p>The council has checks and balances in place to prevent individual members of staff being able to circumvent financial controls, eg segregation of duties.</p>	Medium	<p>Veritau regularly liaises with senior management on internal fraud issues. Instance of internal fraud are analysed by both IA and CFT to determine if control weaknesses exist and can be addressed.</p> <p>CFT provide training to HR officers on internal fraud issues. It also provides training to all staff on whistleblowing and how to report concerns.</p> <p>CFT investigates any suspicions of fraud or corruption. Serious cases</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on council time. Some staff have access to equipment and material that may be misused for private purposes.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p>		<p>Controls are also in place surrounding flexitime, annual leave and sickness absence.</p>		<p>of fraud will be reported to the police. CFT supports any disciplinary action taken by the council relating to internal fraud issues.</p> <p>IA undertake work to ensure that appropriate checks and balances are in place to help prevent and detect internal fraud and corruption.</p>
Recruitment Fraud	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.</p> <p>Recently there has been increased detection of</p>	Medium	<p>The council has controls in place to mitigate the risk of fraud in this area. DBS checks are undertaken where necessary.</p> <p>Additional checks are made on applications for roles involving children and vulnerable adults.</p> <p>References are taken from previous employers and there are processes to ensure qualifications provided are genuine.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, CFT will be consulted on possible criminal action in tandem with any disciplinary action that may be taken.</p> <p>Fraud alerts relating to employees working at multiple organisations are shared with the Human Resources department. A wider</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>'polygamous working' where one person works for multiple local authorities or other organisations at the same time. Increased home and hybrid working seems to have enabled small numbers of workers to apply for and maintain jobs for different employers at the same time.</p> <p>There is particular danger for the council if recruitment fraud leads to the wrong people occupying positions of trust and responsibility.</p>		<p>The National Fraud Initiative will identify instances of an employee working for other organisations who participate in the exercise.</p>		<p>awareness exercise will be undertaken.</p>
Treasury Management	<p>Treasury Management involves the management and safeguarding of the council's cash flow, its banking, and money market and capital market transactions. The impact of fraud in this area could be significant.</p>	High	<p>Treasury Management systems are subject to a range of internal controls, legislation, and codes of practice which protect council funds.</p> <p>The council can only invest with approved institutions on the Approved Lending List which reviewed annually.</p>	Low	<p>IA conduct periodic work in this area to ensure controls are strong and fit for purpose. Internal audit completed an audit into Treasury Management arrangements, arriving at an opinion of Substantial Assurance.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
			<p>The council employees third party consultancy firms to provide specialist treasury and market advice.</p> <p>Only pre-approved members of staff can undertake transactions in this area and they work within pre-set limits.</p>		
Fraudulent Insurance Claims	The council may receive exaggerated or fabricated insurance claims. If false claims continued unchecked this would negatively effect the council in terms of the annual premiums it pays.	Medium	While insurance fraud is common, the burden of risk is currently shouldered by the council's insurers who have established fraud investigation systems.	Low	N/A
Grant schemes	<p>The council takes on the responsibility for disbursing government funded grant schemes to local residents, businesses, and other organisations.</p> <p>Fraud in this area can include applicants supplying incorrect information to obtain grant payments or grant funded works</p>	Medium	<p>The council will complete any required fraud management plan which will consider fraud risks, and mechanisms for preventing and detecting fraud.</p> <p>When awarding payments or agreeing works, the council (or their contractor) will complete</p>	Low	<p>CFT and IA will support the development of fraud management plans, and associated controls, as appropriate.</p> <p>CFT can undertake investigations in cases of suspected fraud.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
	<p>(for example where grant funds are paid to a third party supplier). Suppliers undertaking work may overcharge or not complete work to agreed standards.</p> <p>The council could become liable for recovery of any incorrectly paid government funding. This can create a loss to the council and may affect access to future grant schemes.</p>		<p>checks to confirm applicants' eligibility.</p>		<p>CFT to build expertise and develop arrangements for supporting the council.</p>
Theft of Assets	<p>The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The council owns a large amount of portable, desirable physical assets such as IT equipment, vehicles and tools that are at higher risk of theft.</p>	Medium	<p>Specific registers of physical assets (eg capital items, property, and ICT equipment) are maintained.</p> <p>The council operates CCTV systems covering key premises and locations where high value items are stored.</p> <p>Entrance to council buildings are regulated and controlled via different access methods.</p>	Low	<p>Thefts are reported to Veritau and the police. Instances of theft are investigated by CFT where appropriate.</p>

Risk Area	Risk Description	Inherent Risk	Risk Controls	Residual Risk	Priorities for IA / CFT
			The council's whistleblowing arrangements provide an outlet for reporting concerns of theft.		
Blue Badge & Parking Fraud	<p>Blue Badge fraud carries low financial risk to the authority but can affect the quality of life for disabled residents and visitors. There is a risk of reputational damage to the council if abuse of this scheme is not addressed.</p> <p>Other low level parking fraud is relatively common. For example, misuse of residential permits to avoid commercial parking charges.</p>	Low	<p>Measures are in place to control the issue of blue badges, to ensure that only eligible applicants receive badges. Checks are made to ensure that commercial businesses don't inappropriately access residential parking permits.</p> <p>The council participates in the National Fraud Initiative which flags badges issued to deceased users, and badge holders who have obtained a blue badge from more than one authority, enabling their recovery to prevent misuse.</p>	Low	<p>Periodic proactive days of action between CFT and the council's enforcement team are used to raise awareness and act as a deterrent to blue badge misuse.</p> <p>CFT and Parking Enforcement work closely together to identify, deter and investigate parking fraud. Warnings are regularly issued to people who misuse parking permits and blue badges. Serious cases are considered for prosecution.</p>

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Meeting:	Audit and Governance Committee
Meeting date:	22/05/2024
Report of:	Head of Internal Audit (Veritau)
Portfolio of:	Cllr Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Internal audit and counter fraud work programmes 2024/25

Subject of Report

1. This report seeks the committee's approval for the indicative programme of internal audit work to be undertaken in 2024/25. It also includes the proposed programme of counter fraud work, which is provided for the committee's information.

Policy Basis

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
3. The PSIAS require the Head of Internal Audit to communicate the internal audit service's plans (referred to as a 'work programme') to senior management and the Audit and Governance Committee for review and approval.

Recommendation and Reasons

4. The Audit and Governance Committee is asked to:

- approve the 2024/25 internal audit work programme, and to note the proposed counter fraud programme.

Reason: In accordance with the committee's responsibility for overseeing the work of internal audit and the counter fraud service.

Background

Overview

5. The council's internal audit service has to comply with the PSIAS, and the council's own internal audit charter. The standards and charter require that the Head of Internal Audit gives an annual opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control. The basis for the opinion is the programme of work that internal audit carries out.
6. The work programme is required to be approved by this committee as part of its responsibility for overseeing the work of internal audit. This report seeks approval for the indicative programme of internal audit work for 2024/25.
7. In addition to internal audit, Veritau also provides the council with specialist counter fraud services. While formal approval of the counter fraud programme is not required, the proposed areas of work are set out in this report for the committee's information.

2024/25 internal audit work programme

8. An indicative risk-based internal audit work programme is drawn up at the start of each year, setting out proposed priorities for assurance coverage over the coming twelve months.
9. The internal audit programme included in annex 1 outlines current priorities for work in 2024/25. It includes proposed areas of audit coverage and is based on a risk assessment undertaken by Veritau. The work programme has also been informed by discussions with senior officers and members, and through review of risk management arrangements and plans for development and change within the council.

10. The internal audit work programme is a flexible working document. It is revisited, updated, and adjusted throughout the year to ensure it remains aligned with current risks and priorities and to ensure that coverage is sufficient to arrive at a robust and well-informed annual opinion.

2024/25 counter fraud work programme

11. A summary of areas of counter fraud work for 2024/25 are set out in annex 2.

Consultation Analysis

12. The PSIAS require internal audit to independently form a view on the risks facing the council when preparing the plan or programme of work. However, they also require the opinions of the Audit and Governance Committee, and those of senior council officers, to be taken into account when forming that view.
13. The views of this committee were sought as part of the 2024/25 internal audit work programme consultation report presented at the 28 February 2024 meeting. Since then, numerous consultation meetings have taken place with senior council officers across the organisation.
14. This report represents the conclusion of initial consultation on the development of the 2024/25 internal audit work programme. Views of councillors and officers have been considered in the programme's initial development. This will continue to be the case as the programme is updated and adjusted throughout 2024/25.

Risks and Mitigations

15. The council's internal audit service will not meet the requirements of the Public Sector Internal Audit Standards if the internal audit work programme is not approved by the committee. This could result in external scrutiny and challenge.

Contact details

For further information please contact the authors of this Report.

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Report approved:	Yes
Date:	13/05/2024

Background papers

Internal Audit Work Programme Consultation 2024/25: [Annex 1 - Internal Audit Work Programme Consultation Report 2024-25.pdf \(york.gov.uk\)](#)

Annexes

- Annex 1: Internal audit work programme 2024/25
- Annex 2: Counter fraud work programme 2024/25

Abbreviations

PSIAS - Public Sector Internal Audit Standards

CIPFA – Chartered Institute of Public Finance and Accountancy



Internal Audit Work Programme 2024/25

CONTENTS

- 3** Introduction
- 3** Strategic context
- 5** Programme principles and development
- 8** 2024/25 internal audit work
- 10** Appendix A: indicative internal audit work programme

Introduction



- 1 This report sets out the proposed 2024/25 programme of work for internal audit, provided by Veritau for City of York Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. To comply with professional standards and the charter, internal audit work must be risk based and take into account the requirement to produce an evidence-based annual internal audit opinion. Accordingly, planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.
- 3 Specifically, the PSIAS require that the Head of Internal Audit *"must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion."*
- 4 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the council, and to produce a body of work which allows us to provide our opinion.
- 5 Responsibility for effective risk management, governance and internal control arrangements remains with the council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can audit work cover all areas of risk across the organisation.

