



## **OVERVIEW AND SCRUTINY COMMITTEE**

Thursday 20 April 2017 at 6.30 pm

Council Chamber, Ryedale House, Malton

### **Agenda**

**1 Emergency Evacuation Procedure.**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

**2 Apologies for absence**

**3 Minutes of the meeting held on the 26 January 2017**

(Pages 3 - 6)

**4 Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

**5 Declarations of Interest**

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

**6 Scrutiny Review of Meeting Start Times and Management of Meetings (Pages 7 - 22)**

**7 Internal Audit Third Progress Report 2016/17**

(Pages 23 - 34)

- |    |  |                 |
|----|--|-----------------|
| 8  | <b>Internal Audit Plan 2017/18</b>                             | (Pages 35 - 44) |
| 9  | <b>External Audit Plan 2016/2017</b>                           | (Pages 45 - 62) |
| 10 | <b>KPMG Technical Update</b>                                   | (Pages 63 - 80) |
| 11 | <b>Any other business that the Chairman decides is urgent.</b> |                 |

## Overview and Scrutiny Committee

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Held at Council Chamber, Ryedale House, Malton  
on Thursday 26 January 2017

### Present

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Councillors Acomb (Vice-Chairman), Cussons, Jainu-Deen, Jowitt, Di Keal (Chairman), Potter and Wainwright

### In Attendance

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Will Baines, Fiona Brown, Ann Chapman, Stuart Cutts (Veritau), Jo Dodgson, Peter Johnson, Rob Walker (KPMG) and Rebecca Wadsworth (Veritau).

### Minutes

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71      **Apologies for absence**

Apologies were received from Cllr Duncan, Gardiner and Sanderson.

72      **Urgent Business**

There were no items of urgent business.

73      **Declarations of Interest**

Councillor Potter and Councillor Jowitt declared a personal, pecuniary but not prejudicial interest in items 5 and 6 as they had signed a requisition for an extraordinary meeting in relation to the complaint under consideration by the Corporate Governance Standards Sub-Committee

74      **Date of the next Corporate Governance Standards Sub-Committee**

**Decision**

That the meeting of the Corporate Governance Standards Sub-Committee be held on Thursday 9 February 2017 at 10am and such other dates as required.

**Voting record**

5 For

1 Against

1 Abstention

75      **Appointment of the Corporate Governance Standards Sub-Committee**

**Decision**

That Cllr Keal, Acomb and Wainwright be appointed to the Corporate Governance Standards Sub-Committee.

That the Corporate Governance Standards Sub-Committee be able to make recommendations direct to Council on the case if it considers that appropriate.

**Voting record**

6 For

1 Abstention

**76 Minutes of the meeting held on the 3 November 2016**

**Decision**

That the minutes of the meeting of the Audit Committee held on 3 November 2016 be approved and signed by the Chairman as a correct record.

**Voting record**

6 For

1 Abstention

**77 Treasury Management Statement and Investment Strategy 2017-18**

Considered – Report of the Resources and Enabling Services Lead (s151)

**Recommendation to Council**

That:

- (i) Members receive the report
- (ii) The Treasury Management and Investment Strategies be noted and approved by the Council;
- (iii) The Minimum Revenue Provision Policy Statement be approved by the Council and:
- (iv) That the Prudential Indicators in the report be approved by the Council.

**Voting Record**

Unanimous

**78 Appointment of the sector led body Public Sector Audit Appointments (PSAA) to appoint external audit services for Ryedale District Council from 1 April 2018**

Considered – Report of the Resources and Enabling Services Lead (s151).

**Recommendation to Council**

That:

Ryedale District Council accepts Public Sector Appointments Ltd (PSAA) invitation to 'opt in' to the sector led option for the procurement of external auditors for a maximum of five financial years starting 1 April 2018.

Delegation be given to the Resources and Enabling Lead (s151) Officer to undertake the necessary steps to ensure the appointment of PSAA is made by 9 March 2017.

**Voting Record**

Unanimous

79 **KPMG Certification of claims and returns**

Considered – Annual Report of Rashpal Khangura (KPMG).

**Decision**

That the Annual Report on certification of claims and returns 2015/16 be noted.

**Voting record**

Unanimous

80 **Internal audit second progress report 2016/17**

Considered – Report of the Resources and Enabling Services Lead (s151).

**Decision**

That the progress report as part of the 2016/17 audit plan be noted.