Strategic context



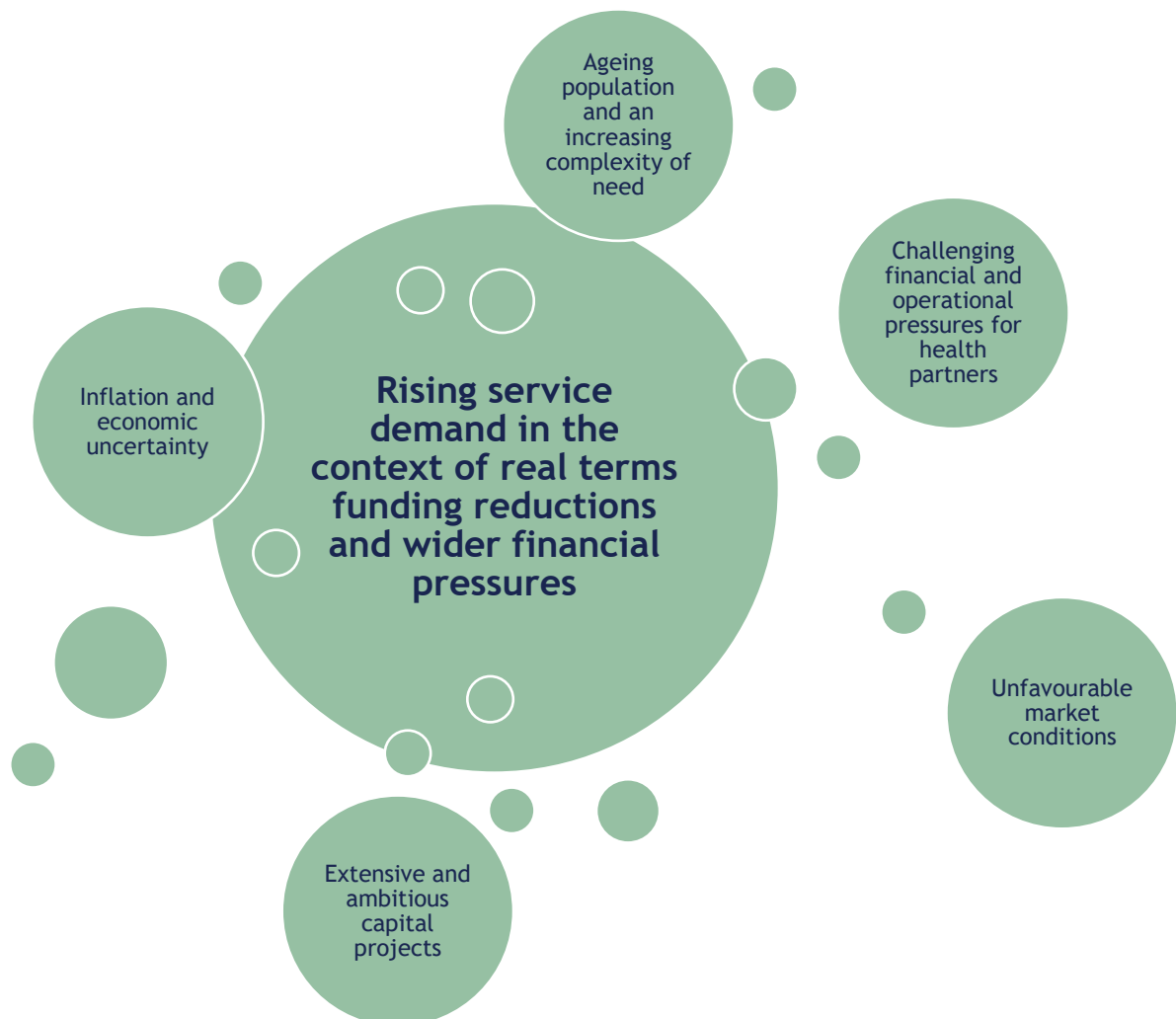
- 6 The council is facing unprecedented financial and delivery pressures as a result of the continued increase in demand for its services and the impact of inflation and economic uncertainty. An ageing population, an increase in the complexity of need in the adult and child populations, exposure to unfavourable market conditions¹, and challenging financial positions for health partners all represent risks to the council's ability to deliver its priorities and maintain its services (see figure 1 on the following page).
- 7 These pressures are set against a backdrop of real terms decline in central government funding over multiple years. While core spending power has increased by 6% since 2010/11, this has translated to a real term reduction in spending power of 28.5% for the city of York. This has seen City of York Council become one of the lowest funded upper-tier local authorities in the country, with a national rank of 143 out of 150².

¹ 31 January 2024: Audit & Governance Committee report: Monitor 3 2023/24 – Key Corporate Risks

² 25 January 2024 Executive decision report: Financial Strategy 2024/25 to 2028/29

- 8 The combined effect of all these pressures means that the council needs to take action to maintain a stable and resilient financial position while still delivering on its statutory duties, and on the priorities set out in the Council Plan and its three 10-year strategies. These priorities include continuing to invest in adult social care and support for children and supporting its communities facing the cost-of-living crisis. Meanwhile, the council has an extensive and ambitious programme of major capital projects designed to stimulate economic growth, to deliver more housing, and to improve its highway network infrastructure. Large sums have been committed to complex, high profile, and often multi-year projects. While these projects present significant opportunities for the council, they also bring with them considerable risks.
- 9 In short, the council is expected to deliver more with less. Maintaining effective operational arrangements is essential to achieving this. Internal audit contributes to overall objectives by helping to ensure that systems of governance, risk management and control that underpin operational arrangements are robust. To maximise the value of internal audit, it is vital that we provide assurance in the right areas at the right time. We've designed the processes for developing the internal audit work programme, and refining it through the year, to do that.

Figure 1: An illustration of the key threats currently facing City of York Council.



Programme principles and development

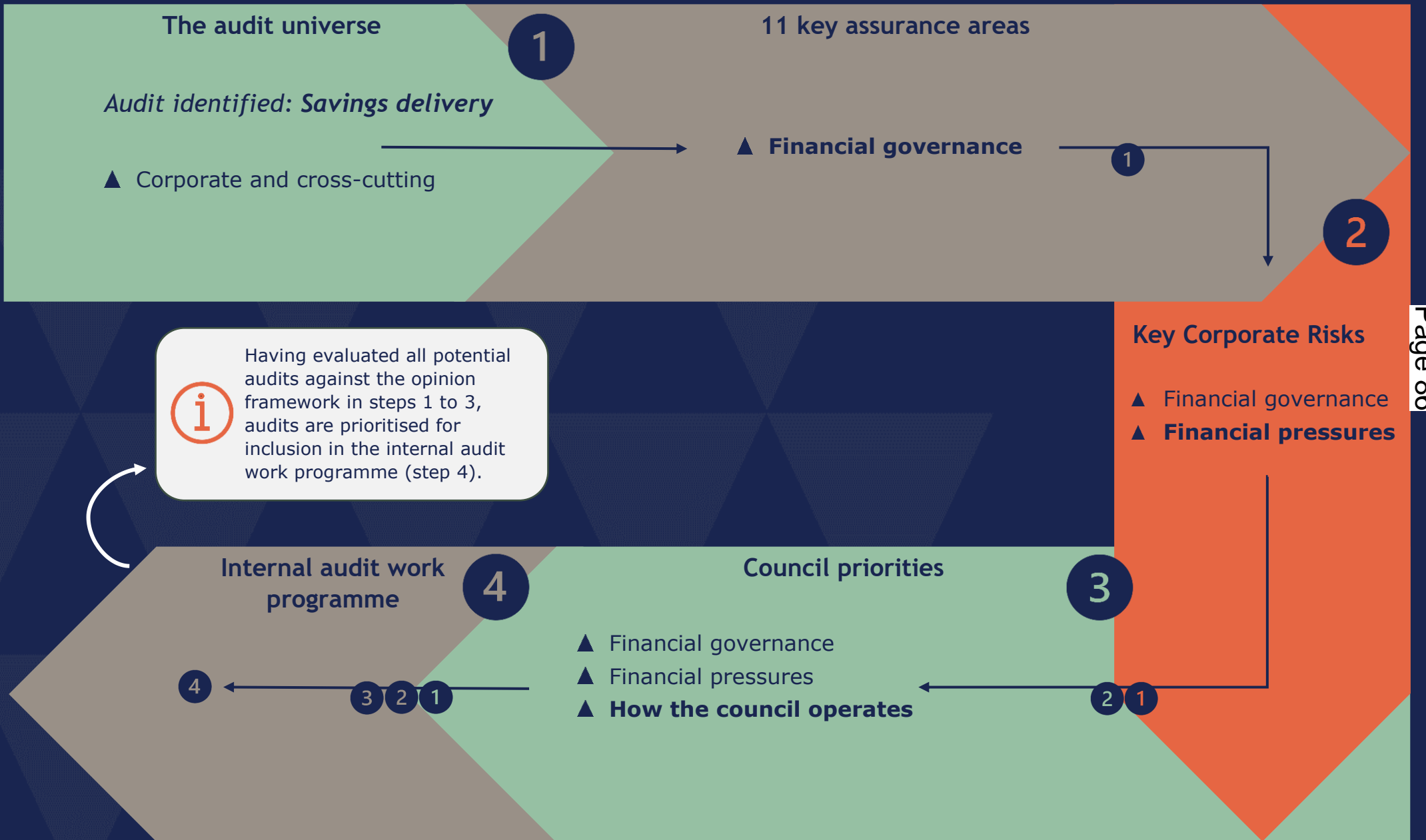
Flexible, risk-based planning and the opinion framework

- 10 In order to best meet professional standards, internal audit is required to adopt flexible planning processes that are sensitive to risk. This flexibility and risk-based approach are driving principles for delivery of City of York Council's 2024/25 internal audit work programme.
- 11 The Audit & Governance Committee was introduced to Veritau's opinion framework as part of the 28 February 2024 internal audit work programme consultation report ([Annex 1 - Internal Audit Work Programme Consultation Report 2024-25.pdf \(york.gov.uk\)](#)).
- 12 The opinion framework sets out the principles that will be used to develop and manage the audit work programme over the course of the year. It ensures that assurance coverage is targeted towards priority areas. This, in turn, allows us to arrive at a properly informed annual opinion.

Identification of initial internal audit priorities

- 13 Internal audit maintains a long list of all areas within the council that could potentially be audited. It is not possible to review all areas in any one year. Instead, we prioritise audits by considering potential risks in each area at the time of the assessment and by considering requirements for assurance coverage.
- 14 The opinion framework provides the structure for internal audit to take informed decisions on priorities.
- 15 Figure 2 on the following page demonstrates how the framework is applied to identify initial internal audit priorities. It illustrates how an example audit ('savings delivery') passes through the framework and how we evaluate it for potential inclusion in the work programme. In this case, we have assessed the savings delivery audit as a high priority for inclusion as it contributes to coverage of a key assurance area, a key corporate risk, and a council priority. The committee will note that the savings delivery audit has been included in the 2024/25 indicative internal audit work programme at appendix A.

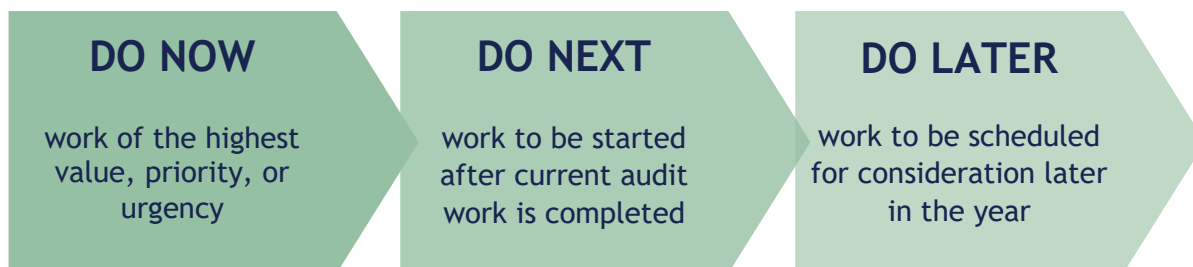
APPLYING THE FRAMEWORK: A WORKED EXAMPLE



The 'do now', 'do next', 'do later' audit prioritisation system

- 16 Once initial internal audit priorities have been identified through application of the opinion framework, we then overlay a second system of prioritisation. This system allows us to determine the relative priority of audits included in the indicative work programme.
- 17 This second prioritisation system sees audits assigned to one of three categories, as shown in figure 3 below.

Figure 3: 'do now', 'do next', 'do later' prioritisation system.



- 18 Decisions on which category of the three categories internal audit work falls into will be based on judgement, and will be made having given consideration to the prioritisation factors in table 1 below. These will result in internal audit work being considered a relatively higher or lower priority at the time of assessment.

Table 1: Internal audit prioritisation factors.

Prioritisation factors	
▲ where we have no recent audit assurance, or other sources of information	▲ where controls are changing and / or risks are increasing
▲ where we are following up previous control weaknesses	▲ where specific issues are known to have arisen
▲ that are of significant importance to the council, for example they reflect key objectives or high priority projects	▲ that provide broader assurance, for example corporate policies and frameworks
▲ that need to be covered to enable us to provide an annual opinion	▲ where there are time pressures or scheduling requirements, for example grant deadlines, or work scheduled to minimise the impact on council service areas at busy times

- 19 The above factors will be used on an ongoing basis to decide what internal audit work will be carried out, and when, during the course of the year. These decisions will be made in consultation with the council through our ongoing dialogue with senior officers. Individual pieces of work will move

between the three categories, as required, based on their priority at the time of assessment.

- 20 For example, an audit scheduled for quarter two to minimise the impact on a service area may initially be classed as 'do later' but will become 'do now' as we move into quarter two. Similarly, an audit of a council project classed as 'do now' because it represents an area of high importance may move from 'do now' to 'do next' or 'do later' if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, audits classed as 'do later' are likely to be deferred until the following year.
- 21 The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

2024/25 Internal audit work



The 2024/25 indicative internal audit work programme

- 22 The work programme for 2024/25 is set out in appendix A, beginning on page 10.
- 23 Functionally, the indicative programme is structured into a number of areas, as set out in table 2, below.

Table 2: Work programme functional areas.

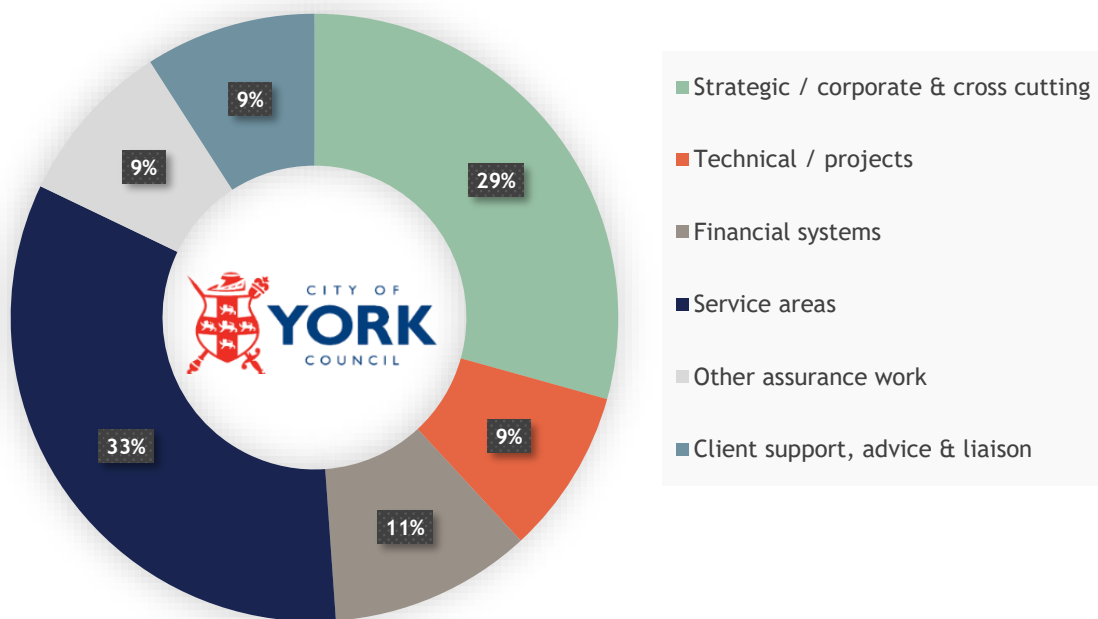
Programme area	Purpose
▲ Strategic / corporate & cross cutting	To provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the council.
▲ Technical / projects	To provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
▲ Financial systems	To provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.
▲ Service areas	To provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the council if they were to materialise.
▲ Other assurance work	An allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out,

Annex 1

	ensuring that agreed actions have been implemented by management.
▲ Client support, advice & liaison	Work we carry out to support the council in its functions. This includes the time spent providing support and advice, and liaising with staff.

24 The overall level of service is based on an indicative number of days, for planning purposes (1,023 for 2024/25). Figure 4 below shows the proportion of time we expect to deliver across each area during the year.

Figure 4: 2024/25 work programme: indicative functional area split.



25 It is important to emphasise two important aspects of the programme. Firstly, the audit activities included in appendix A are not fixed. As described above, work will be kept under review to ensure that audit resources are deployed to areas of greatest risk and importance to the council. This is to ensure the audit process continues to add value.

26 Secondly, it will not be possible to deliver all of the audit activities listed in the programme. The programme has been intentionally over-planned, to build in flexibility from the outset while also providing an indication of the priorities for work at the time of assessment. Over-planning the programme enables us to respond quickly by commencing work in other areas of importance to the council when risks and priorities change during the year.

APPENDIX A: indicative internal audit work programme 2024/25

Programme area	Potential internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Savings plans ▲ Overtime and allowances ▲ Workforce development ▲ Data Protection and Digital Information Act ▲ FOI and EIR improvement plan ▲ Physical information security compliance (satellite sites) ▲ Physical information security compliance (West Offices and Hazel Court) ▲ Use of CCTV and investigatory powers (covert surveillance) ▲ Asset performance ▲ Procurement Act: preparedness assessment ▲ Contract management ▲ Risk management ▲ York 2032: partnership governance ▲ Performance management framework ▲ Data quality ▲ Equalities ▲ Carbon reduction / adaptation ▲ Public health: procurement and contract management
Technical / projects	<ul style="list-style-type: none"> ▲ NHS Data Security and Protection Toolkit: accountable suppliers ▲ Project management

Programme area	Potential internal audit activity
	<ul style="list-style-type: none"> ▲ ICT disaster recovery ▲ ICT applications / database security ▲ Cybersecurity: user awareness ▲ ICT projects / systems development
Financial systems	<ul style="list-style-type: none"> ▲ Main accounting system ▲ VAT accounting ▲ Ordering and creditor payments ▲ Sundry debtors ▲ Housing benefits ▲ Housing rents
Service areas	<ul style="list-style-type: none"> ▲ Locality working / ward committee model ▲ Community Safety Strategy ▲ Community Infrastructure Levy ▲ Public EV charging strategy (tariff management) ▲ Council house repairs ▲ Additional landlord duties ▲ Green waste subscription service ▲ Public protection ▲ Section 17 payments ▲ Children's direct payments ▲ Unaccompanied asylum seeker children ▲ Residential care: The Beehive / Wenlock Terrace

Programme area	Potential internal audit activity
	<ul style="list-style-type: none"> ▲ Alternative provision ▲ Funded early education ▲ Full school audit: Clifton Green Primary School ▲ Full school audit: Danesgate Community School ▲ Schools themed audit: purchasing and best value ▲ Schools themed audit: pupil premium ▲ Payments to care providers and contract management (adult social care) ▲ Referrals and care assessments (adult social care) ▲ Care and support planning (adult social care) ▲ Managing customer finances (adult social care) ▲ Continuing healthcare (adult social care)
Other assurance work	<ul style="list-style-type: none"> ▲ Follow-up of previously agreed management actions ▲ Continuous audit planning and additional assurance gathering to help support our opinion on the framework of risk management, governance and internal control ▲ Continuous assurance work, including data analytics and data matching projects Attendance at, and contribution to, governance- and assurance-related working groups
Client support, advice & liaison	<ul style="list-style-type: none"> ▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance and risk related issues