**Voting record**

Unanimous

81 **Annual Governance Statement action plan**

Considered – Report of the Resources and Enabling Services Lead (s151).

**Decision**

That the report on the progress made to address identified actions in the 2015-16 AGS action plan be noted.

**Voting record**

Unanimous

82 **KPMG Technical update**

Considered

**Decision**

That the KPMG Technical Update be noted.

**Voting record**

Unanimous

83 **Any other business that the Chairman decides is urgent.**

The Chair ended by thanking Rob Walker from KPMG for his work with the committee as it was to be his final meeting before moving to a new job.

The meeting closed at 7:10pm.



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<b>PART A:</b>	<b>MATTERS DEALT WITH UNDER DELEGATED POWERS</b>
<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>20 APRIL 2017</b>
<b>REPORT OF THE:</b>	<b>RESOURCES AND ENABLING SERVICES LEAD (S151)</b>
<b>TITLE OF REPORT:</b>	<b>FINAL REPORT - SCRUTINY REVIEW OF MEETING START TIMES AND MANAGEMENT OF MEETINGS</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 This report presents the draft final report of the scrutiny review on meeting start times and management of meetings for consideration and approval by the Committee.

### **2.0 RECOMMENDATION(S)**

- 2.1 It is recommended that the draft final report be approved, subject to any to amendments that the Committee wish to make.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 3.1 To agree the findings and the recommendations from the scrutiny review.

### **4.0 SIGNIFICANT RISKS**

- 4.1 There are no significant risks relating to finalising the report. Any risks identified and discussed as part of the review are included in the findings in the main report.

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 The review links to the corporate aim "to transform the Council".
- 5.2 It links to the strategic objectives "to know our communities and meet their needs" and "to develop the leadership, capacity and capability to deliver future improvements".

## **REPORT**

### **6.0 REPORT DETAILS**

- 6.1 The meeting of Full Council on 8 December 2016 resolved that the Overview and Scrutiny Committee carry out a review of meeting start times.
- 6.2 The meeting of Full Council on 21 February 2017 resolved that the remit of this review be broadened to cover the efficient management of meetings of Full Council.
- 6.3 The scrutiny review has now been completed and the draft final report is presented to the Committee for consideration and approval.

## **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:
- a) Financial  
There are no direct financial implications arising from the review.
  - b) Legal  
There are no legal implications arising from the review.
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
There are no other implications arising from the review. An equality impact assessment has been conducted in relation to meeting start times.

## **8.0 NEXT STEPS**

- 8.1 Once agreed the final report will be submitted to the Policy and Resources Committee for consideration.

**Peter Johnson**  
**Resources and Enabling Services Lead (s151)**

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**Background Papers:**  
Minutes of Full Council on 8 December 2016 and 21 February 2017  
Minutes of Overview and Scrutiny Committee on 16 February 2017 and 30 March 2017

**Background Papers are available for inspection at:**  
[www.ryedale.gov.uk](http://www.ryedale.gov.uk)



# Scrutiny Review

## Meeting Start Times & Management of Meetings

RYEDALE  
DISTRICT  
COUNCIL



DRAFT

Overview and Scrutiny Committee  
April 2017

## **Executive Summary**

This Report sets out the results of a review of meeting start times and management of meetings. This review has been carried out by Ryedale District Council's Overview and Scrutiny Committee.

The aim of the review was to consider meeting start times as requested by Full Council on 8 December 2016, and to also consider the efficient running of proceedings at Full Council, including the length of meetings, as requested by Full Council on 21 February 2017.

The Committee made the following recommendations:

### **To Policy and Resources Committee and then on to Full Council:**

- (i) That the Constitution be amended to change the order of business for Full Council to put items for decision first;
- (ii) That the Constitution be amended to bring forward the guillotine, so that it takes effect after 3 hours;
- (iii) That the Constitution be amended to require amendments to the minutes to be submitted in writing in advance of the meeting;
- (iv) That working practices be amended so that questions to officers have to be dealt with ahead of, rather than during, meetings of Full Council;
- (v) That the Constitution be amended to require the circulation of the Leader's Statement with the agenda;
- (vi) That working practices be amended to stop reading out the Leader's Statement at meetings of Full Council.

The Task Group wishes to thank all those who gave their time in contributing to this review.

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DRAFT

## Scope of the review

The terms of reference for the Review were agreed at the Overview and Scrutiny Committee on the 16 February 2017 and revised on 30 March 2017. (See Annex A)

The aim of the review was to consider meeting start times as requested by Full Council on 8 December 2016, and to also consider the efficient running of proceedings at Full Council, including the length of meetings, as requested by Full Council on 21 February 2017.

The scope of the review covered the following:

The implications of both the current meeting start times and possible changes to these, including:

- What were the equalities impacts on Members, Officers and members of the public of daytime and evening meetings, and could these be mitigated?
- What were Members expectations around meeting start times when they decided to stand for election, and should any changes only be introduced at the beginning of a new term and with sufficient notice ahead of elections?
- What was the capacity of the organisation to support evening meetings and what was the impact on both Members and Officers in terms of quality of decision making and work the following day?

The options for improving time management at Full Council meetings, in terms of efficient running of proceedings and reducing the length of meetings, including:

- Was business dealt with in the right order at Full Council or should it be rearranged to put items for decision at the start of the agenda?
- Should the guillotine be brought forward or enforced more rigidly, rather than often extended, at Full Council meetings? When the guillotine falls should debate end on the item being considered and the vote taken?
- Would a timed agenda be helpful at Full Council meetings?
- Should amendments to the minutes be submitted in advance?
- Should amendments be submitted in advance?
- Should any questions to officers be dealt with ahead of the meeting instead of during the meeting?
- Would any measures proposed balance the efficient running of the meeting and the improved quality of decision making earlier in the evening, with the need to debate issues sufficiently thoroughly to reach sound decisions and to represent the views of residents in the democratic process and to hold the ruling group to account?

## Membership of the committee

Current : G Acomb (Vice Chairman), D Cussons, K Duncan, B Gardiner, T Jainu-Deen, E Jowitt, D Keal (Chairman), M Potter, J Sanderson, R Wainwright.

Meeting dates of the Scrutiny Review Task Group:

09/03/17 Considered information relating to start times of meetings, including an equality impact assessment, Members' expectations when standing for election, the capacity of the organisation and impact on quality of decision making.

30/03/17 Considered the results of the survey of other local authorities on meeting start times, and the pros and cons of various options for improved management of meetings.

Scrutiny Review Task Group supporting officers:

Simon Copley (Principal Specialist Democracy)

Will Baines (Programmes, Projects & Performance Officer)

Beckie Bennett (Delivery & Frontline Services Lead)

Clare Slater (Deputy Chief Executive)

## Methodology

The Committee/Task Group approached the review through:

- A discussion of the implications of meeting start times, including consideration of the equalities impact assessment, and a survey of other similar local authorities;
- An assessment of the pros and cons of different options to improve management of meetings.

## Findings

The research undertaken highlighted the following key findings:

### Meeting Start Times

- That the equality impact assessment, which covered Members, Officers and members of the public, indicated that different start times suited different groups of people and that any changes to start times were at worst neutral from an equalities perspective;
- That any change to meeting start times should only take place at an election so that any potential candidates had due notice;
- That daytime meetings may discourage younger and working age people from standing for election;
- That meetings running late into the evening has a detrimental impact on the quality of work of both Members and Officers, both at the meeting and the next day;
- That both the Corporate Peer Challenge report and the Independent Person have made reference to the lateness of meetings;
- That a survey undertaken of other councils in North Yorkshire and in Ryedale's "family group" (results attached as Annex B) indicates a range of start times, with the main reason for daytime meetings being to complete business during the normal working day and for evening meetings to allow Members and members of the public who work to attend meetings;
- That type of arrangement, presence/size of majority and length of meeting could also be influencing factors in relation to start times.

### Recommendations

The Committee decided to present their findings on meeting start times but not to make any recommendations for further consideration.

### Management of Meetings

A range of mechanisms were discussed for making meetings of Full Council more efficient as follows:

- *Changes to the order of business to put items for decision first* - Part B minutes and officer reports would be first, then motions on notice, followed by questions and the Leader's Statement. This would prioritise the most urgent and most important items of business to ensure the decisions were taken to keep the Council running on the date required, with sufficient time and when Members and officers were least tired. The flexibility for the Chairman to vary the order of business could still be retained.
- *Bringing forward the guillotine* - 3 hours was considered a reasonable amount of time for a meeting, although there was some risk that a backlog of business could arise which would have to be carried forward to the next meeting.