Counter Fraud Work Programme 2024/25

Counter Fraud Work Programme



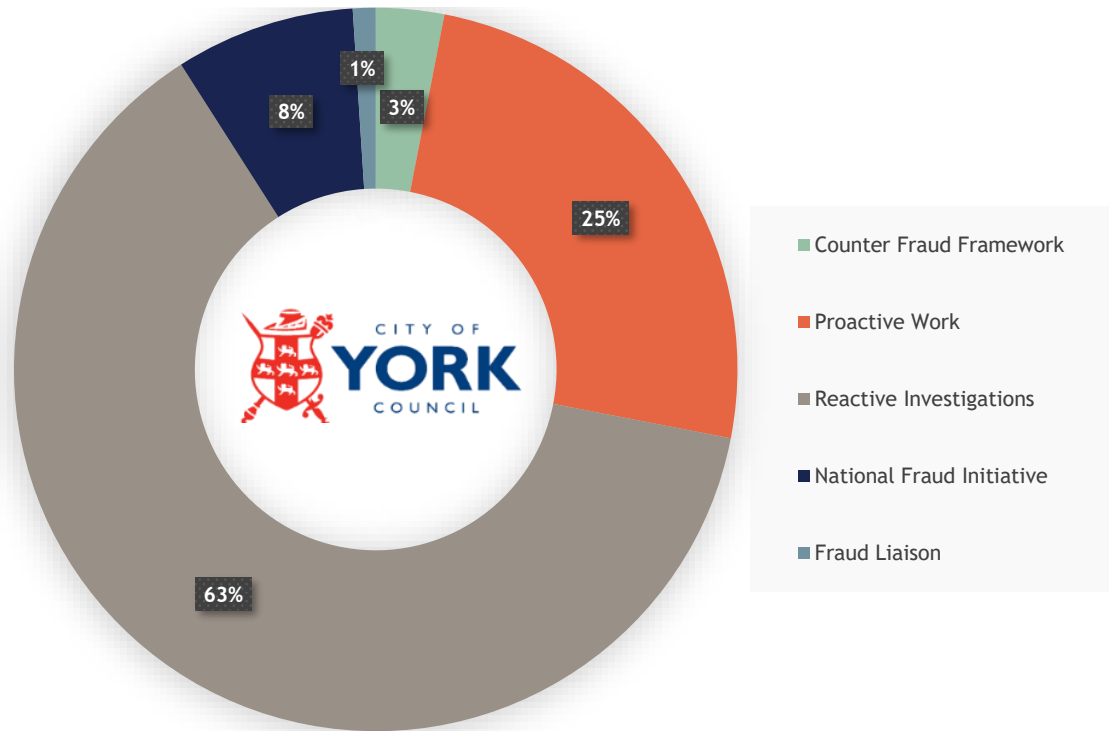
- 1 Veritau undertakes counter fraud work on behalf of City of York Council. This document summarises expected counter fraud activity for 2024/25.
- 2 A large part of the work of the team involves undertaking reactive investigations. The level of investigations is driven by referrals received from officers and the public about suspected fraud. Other work will be undertaken in accordance with priorities determined by the Counter Fraud Risk Assessment and Counter Fraud Strategy Action Plan (presented to the committee alongside this work programme). A high-level summary of areas of counter fraud work are shown in table 1 below.

Table 1: Counter fraud work programme

Programme area	Purpose
▲ Counter Fraud Framework	Monitoring changes to regulations and guidance, reviewing counter fraud risks, and support to the council with maintenance of the counter fraud framework. Updates on significant fraud trends and counter fraud activities will be provided to the Audit and Governance Committee during the year.
▲ Proactive Work	This includes: <ul style="list-style-type: none"> • raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues • targeted proactive counter fraud work - for example through local and regional data matching exercises • support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud.
▲ Reactive Investigations	Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud reoccurring.
▲ National Fraud Initiative	Coordinating submission of data to the Public Sector Fraud Authority for the National Fraud Initiative (NFI) data matching programme and investigation of subsequent matches.
▲ Fraud Liaison	Acting as a single point of contact for the Department for Work and Pensions, to provide data to support housing benefit investigations.

- 3 The overall level of service is based on an indicative number of days for planning purposes (983 for 2024/25). Figure 1 below shows the proportion of time we expect to deliver across each area during the year.

Figure 1: Indicative split of counter fraud work



- 4 The split of activities shown in the figure above are not fixed. Actual work will depend on the level of suspected fraud referred to the team. We will also keep priorities for proactive and other counter fraud work under review, to ensure counter fraud resources continue to be used in the areas of greatest value to the council.

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Auditor's Annual Report

City of York Council – year ending 31
March 2022 and draft commentary for
year ending 31 March 2023

April 2024



Contents

- 01** [Introduction](#)
- 02** [Audit of the financial statements](#)
- 03** [Commentary on value for money arrangements](#)
- 04** [Other reporting responsibilities](#)

[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for City of York Council ('the Council') for the years ending 31 March 2022 and 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements 2021/22

We issued our audit report on 17 January 2024. Our opinion on the financial statements was unqualified.

Opinion on the financial statements 2022/23

As reported to the 31 January 2024 Audit and Governance Committee, our work is substantially complete, except for receipt of the North Yorkshire Pension Fund Auditor's assurance. Once our work in this area is complete, we can finalise the audit and issue our audit report. We expect to issue an unqualified opinion.



Value for money arrangements

In our 2021/22 audit report issued January 2024, we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources but had identified a significant weakness. As a result of the Council's response to our recommendations, we have not identified significant weaknesses in arrangements for 2022/23.

Section 3 provides our commentary on the Council's arrangements..



Whole of Government Accounts

At the time of preparing this report the group audit instructions have been issued by the National Audit Office (NAO) but the NAO has not confirmed which entities will be sampled components. As a result, our Whole of Government Accounts work has not yet been concluded and we are unable to issue our audit certificate which will formally close the audits for 2021/22 or 2022/23.

Public Interest Report

We issued a Public Interest Report on 19 April 2021 including recommendations to address significant weaknesses in the Council's arrangements in respect of the severance of the former Chief Executive.

Wider reporting responsibilities

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 to consider any objection made to the accounts. While we did receive information from members of the public for each audit year, we did not receive any statutory questions or objections.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinions

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2022 and 2023 and of its financial performance for the years then ended.

Our 2021/22 audit report, issued on 17 January 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

We have not issued our audit report for 2022/23. As reported to the 31 January 2024 Audit and Governance Committee, our work is substantially complete, except for the receipt of the North Yorkshire Pension Fund Auditor’s assurance. Once our work in this area is complete, we can finalise the audit and issue our audit report. We expect to issue an unqualified opinion.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made for both years.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to value for money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



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 work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions with officers and Members.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see recommendations 1 to 6 on pages 12 to 14
 Governance	16	See progress against significant weaknesses and recommendations on page 22		Yes – see recommendation 7 on page 18
 Improving economy, efficiency and effectiveness	19	See progress against significant weaknesses and recommendations on page 22		Yes – see recommendations 8 to 9 on page 20

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Our review of minutes and supporting reports/papers confirms that financial planning arrangements have remained in place throughout 2021/22 and 2022/23. As our assessment covers two years, we have considered the Medium-Term Financial Strategies (MTFS) covering the periods 2021/22 to 2025/26 and 2023/24 to 2027/28, the latter being approved in November 2023. Both include financial projections, analysis and context to support the delivery for the Council's key priorities as set out in the Council Plan (2023-27).

The MTFS is refreshed annually to ensure decisions are based on the latest information. The November 2023 update reflects on the impact of the 2022/23 budget, the continued challenges from Covid-19 and funding cuts, as well as changes to local taxation.

The Council's capital investment plan for 2022/23 to 2026/27 sets out the long-term programme which is underpinned by the Council's annual capital financing investment strategy (2022/23) and treasury management strategy (2022/23 to 2026/27).

Quarterly budget position statements are considered by the Executive and are underpinned by budget monitoring arrangements at a service level which are reported to the Council Management Team. These reports provide a summary of the projected outturn and the actuals, along with supporting narrative to explain significant changes and pressures. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report. Budget Panels are also held with each Executive portfolio holder to ensure that all budget pressures are recognised in the strategy.

In 2021/22 and 2022/23, in common with other local authorities, the Council experienced significant cost pressures linked to the war in Ukraine and Consumer Price Inflation which reached 11.1% in October 2022. In 2023/24, the Council continues to report significant financial pressures stemming from both demand pressures and cost increases. As in previous years, our work confirms that there has been regular monitoring of the financial position throughout the year, which included arrangements to update the Financial Strategy, enabling the Council to respond to newly identified financial challenges throughout the life of the plan.

How the body plans to bridge its funding gaps and identified achievable savings

Our review of the financial strategy updated in 2021/22 and 2022/23, provides assurance that forecasts are based on assumptions including the Council's up to date assessment of funding available, service demand and other cost pressures. The overarching MTFS includes the identification of savings and efficiencies up to 2026/27 after considering estimated funding. The MTFS highlights a potential budget gap of £24.8m over the

life of the MTFS which the Council plans to mitigate by identifying savings, increasing income or using reserves.

We have considered the Council's performance in delivering its savings targets within the context of the MTFS and we recognise saving plans are an ongoing and iterative process, developed by officers and agreed by Members based on the latest information. The savings target for 2022/23 was £6.47m, equivalent to 4.7% of the net budget. Of this, £4.01m was achieved, which is 62% of the target. The 2023/24 budget includes a saving target of £5.5m, which is 3.9% of the £141.6m budgeted expenditure requirement.

While we have not identified evidence of a significant weakness in arrangements, we recognise the continued challenges involved in delivering savings throughout the life of the MTFS and make the following 'other recommendations':

Recommendations 1, 2, 3 and 4

<p>The financial strategy for the period 2023/24 – 2027/28 highlights a saving requirement of £35.4m over the life of the plan. A saving target of £5.5m has been set for 2023/24. Given the growing risks around the Council's financial sustainability, there is an increased need for clear reporting and accurate forecasting of saving targets, linked to the MTFS.</p>	<p>The Council should ensure it applies its arrangements with sufficient rigour to identify how it will deliver savings to balance the MTFS.</p>
	<p>It should also review its reporting and scrutiny arrangements of saving targets to ensure plans are delivered and risks to the savings programme are clearly reported to Members.</p>
	<p>Recurrent and non-recurrent savings should be clearly identified to provide additional detail for Members when considering costed policy options and financial pressure.</p>
	<p>The MTFS should also provide greater clarity on how it aligns with the Council's annual budget and supports both the Corporate Plan and Service Plans. Corporate priorities and staff performance objectives should be clearly linked.</p>

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Minimum Revenue Provision (MRP) is an annual charge to the general fund in respect of capital expenditure that has not been financed through the application of grants, contributions or capital receipts. In effect, the MRP acts as a replacement for depreciation and aims to make sure that a local authority can repay borrowing.

In 2021/22 the Council’s MRP was significantly lower than the previous year’s charge and led to a planned budget saving predicated by a change in the calculation method from an equal instalment basis to an annuity basis. Members were made aware of the change during the meeting of the Finance and Performance Committee in February 2022.

The change was also included in the Executive report that was considered by the Audit and Governance Committee when the Treasury Management strategy for 2022/23 was presented. We have highlighted the impact of this change in the table below.