- *Enforcing the guillotine more rigidly* - Discretion needed to be retained to deal with this on a case by case basis, depending on the importance of the business, and ensuring it wasn't enforced solely for political reasons.
- *The guillotine taking immediate effect, with debate ending and a move to the vote* - This could curtail debate on key issues at an arbitrary time and effect the quality of the decision made.
- *Timed agenda* - Whilst this could help focus everyone's mind on dealing with the business efficiently and avoid filibustering and repetitive/similar amendments, it would be problematic assigning timings and ensuring there was no political interference in this. Similarly debate could be curtailed at an arbitrary time and the quality of decisions could be effected.
- *Submitting amendments to the minutes in advance of the meeting* - No reasons could be identified as to why this would not be a workable measure as any amendments to minutes could be anticipated in advance.
- *Submitting amendments in advance of the meeting* - The benefits of this including saving time at meetings and avoiding repetitive/similar amendments, allowing officers to provide advice on the legality and costings involved, allowing the Chairman to take a view on any procedural matters, and providing Members with written copies of amendments and time to consider them in advance. The disadvantages included not being able to take account of matters raised in debate and respond to these through drafting amendments, removing the flexibility to propose alternatives, and restricting the operation of Full Council, as the principal decision making forum in a fourth option authority. It was noted that this change could be made by political agreement between Group Leaders, rather than by constitutional requirement, with discretion still left with the Chairman to accept amendments at the meeting where they could not have been reasonably anticipated in advance.
- *Questions to officers ahead of, rather than during, the meeting* - Ryedale was unusual in allowing questions to officers during meetings of Full Council. Dealing with these in advance of the meeting would save time. It was not always possible for officers to fully answer questions without notice at meetings and this change would allow the attendance of fewer officers at meetings and the knock on impact on performance with tiredness next day after late finishes.
- *Circulate the Leader's Statement with the agenda* - This would allow the Statement to be available to Members well in advance of the meeting, to assist them in formulating questions, and also to make it available to the public well ahead of the meeting.
- *Stop reading out the Leader's Statement at the meeting* - No other document attached to the Council agenda is read out for the recording. All documents are available to the public online, including the Leader's Statement. This change would save time at meetings.

It was noted that there was a need to ensure mechanisms to support the efficient running of meetings did not curtail democratic debate on the key issues that matter to Ryedale and its residents.

## **Recommendations**

### **To Policy and Resources Committee and then on to Full Council:**

- (i) That the Constitution be amended to change the order of business for Full Council to put items for decision first;
- (ii) That the Constitution be amended to bring forward the guillotine, so that it takes effect after 3 hours;
- (iii) That the Constitution be amended to require amendments to the minutes to be submitted in writing in advance of the meeting;
- (iv) That working practices be amended so that questions to officers have to be dealt with ahead of, rather than during, meetings of Full Council;
- (v) That the Constitution be amended to require the circulation of the Leader's Statement with the agenda;
- (vi) That working practices be amended to stop reading out the Leader's Statement at meetings of Full Council.

## **Annexes**

### **Annex A - Terms of Reference**

### **Annex B - Survey Results on Meeting Start Times**



## Annex A

### Terms of Reference - Scrutiny Review of Meeting Start Times & Time Management at Meetings

<p><b>Aim of the Review</b></p>	<p>To consider meeting start times as requested by Full Council on 8 December 2016, when it considered the timetable of meetings for 2017-18 and resolved:</p> <ul style="list-style-type: none"> <li>(i) That Council approve the timetable of meetings for 2017-2018, attached as Annex A of the report.</li> <li>(ii) That we refer this matter [of meeting start times] to O&amp;S for further discussion and production of a report to be considered by P&amp;R and then Full Council.</li> </ul> <p>To also consider the efficient running of proceedings at Full Council, including the length of meetings, as requested by Full Council on 21 February 2017, when it considered recommendations from the Corporate Governance Standards Sub-Committee and resolved:</p> <p>That practices around electronic voting and time management at Full Council meetings be improved as follows:</p> <ul style="list-style-type: none"> <li>(a) Any Member leaving a meeting early, to notify the Chairman when they depart and return their voting unit to the front of the room, and the time of their departure to be recorded in the minutes;</li> <li>(b) That the O&amp;S Review into the start times of meetings also looks at the efficient running of proceedings at Full Council to include the length of meetings.</li> </ul>
<p><b>Why has this review been selected?</b></p>	<p>The issue of meeting start times was raised at Full Council, when the following amendment was moved:</p> <p><i>"That Full Council and Planning Committee should start at 6pm.</i></p> <p><i>That all other meetings start at 4pm.</i></p> <p><i>That these changes take effect from 18 May 2017."</i></p> <p>The amendment was lost when put to the vote, so the existing meeting start times were continued for 2017-18.</p> <p>However a further amendment proposed that O&amp;S review the issue looking to the longer term.</p> <p>An informal review of start times was last carried out in December 2010 by the Corporate Director (s151). However there have been changes to the membership of the Council and the way in which it operates since then.</p> <p>The issue of time management at Full Council meetings was raised by the Corporate Governance Sub-Committee at a meeting on 9 February 2017 and subsequently included in its recommendations to Full Council.</p>