Table 1 – MRP

	2020/21	2021/22	2022/23
MRP charge (£m)	7.95	4.73	5.45
MRP as a percentage of the capital financing requirement (%)	1.8	1.0	1.1

We carried out a benchmarking exercise for our local government audits, comparing your data to eleven other unitary authorities (all from the North of England). For 2022/23, our analysis shows that the average MRP as a percentage of capital financing requirement is 2.8%, over an average of 42 years. For comparison, the City of York Council’s was 1.1% and 88 years.

Recommendation 5

Regulations require councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.	Members should consider whether the MRP charge is prudent and reflects the Council’s capital financing requirements.
--	--

How the council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As in the previous year, the Council’s MTFS aligns with the Council’s Plan for 2023-2027 which sets out the Council’s strategic direction and ambitions.

Our work confirms that the MTFS continues to be based on updated assumptions based on relevant information. The MTFS is regularly reviewed and reported, including where changes in assumptions affect the forecast financial position. There is regular budget monitoring including quarterly performance reports which support the identification of in-year pressures, whether savings are being achieved and if resources need to be re-directed to areas in need. We have reviewed the outturns which span 2021/22 and 2022/23 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS. The Quarterly combined finance and performance reports are reported to the Executive and the Corporate Services, Climate Change and Scrutiny Management Committee periodically throughout the year. These reports focus on high-risk material issues and mitigating actions, along with performance and outcomes data.

The MTFS is updated every 4 years to reflect budget changes, as part of the budget setting process. We confirmed a review of the MTFS was undertaken by the Executive board in 2022/23 to ensure that the budget remains in line with the strategic priorities of the Council.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council Plan is part of a Strategic Planning Framework. The MTFS is part of this Framework, and our work confirms that arrangements were in place that: link the financial plan to the Council’s objectives to ensure the priorities are delivered; scrutinise the MTFS; and record key assumptions with each savings plan being risk assessed.

In line with the Prudential Code and the Council’s Capital Strategy, the revenue implications of capital investment decisions are considered and form part of the MTFS planning and budget setting process. This is designed to ensure that investments are fully funded. Quarterly capital monitoring reports are considered by the Executive and reflect changes in resourcing, delivery and any new capital programmes. These reports also enable the Council to monitor the delivery and overall funding of the programme. We have confirmed that regular reports to the Executive were made throughout the reporting periods. As part of ensuring the consistency of the MTFP and annual budget with other plans, significant consultation is also undertaken on the budget, both with internal and external stakeholders.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How the body identified and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the S151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2022/23, this was included alongside the Revenue Budget and reported to the Executive Committee in February 2023. Risk factors were considered as part of this assessment, including the level of reserves, prudential and treasury indicators, and the reliability of inflation estimates. This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves.

The budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive Board and Scrutiny Committees. We have reviewed the outturn reports throughout 2021/22 and 2022/23 and noted that they reflect in-year changes, allowing the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

In June 2023, the 2022/23 Outturn Report highlighted a net overspend of £4.8 against the net budget of £135m, which is 3.6% of the net budget. The overspend was mitigated by applying contingency and earmarked reserves to bridge the gap. In September 2023, the net overspend was revised upwards to £6.8m (5.04% of the net budget). Consistent with the prior year and other local authorities, Children and Education, and Adult Social Care continue to be the overspending services, with an aggregated £7.9m overspend in 2022/23. Partly, because of these overspends, earmarked reserves have fallen from £69.1m at 31 March 22 to £48.6m at 31 March 2023.

The CIPFA Code confirms that the revenue reserve, known as the General Fund (GF) balance, and the level of the unallocated general reserves should take account of strategic, operational and financial risks. Reserves can be held for three main purposes:

- a working balance to manage cash flows and avoid unnecessary temporary borrowing – (general reserves).
- a contingency to mitigate the impact of unexpected events (general reserves).
- earmarked reserves, to meet known or highly likely future requirements. These are earmarked reserves and can be reported separately but remain part of the General Fund.

We have completed a benchmarking exercise for our local government clients, and we compared your data to our eleven other unitary authority clients (all from the North of England). For 2022/23, our analysis shows the following:

Table 2 – General Fund Reserves

	City of York Council	Mazars UA population
GF as a proportion (%) of Gross Revenue Expenditure	2.2	2.3
Total reserves as a proportion (%) of GRE	11.8	13.4

This indicates that the Council's reserve levels are at a similar level to other Councils. We note, however, that the Council's GF balance also includes its school reserves, which may not be included in the GF reserves of other Councils in the population.

Other recommendation 6

CIPFA recommends that the annual budget report should include a statement explaining the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's MTFS and complete an annual review of earmarked reserves (including schools' reserves) listing the various earmarked reserves, the purposes for which they are held and advice on the appropriate levels, estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.

Due to ongoing financial uncertainty, the Council should continue to consider the adequacy of its reserves (including the General Fund Reserve) to ensure they are adequate to mitigate and unforeseen events. The Council should ensure its annual budget report adopts CIPFA's recommendations, regarding its annual budget and reserves. Members should ensure they have sufficient assurance that the Council's reserves are appropriate and based on the latest financial circumstances of the Council.

Our review of committee reports and attendance at meetings of the Audit and Governance Committee, provides audit assurance that the Council continues to monitor and identify mitigations to manage any changes in demand and assumptions in the MTFS.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

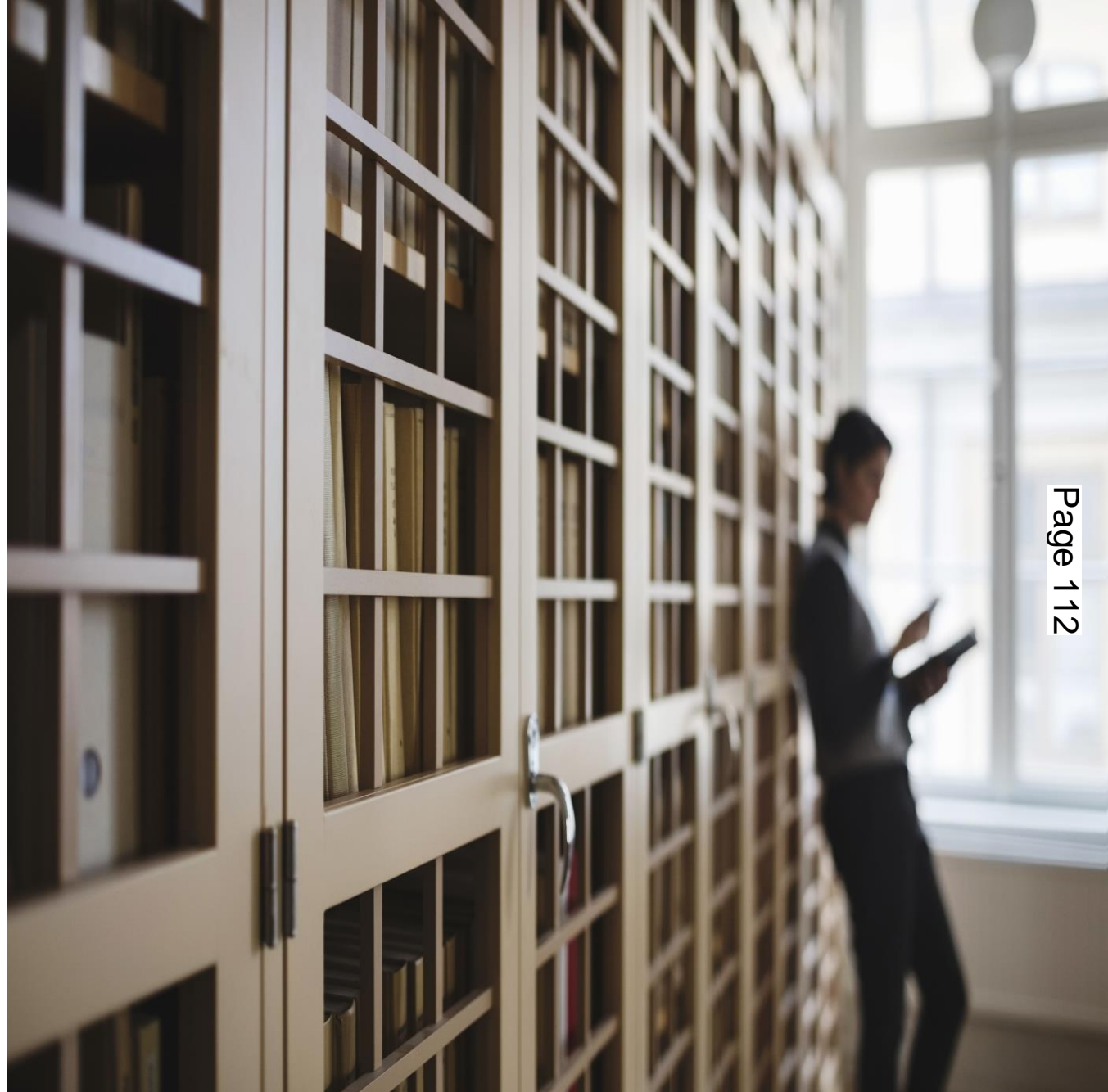
With the current financial uncertainty, the Council is experiencing rising costs across most services, especially in relation to energy prices and staff costs. This, along with the ongoing cost of living crisis has put further pressure on the Council's finances. In its January 2024 'Finance and Monitor 3' report, the Council is projecting an £11m overspend, against its net budget of £141m, which it expects to reduce to £0.8m after mitigations. To respond to this, the Council has developed and reported mitigation plans, along with a further in-depth review of the earmarked reserves, to identify where funds can be released.

While we have reported 'other recommendations', overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the financial sustainability criteria.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Audit and Governance (A&G) Committee considers the adequacy of the Council's risk management framework and associated control environment. Internal Audit Services were provided for both 2021/22 and 2022/23 by Veritau Ltd. Veritau is jointly owned by both North Yorkshire County Council and City of York Council. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council's Audit Committee to determine the priorities, consistent with the Council's goals. The plan is discussed with Service leads before being finalised.

The 2021/22 and 2022/23 plans were both presented to the A&G Committee in February 2021 and January 2022 respectively. We have observed that progress against the Plan was reported at each meeting. The Head of Internal Audit Opinions were presented to the June 2022 and July 2023 A&G Committee meetings and provided the following levels of assurance:

	2021/22	2022/23
Head of internal audit opinion	Reasonable Assurance	Reasonable Assurance

As reported in the Head of Internal Audit Opinion, there were no limited assurance reviews in 2022/23, which is down from 2 in 2021/22. Internal Audit Reports have been presented to Members of the A&G Committee via the Part B section of the meetings. We considered each review to obtain assurance that the matters identified in these reviews were not indicative of a significant weakness in arrangements, none have been identified.

Our attendance at A&G Committee confirms that Members challenge management where recommendations are not implemented within the agreed timeframe. We also observed scrutiny of matters raised in Internal Audit reviews. Veritau Ltd also provided dedicated Counter Fraud services to the Council throughout both 21/22 and 22/23. Veritau undertake proactive work to identify possible fraud and investigate all suspected cases of fraud which are identified. We confirmed that outcomes of investigations into suspected fraud are reported to the A&G Committee via the Counter Fraud Annual Reports.

How the Council approaches and carried out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances. The MTFS (2022/23 to 2026/27) was presented to the Executive Committee and was updated in November 2023. Although this is at a high level, it illustrates the regular monitoring and refinement of the MTFS after Member input.

Financial Procedure Rules are in place and detail the requirements for setting the budget over a period of four years. Financial Management Standards support the Council's Financial procedure Rules set out in the Council's Constitution. Financial Procedure Rules provide the overall high-level framework for managing the Council's financial affairs and Financial Management Standards set out in more detail how these procedures are implemented to embed financial management across the Council.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensure corrective action is taken where needed

We noted that regular reporting of the financial position took place throughout 2021/22 and 2022/23 financial years. Quarterly forecasts of outturn reports were presented to both the Executive and the Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The quarterly and year-end positions have not highlighted any weaknesses in the Council's monitoring and reporting arrangements. As already reported, the key areas of pressure consistent with other local authorities are Children and Education, and Adult Social Care.

In both years, the financial statements preparation timetable was approved by the A&G Committee and was achieved. Our audits of the financial statements for each reporting period did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

We reviewed Council reports and minutes throughout the year and have not identified any evidence of weaknesses in arrangements. Membership of the Audit and Governance Committee includes Councillors and independent members. The Terms of Reference of the Audit and Governance Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered. The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegations. The website also includes details on how decisions are made in Council.

The Council has scrutiny committees which are able to challenge decisions. We reviewed meetings held in both 2021/22 and 2022/23 and identified no evidence to suggest this function has not been delivered. A Scrutiny Committee Structure and Operational Task Group is also in place to oversee and coordinate the work.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

On page 22 of this report, we have commented on the Council's progress in addressing a previously reported significant weakness and our recommendations relating to the former Chief Executive's severance package. As a result, the Council's Constitution was reviewed, and the revised Constitution was adopted in May 2023. The Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people.

The Constitution is supported by Codes of Conduct for Members and officers. Some officers have a legal duty to ensure that the Council acts within the law and uses its resources properly. These officers are the Head of Paid Service, Monitoring Officer, S151 Officer and the Statutory Scrutiny Officer. Based on review, we are not aware of any evidence that these roles are not being delivered throughout the reporting periods.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council's website, and we have confirmed their existence in our audit procedures on related party disclosures. The annual accounts also include material related party transactions as well as senior officers' remuneration and Members' allowances.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

The Joint Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted members. The Committee receives updates on compliance with the Code of Conduct and produces an annual report each year. We reviewed both the 2021/22 and 2022/23 reports which evidence the committee investigates complaints and the recommendations they have made to address them.

The Council holds interests in several companies, and the Council has established the Shareholder Committee which acts as the owner or joint owner of these companies. Governance and trading arrangements can be complex and can change over time, we have therefore made the following 'other' recommendation:

Other recommendation 7

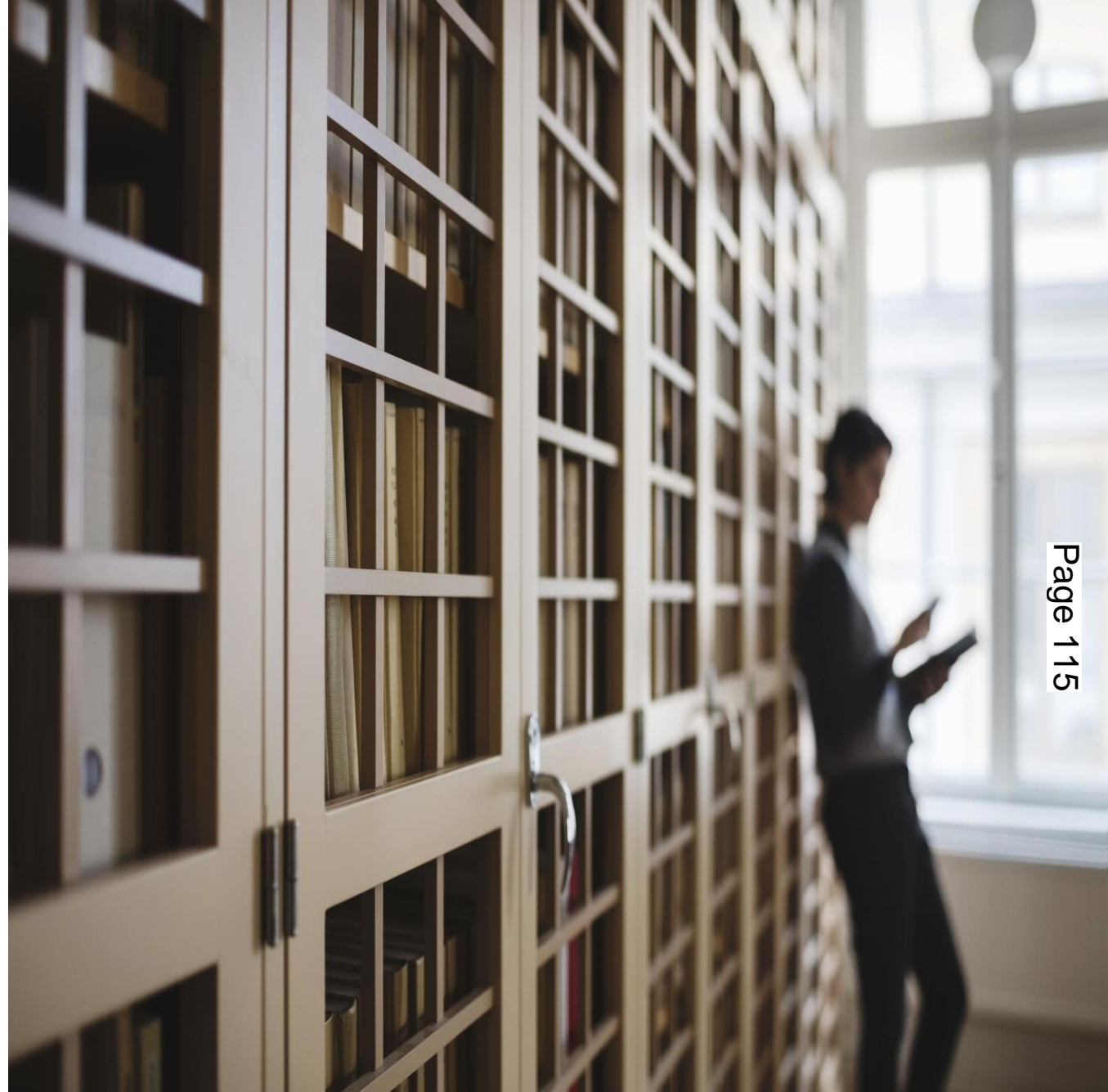
The Council should regularly review and report trading and procurement arrangements for Council controlled companies to ensure they comply with legal requirements, including those regarding state aid and pricing regulations.

Our work has not identified any evidence of a significant weaknesses in arrangements for the governance criteria.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement.

As previously highlighted in this report, we have observed the Council's financial performance reporting arrangements. We have also noted that the Council has overall arrangements to measure service quality and deliver services in line with the Council's objectives and priorities. The Council's Performance Management Framework (2023-2027), which is linked to the Council Plan, is designed to enable stakeholders to understand how the Council will deliver its objectives and improvements at strategic and operational levels. Performance is routinely monitored by the Executive, including scrutiny of the full-year Performance Report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement, but management recognises the scope to improve the alignment of priorities, service plans and staff objectives.

Other recommendations 8

To ensure the Performance Management Framework is applied consistently, the Council should ensure the framework includes the alignment of corporate goals, service plans and staff objectives.

How the body evaluates the services it provides to assess performance and identify areas for improvement.

The Council's Customer and Corporate Services Scrutiny Management Committee received quarterly performance management reports throughout both 2021/22 and 2022/23. Reports were in a consistent format and designed to report on the direction of travel of indicators and evaluate the Council's performance.

Alongside this, the Council also considers the output from regulators to review performance. The output from regulators feeds into the Council's overall corporate risk register, which is reported to the A&G Committee. The Council's services are reviewed by several regulators, including the Care Quality Commission and Ofsted. In the most recent Ofsted review (dated May 2022), Children's Services received an overall rating of 'requires improvement to be good'.

Other recommendation 9

The Council should regularly review and update its action plan designed to mitigate the issues raised in the Ofsted report. Monitoring and reporting arrangements should assess whether delivery of the action plan is on track and highlight any issues which could jeopardise its success.

Our attendance at A&G Committee confirmed regular reporting by Internal Audit of recommendations raised and management's response.

We observed the Committee challenging management on individual reviews and the actions taken in following up on recommendations.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council Plan 2023-2027 sets out the long-term ambitions and priorities across service areas. While the plan refers to partnership working, it does not explicitly confirm how these arrangements will work, but our wider knowledge of the Council provides assurance that these arrangements are in place.

The Council's 10 Year Plan also sets out the key priorities for the Council over the next decade. Strategic partnership meetings are held to review the priorities set out, as well as design actions to achieve these.

Along with North Yorkshire County Council, the Council is a member of York and North Yorkshire Local Enterprise Partnership. The partnership oversees and makes decisions about the region's strategic economic plan.

The Council is also a non-constituent member of West Yorkshire Combined Authority which, in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area.

The Council is a leading member of the York Health and Wellbeing Board, which brings together leaders from across the district including the Council, the NHS, the Police, Fire and Rescue, social housing and the Voluntary and Community sector, to provide strategic leadership across a wide range of health and wellbeing outcomes across the local area and the wider North Yorkshire region.

The Council works in partnership with the local NHS Integrated Care System, which brings together NHS organisations, councils, charities and the Community and social enterprise sector to improve health and wellbeing.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, YouTube and Instagram) to engage with and meet the needs of its communities. These channels alert the community to events taking place as well as information about the services they provide.

Except the other recommendations highlighted on this page, our work has not identified any evidence to indicate a significant weakness in arrangements for the improvement of the 3Es criteria.