<b>Who will carry out the review?</b>	<p>The review will be carried out by a task group including:</p> <ul style="list-style-type: none"> <li>• A minimum of 2 members of the O and S committee (but open to all members of O and S)</li> <li>• Support will be provided by the Democratic Services Manager</li> <li>• With input from other officers as required, including the Monitoring Officer</li> </ul>
<b>How the review will be carried out?</b>	<p>The task group will consider the implications of both the current meeting start times and possible changes to these. Potential questions that could be considered in scoping the review include:</p> <ul style="list-style-type: none"> <li>• What are the equalities impacts on Members, Officers and members of the public of daytime and evening meetings, and can these be mitigated? [An equality impact assessment has already been carried out and can be made available to the task group.]</li> <li>• What were Members expectations around meeting start times when they decided to stand for election, and should any changes only be introduced at the beginning of a new term and with sufficient notice ahead of elections?</li> <li>• What is the capacity of the organisation to support evening meetings and what is the impact on both Members and Officers in terms of quality of decision making and work the following day?</li> </ul> <p>The task group will consider options for improving time management at Full Council meetings, in terms of efficient running of proceedings and reducing the length of meetings. Potential questions that could be considered in scoping the review include:</p> <ul style="list-style-type: none"> <li>• Is business dealt with in the right order at Full Council or should it be rearranged to put items for decision at the start of the agenda?</li> <li>• Should the guillotine be brought forward or enforced more rigidly, rather than often extended, at Full Council meetings? When the guillotine falls should debate end on the item being considered and the vote taken?</li> <li>• Would a timed agenda be helpful at Full Council meetings?</li> <li>• Should amendments to the minutes be submitted in advance?</li> <li>• Should amendments be submitted in advance?</li> <li>• Should any questions to officers be dealt with ahead of the meeting instead of during the meeting?</li> <li>• Would any measures proposed balance the efficient running of the meeting and the improved quality of decision making earlier in the evening, with the need to debate issues sufficiently thoroughly to reach sound decisions and to represent the views of residents in the democratic process and to hold the ruling group to account?</li> </ul>
<b>What are the expected outputs?</b>	<p>It is expected that the task group will produce a report, summarising the evidence they have gathered.</p>

<b>Timescale</b>	It is anticipated that the group will conclude the outcomes of the review by June 2017. Progress reports will be submitted to the committee if required during the review.
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Council	Council Meeting Start Time	Time of day	Setup	Constitution Length of Meetings	Totals	
City of York	6:30pm	Evening	Leader and Cabinet	All Council meetings to end after 3 hours, 40 minutes uness extended by agreement of the Council Vote at 3 hours to adjourn, or may be earlier at the Chairman's discretion. Must end before 7:30pm Adjourn after 3 hours unless majority vote to continue	Morning	1
Craven	7pm	Evening	Committee System		Afternoon (until 5pm)	3
East Riding	2pm	Afternoon	Leader and Cabinet		Evening (after 5pm)	6
Hambleton	2pm	Afternoon	Leader and Cabinet			
Harrogate	5:30pm	Evening	Leader and Cabinet	Adjourn after 3 hours unless majority vote to continue. Also a 10 minute break after two hours Adjourn after 3.5 hours unless majority vote to continue		
North Yorkshire	10:30am	Morning	Leader and Cabinet			
Richmondshire	6:30pm	Evening	Committee System			
Ryedale	6:30pm	Evening	Committee System			
Scarborough	2pm	Afternoon	Leader and Cabinet	Adjourn after 3 hours unless majority vote to continue		
Selby	6pm	Evening	Leader and Executive			