3. Commentary on VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



3. VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The identified weakness has been outlined in the table below, along with our view on the Council’s progress against the recommendations made, including whether the significant weakness is still relevant in 2021/22 and 2022/23.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>1 We issued a Public Interest Report (PIR) on 19 April 2021 including recommendations to address the significant weaknesses we identified in the Council’s arrangements in respect of the severance of the former Chief Executive:</p> <ul style="list-style-type: none"> elements of the exit package, described in both the business case considered by Members and in the financial statements as contractual, were paid at the discretion of the Council and were not contractual entitlements; the business case considered by Members did not include sufficient facts, both in terms of financial analysis and background information, to make an informed decision; decision records that document the use of public funds under the scheme of delegation were not maintained; and safeguards to prevent conflicts of interest and demonstrate the Council applies the principles and values of sound governance were not applied. 	<p>Governance</p> <p>Improving the 3Es</p>	<ul style="list-style-type: none"> The Council should adopt and apply appropriate standards for business case preparation in relation to exit and pension discretions to improve information supporting decisions. 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. 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. The Council should ensure all Members fully understand the requirements of the Code of Conduct in relation to declaration of interests. The Council should review its policies and procedures to reflect Government guidance in the use of non-disclosure agreements. 	<p>In response to the PIR, the Council implemented the following actions:</p> <ul style="list-style-type: none"> September 2021 – Code of Conduct, Conflicts of Interest, and Declarations of Interest training was delivered to officers and members. April 2022 – the Council’s Constitution (including the Scheme of Delegation) was revised and approved by the Council. May 2022 – the revised Constitution was fully adopted. November 2022 - A report to the Audit and Governance Committee confirmed, the PIR Implementation Plan developed to address our recommendations had been completed, addressing all the recommendations. February 2023 – the Council received the LGA’s ‘PIR Assurance Final Report’. The report concluded that <i>‘the Council responded well to the PIR and has, overall, effectively fulfilled its Action Plan’</i>. May 2023 – the Council delivered Member Induction and Training which included module on the Code of Conduct, Declaration of Interest and Conflict of Interest training to the new and returning Members. 	<p>Based on the actions taken by the Council in 2021/22 and 2022/23, the recommendations have been satisfactorily addressed, and the significant weakness no longer applies in 2022/23.</p>

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception (2021/22 and 2022/23)

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data (2021/22 and 2022/23)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the time of drafting this report, the NAO has not confirmed a list sampled components. As a result, our whole of government accounts work has not yet been concluded and we are unable to issue our audit certificate which will formally close the audits for 2021/22 or 2022/23 financial years.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandums previously presented to the Audit and Governance Committee. Having completed our work for the 2021/22 financial year, we can confirm that our proposed fees are per the table below (noting any additional fees will need approval by the Public Sector Audit Appointments - PSAA). As previously reported our 2022/23 work has not been finalised, however we have included indicative fees in the table below.

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£78,237	£97,221
Additional fees in respect of pension valuations	£12,845	£9,625
Additional fees in respect of consideration and application of statutory powers	£4,221	£3,066
Additional fees in respect of property valuations	£25,655	£17,150
Additional fees in respect of quality and technical issues	£13,965	£3,929
Additional fees in respect of our VFM commentary work	£12,145	£12,600
Additional fees in respect of specific VFM risks	£8,960	£4,221
Additional fees in respect of revised ISA 540 requirements (auditing accounting estimates and related disclosures)	£4,494	£3,091

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor - continued

Additional fees in respect of infrastructure assets	£8,150	£1,463
Additional fees in respect of revised ISA 315 requirements (identifying and assessing the risks of material misstatement)	£0	£6,286
Total fees	£168,672	£158,652

Fees for other 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 below (note fees are exclusive of VAT):

Area of work	2021/22 fees	2022/23 fees
Other services - Housing Benefits Subsidy Assurance	£13,000	£19,500
Certification of Teachers' Pension return	£6,600	£7,000
Total fees	£19,600	£26,500

A

Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings (2021/22)

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls	<p>We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>No significant issues or material errors were noted.</p>
Revenue recognition	<p>We completed the following :</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. <p>Except for one unadjusted error, we did not report any other significant issues or material errors relating to revenue recognition.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (2021/22) continued

Risk	Our audit response and findings
<p>Valuation of land and buildings</p>	<p>We completed the following:</p> <ul style="list-style-type: none"> • assessed the scope and terms of engagement with the Valuer; • assessed the competence, skills and objectivity of the Valuer; • assessed how management use the Valuer's report to value land and buildings included in the financial statements; • tested the accuracy of the data used in valuations; • challenged the Council and Valuer's assumptions and judgements applied in the valuations; • reviewed valuation methodology used, including the appropriateness of the valuation basis; • considered the reasonableness of the valuation by comparing the valuation output with market intelligence; and • we engaged the Mazars Real Estates Valuation team to assist in the valuation of the Community Stadium, Allerton Waste Recycling Centre and Depreciated Replacement Cost valuation methodology. <p>We reported several material errors and control recommendations relating to our work on the valuation of land and buildings. Except for these issues, our work provided sufficient assurance that valuation of land and buildings was materially accurate.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (2021/22) continued

Risk	Our audit response and findings
<p>Net defined benefit liability valuation</p>	<p>We completed the following:</p> <ul style="list-style-type: none"> • critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary; • liaised 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 included 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; • reviewed 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 included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and • agreed 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>Except for a material adjustment relating to the updated actuary report to reflect the 31 March 2022 triennial actuarial valuation, our work provided sufficient assurance that the pension valuation was materially accurate.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (2022/23)

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls	<p>We addressed this risk by carrying out work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Our work did not highlight any significant issues to bring to your attention.</p>
Revenue recognition	<p>We have addressed this risk by:</p> <ul style="list-style-type: none"> • testing fees, charges and other 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. <p>Our work did not highlight any significant issues to bring to your attention.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (2022/23) continued

Risk	Our audit response and findings
<p>Net defined benefit liability valuation</p>	<p>We have:</p> <ul style="list-style-type: none"> • critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary; • liaised 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 included 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; • reviewed 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 included comparing them to expected ranges, utilising information from the consulting actuary, as engaged by the National Audit Office; and • agreed 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>As at the time of drafting our report, we have substantially completed our procedures in this area, but we have not received the assurance requested from the auditor of the Pension Fund. We cannot conclude our work until this assurance is received.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (2022/23) continued

Risk	Our audit response and findings
<p>Valuation of land, buildings and surplus assets</p>	<p>We have:</p> <ul style="list-style-type: none"> • critically assessed the Council's arrangements for ensuring that land and buildings and surplus assets valuations are reasonable and not materially misstated; • critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers; • considered the competence, skills and experience of the valuers and the instructions issued to the valuers; • substantively tested revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; • where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate; and • we have engaged the Mazars Real Estates Valuation team to review higher risk property values. <p>Except for the audit adjustments included in our Audit Completion Report, our work has not highlighted any significant issues to bring to your attention.</p>

A. Further information on our audit of the financial statements

Uncorrected misstatements

We reported six uncorrected misstatements arising from our 2021/22 audit work. They were included in our Audit Completion Report (ACR) Follow Letter 2021/22 (January 2024) and were also included in the Council's Management Representation Letter (January 2024).

As at the time of drafting this report, we have reported two uncorrected misstatements arising from our 2022/23 audit work. These were reported in our ACR 2022/23 (January 2024). As highlighted in section 2 of the ACR 2022/23, while our audit work is substantially complete, we have not finalised our audit work. Any additional uncorrected errors resulting from the outstanding work, will be included in an Audit Completion Report Follow Letter.

A. Further information on our audit of the financial statements

Deficiencies in internal control (2022/23)

Description of deficiency

When testing heritage assets, we noted incorrect schedules were sent to the Council's insurer. This resulted in the Council's art collection (insurance value £65m) being under-insured during 2022/23. We noted the correct value had been insured in the prior and preceding years.

Potential effects

In the event of a disaster, the Council may be compensated for less than the true value of its assets. This would result in a shortfall in the insurance payout and would result in significant financial and reputational damage for the Council.

Recommendations

1. The Council should ensure it implements controls and checks, to ensure accurate, complete and timely information is provided to its insurers and to ensure there are no breaks in insurance cover for heritage assets.
 2. The Council should obtain regular valuations, from appropriate experts, to ensure the insurance value is materially accurate, as at the time of the balance sheet date.
 3. For heritage assets, as part of the financial statements' closedown process, the Council should ensure it has corroborative evidence to support an insurance value as at the balance sheet date, which can be easily made available to the audit team.
-

Management response

Since the issue with the heritage asset schedule took place, additional supervision and checks have been put in place to ensure that the correct asset schedules are issued to the broker. This includes a manager check that the documents issued are in line with the previous year's asset schedules.

Valuations are sought from external experts which are undertaken usually at a cost to the local authority. These normally focus on the highest valued assets to ensure value for money from the expert. Where possible in future we will ensure that these are scheduled to cover a wider range of assets and on a more frequent basis. We will work with the Museums Trust to ensure this work is completed.

A. Further information on our audit of the financial statements

Deficiencies in internal control (2022/23)

Description of deficiency

As part of our work on Housing Revenue Account (HRA) property valuations, we noted the Council completed a revaluation of its HRA properties 1 April 2023. We consulted with the Mazars valuation team, who confirmed that as most of the information used to value the assets, related to the prior year, this could be indicative of an error. Additional work was therefore completed by the Council's valuations team, which resulted material amendments to both the 2021/22 and 2022/23 financial statements.

Potential effects

There is a risk that valuations performed at the 1 April, using prior year data, are indicative of a material change in value in the prior financial year.

Recommendation

The Council should:

- ensure valuations are completed at the 31 March, or as near as this date as possible; and
 - if the valuation cannot be completed as at 31 March, the Council should complete an assessment (based on relevant, corroborative and timely data), to confirm valuations are materially accurate as at the balance sheet date and document why there is no risk of prior year misstatements.
-

Management response

We have agreed with Property Services that the HRA assets will now be revalued at 31 January each year, in line with other asset valuations. This will start from 2023/24 (current year). This reduces the risk of material misstatement between the valuation being undertaken and the balance sheet date.

A. Further information on our audit of the financial statements

Deficiencies in internal control (2022/23)

Description of deficiency

As part of our work on property additions, we identified two additions recognised in 2022/23 which related to works completed in 2021/22 and therefore were incorrectly capitalised in 2022/23.

Potential effects

Capital additions could be materially misstated if they are not recognised when the work was completed.

Recommendations

1. Controls should be implemented to ensure that capital expenditure, resulting in capital additions is capital in nature and relates to the correct year.
 2. As part of the final accounts process, a review of capitalised expenditure and capital additions should be completed and documented and provided to the audit team.
-

Management response

For 2023/24, as part of the internal closedown process, we will be reinforcing the rules around capital recognition timing and we will also undertake a review, as suggested, of capitalised transactions in period 13 and period 1 of the new year. An exercise is also underway to reinforce the No PO No Pay policy and therefore where POs are raised correctly, and goods received where appropriate in time for year end this will limit the risk of incorrect additions.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

In 2019/20 and 2020/21, we recommend that the Council improved its arrangement to review, challenge and document the output of management's valuation experts relied upon in the production of its financial statements. In 2021/22 our expert valuer completed a review of the Council's Depreciated Replacement Cost (DRC) valuation methodology and noted a departure from RICS DRC guidance note (2018) regarding the correct application of Modern Equivalent Asset (MEA) valuation guidance, including componentisation, physical, functional and economic adjustments.

As part of our work on Allerton Waste Recycling Centre (the Council's largest property value), as part of the early discussion with the Mazars valuation team we recommended that management should complete its own independent indexation checks to assess if the value as at 31 March 2022, was materially accurate since the last valuation date, however this was not completed.

Potential effects

Without sufficient challenge, information relied upon in preparing the accounts could result in a material misstatement.

Recommendation

1. Management should implement procedures to ensure RICS valuation guidance and methodology has been applied by the valuer; and
2. For valuations where the Council does not have relevant expertise, it should consider other options to gain sufficient assurance for the valuation assertion.

2022/23 update

No significant issues were noted, relating to recommendation 1, however the Council did not obtain a full valuation for Allerton Waste Recycling Centre in 2022/23, therefore recommendation 2 remains. The Mazars valuation team worked with the Council's valuations team, resulting in an audit adjustment totalling £9.5m.

Management Response

The Allerton Waste Recovery Plant is a complex asset which requires specialist valuation expertise. We are working with North Yorkshire Council (who account for 79% of the value of the asset) to undertake a full valuation of the asset in the 2023/24 accounts. That review will also provide recommendations of how to consider changes to the asset valuation in between full valuations.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our review of the Council's application of CIPFA's "Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)" we considered the Council's asset lives per accounting policy XX and Note 12 (property, plant, and equipment) for infrastructure assets.

We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the "UK Roads Leadership Group Asset Management Board". This guidance includes a range of reasonable useful lives for different parts of the highways network which we compared to those applied by the Council.

As part of this analysis, we noted divergence from CIPFA's range of asset lives, for example the Council applies a 40-year asset life for carriage ways, compared to CIPFA's range of 20 to 30 years.

Potential effects

Asset lives may not be based on up-to-date information and may not accurately reflect the remaining life of the asset. This could result in depreciation being misstated, both in year and cumulatively.

Recommendation

While our work has not highlighted a material difference when applying the current asset lives, we recommend that the Council reviews and benchmarks its infrastructure asset lives for 2022/23 onwards by considering data provided by CIPFA and other relevant information, to ensure asset lives reflect sector standards. If management's assessment significantly diverges from the range provided by CIPFA, management should clearly document and provide relevant data to substantiate the reasons.

2022/23 update

No issues relating to this control recommendation have been noted in 2022/23.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our property valuations, we noted that the RICS' Modern Equivalent Asset (MEA) guidance had not been followed, regarding how the Gross Internal Area (GIA) has been applied. From our review of school valuations, we noted it is currently based on the actual floor areas and does not consider the Department for Education's Toolkit (April 2022) or service potential of the asset. In 2021-22 the valuer updated the schools' valuation because of this finding.

We also noted that for one item tested, evidence to support its asset life was not available.

Potential effects

Potential material misstatement relating to Depreciated Replacement Cost (DRC) valuations and depreciation calculations.

Recommendation

It is recommended that the Council ensures that its valuations are compliant with underlying guidance and documents consideration and support for the valuation including for determining asset lives and obsolescence.

2022/23 update

No significant issues relating to this control recommendation have been noted in 2022/23.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our review of grant income and creditors we reported a disclosure error totalling £18.8m relating to incorrect classification of Section 31 Collection Fund grant income.

Potential effects

Potential material misstatement, regarding and incorrect classification and accounting treatment of grant income.

Recommendations

- We recommend Collection Fund working papers are refreshed, to clearly demonstrate the link between source data, tax received, the collection fund surplus/deficit and all other entries recorded in the Collection Fund income and expenditure account
 - We also recommend grant audit working papers are updated to provide a clear link to a grant income register for grants received in year (on an individual grant basis) and an analysis of any unspent amounts brought forward or unspent at year-end. This should also document consideration of the grant conditions which determine whether amounts should be treated as creditor payments or grants received in advance.
-

2022/23 update

No significant issues relating to this control recommendation have been noted in 2022/23.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As in previous years, the reconciliation of the Trial Balance (TB) to the Comprehensive Income and Expenditure Account has been difficult for the audit team to reperform, relying on several reports and took a long time for the audit team to complete. There was also no evidence to support second review of the reconciliation.

Potential effects

Use of several reports and manual adjustments, has an inherent risk that financial data is omitted from the financial statements

Recommendation

We recommend that management provides a streamlined working paper which shows how the TB and underlying system reports reconcile through to the CIES, which:

- reduces the number of system reports used to complete the reconciliation or clearly shows how the reports reconcile to the main TB and to the financial statements;
 - provides assurance that all TB codes have been included in the reconciliation;
 - explains the manual adjustments; and
 - records evidence of a second review.
-

2022/23 update

We noted the same issue in 2022/23; therefore, the recommendation remains outstanding and will be carried forward into 2023/24.

Management response

The comments were noted in 2022/23 and we have demonstrated that there is no risk that financial data is omitted. We will continue to review all the working papers in relation to this to provide assurance that all codes are included, and manual adjustments are kept to an absolute minimum and show where they have come from.

A. Further information on our audit of the financial statements

Follow up on previous internal control points (2021/22)

Description of deficiency

As part of our work on journals we noted several re-code journals which did not have a description.

Potential effects

A lack of a description can be indicative of management override of controls when processing journals and increases the risk of misstatement.

Recommendation

All items should have a description or narrative against them.

2022/23 update

We noted the same issue in 2022/23; therefore, the recommendation remains outstanding and will be carried forward into 2023/24.

Management response

It was ascertained that the journals which did not have a description were a limited number of re-code journals from system created entries, that themselves had no description. At no point were any controls overridden and there was no risk of misstatement.

Mark Kirkham

Mazars

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

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Audit & Governance Committee – 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
22 May 2024			
Governance	Corporate Governance Report	<u>CYC</u> <u>Lorraine Lunt</u>	To provide Members with an update on corporate governance including issues.
Veritau (internal audit / counter fraud)	Annual review of the counter fraud framework	<u>Veritau</u> <u>Max Thomas / Richard Smith</u>	To present the findings of the annual review of the counter fraud framework and risk assessment, and seek comments on any updates needed to counter fraud and related policies.
Veritau (internal audit / counter fraud)	Approval of indicative annual internal audit programme and counter fraud plan	<u>Veritau</u> <u>Max Thomas / Richard Smith</u>	To seek approval for the 2024/25 internal audit work programme, and the counter fraud plan.
External Audit	Auditor's Annual Report 2021/22	<u>Mazars</u> <u>Mark Kirkham</u>	To also include indicative commentary for 2022/23.
9 July 2024			
Governance	Update on the Constitution Review	<u>CYC</u> <u>Bryn Roberts</u>	
Risk	Key Corporate Risks monitor 4	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs).
Finance / Procurement / Governance	Report on the Salvation Army's Early Intervention & Prevention contract	<u>CYC</u>	
Finance	Treasury Management Outturn	<u>CYC</u> <u>Debbie Mitchell</u>	
31 July 2024			
External Audit	Audit Progress Report	<u>Mazars</u> <u>Mark Kirkham</u>	

Veritau (internal audit / counter fraud)	Annual Head of Internal Audit report	<u>Veritau</u> <u>Max Thomas / Richard Smith</u>	
Veritau (internal audit / counter fraud)	Audit Committee Self-Assessment	<u>Veritau</u> <u>Max Thomas / Richard Smith</u>	To set out the options for taking the self-assessment forward.
Risk	Key Corporate Risks monitor 1	<u>CYC</u> <u>Helen Malam</u>	Update on Key Corporate Risks (KCRs).
Governance	Updates on Member Training and the LGA recommendations	<u>CYC</u> <u>Claire Foale / Lindsay Tomlinson</u>	To review the Council's performance against the 10 recommendations outlined by the LGA and to report on the progress of Member training. To include feedback from the Joint Standards Committee.
Governance	York Open Data platform	<u>CYC</u> <u>Claire Foale / Ian Cunningham</u>	
Finance	Draft Statement of Accounts 2023/24	<u>CYC</u> <u>Debbie Mitchell / Helen Malam</u>	
4 September 2024			
Veritau (internal audit / counter fraud)	Audit Committee Self-Assessment	<u>Veritau</u> <u>Max Thomas / Richard Smith</u>	To share the results of the self-assessment undertaken.
Finance	Treasury Management Monitor 1	<u>CYC</u> <u>Debbie Mitchell</u>	
Risk	Key Corporate Risks monitor 2	<u>CYC</u> <u>Helen Malam</u>	Update on Key Corporate Risks (KCRs).
Governance	Corporate Governance Report	<u>CYC</u> <u>Lorraine Lunt</u>	To provide Members with an update on corporate governance including issues.
27 November 2024			
Finance	Final Statement of Accounts 2023/24	<u>CYC</u> <u>Debbie Mitchell / Helen Malam</u>	

Finance	Treasury Management Monitor 2	<u>CYC</u> <u>Debbie Mitchell</u>	
External Audit	Audit Completion Report 2023/24	<u>Mazars</u> <u>Mark Kirkham</u>	
29 January 2025			
Risk	Key Corporate Risks monitor 3	<u>CYC</u> <u>Helen Malam</u>	Update on Key Corporate Risks (KCRs).
Finance	Treasury Management Monitor 3	<u>CYC</u> <u>Debbie Mitchell</u>	
Finance	Treasury Management Strategy	<u>CYC</u> <u>Debbie Mitchell</u>	
Governance	Corporate Governance report	<u>CYC</u> <u>Lorraine Lunt</u>	To provide Members with an update on corporate governance including issues.
26 March 2025			

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