CIPFA Family Group	Council Meeting Start Time	Time of day	Setup		Totals	
Babergh	5:30pm	Evening	Leader and Strategy Committee	The duration of any meeting shall be at the absolute discretion of the Chairman Adjourn after 4 hours unless majority vote to continue Adjourn after 2.5 hours unless majority vote to continue Adjourn after 3 hours unless majority vote to continue	Morning	1
Cotswold	10am	Morning	Leader and Cabinet		Afternoon (until 5pm)	2
Derbyshire Dales	6pm	Evening	Committee System		Evening (after 5pm)	10
Eden	6:45pm	Evening	Leader and Executive			
Maldon	7:30pm	Evening	Committee System	The duration of any meeting shall be at the absolute discretion of the Chairman  Adjourn after 3 hours unless majority vote to continue		
Malvern Hills	7pm	Evening	Committee System			
Melton	6:30pm	Evening	Committee System			
Mendip	6:30pm	Evening	Leader and Cabinet			
North Dorset	6pm	Evening	Leader and Cabinet	Adjourn after 3 hours unless majority vote to continue		
Ribble Valley	6:30pm	Evening	Committee System			
South Hams	2pm	Afternoon	Leader and Executive			
Staffs Moorlands	6:30pm	Evening	Leader and Cabinet			
West Devon	4:30pm	Afternoon	Committee System	Adjourn after 3 hours unless majority vote to continue		

#### Comments received as reasons for meeting start times

##### Morning

Complete business during the working day  
No need for staff to work into evening

##### Afternoon

Complete business during the working day  
Councillors who work full-time able to take afternoon off to attend

##### Evening

Public able to attend and participate  
Councillors working full-time are able to attend

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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>20 April 2017</b>
<b>REPORT OF THE:</b>	<b>RESOURCES AND ENABLING SERVICES LEAD (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT THIRD PROGRESS REPORT 2016/17</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report summarises the outcome of internal audit work undertaken between 1 April 2016 and 31 March 2017, inclusive.

### **2.0 RECOMMENDATION(S)**

- 2.1 It is recommended the Committee note the results of audit work undertaken as part of 2016/17 audit plan.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 3.1 To enable the Committee to fulfil its responsibility for considering the outcome of internal audit work.

### **4.0 SIGNIFICANT RISKS**

- 4.1 The Council will fail to comply with proper practice requirements for internal audit and the Council's Audit Charter if the results of audit work are not considered by an appropriate Committee.

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 The work of internal audit supports the council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the council to become a more effective organisation.

### **6.0 REPORT DETAILS**

- 6.1 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and CIPFA guidance on the application of those standards in Local Government. In accordance with the standards, the Head of Internal Audit is required to report on the results of audit work undertaken.

- 6.2 The progress report included at Appendix 1 sets out a summary of progress made against the 2016/17 internal audit plan, and audit opinions for the individual audits completed to date. In the period up to 31 March 2017 seven internal audit reviews have been completed and one draft report has been issued. Work is also ongoing in eight other areas. It is expected that all audits will have had draft reports issued by the end of April 2017.
- 6.3 Appendix B to the attached reports summarises the findings from the four audits completed since the last report to this committee.
- 6.4 It is important that agreed actions are formally followed-up to ensure that they have been implemented by managers. The internal audit team carries out follow-up work throughout the year and escalates any issues that have not been addressed, with senior managers. Where necessary, the issues will also be brought to the attention of this committee. There are no matters to report so far from the work following up findings in 2016/17.

## **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:
- a) Financial  
None
  - b) Legal  
None
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None

**Peter Johnson**  
**Resources and Enabling Services Lead (s151)**

**Author:** Rebecca Wadsworth Audit Manager.  
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**Background Papers:**  
2016/17 Internal Audit Plan





**Ryedale District Council**

**Internal Audit Progress Report 2016/17**

**Period to 31 March 2017**

**Audit Manager:** Rebecca Wadsworth  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Overview and Scrutiny Committee  
Chief Executive  
Resources and Enabling Services Lead (s151)

**Date:** April 2017



## **Background**

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the 2016/17 Internal Audit Plan at their meeting on the 16 April 2016. The total number of planned audit days for 2016/17 was 225. This report summarises the progress made in delivering the agreed plan.
- 3 This is the third Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2016/17. This report therefore updates the Committee on the work completed between 1 April 2016 and 31 March 2017.

## **Internal Audit work completed**

- 4 In the period between 1 April and 31 March 2017 we have completed seven internal audit reviews to final report stage; Data Protection and Security (two reports issued), General Ledger (Banking arrangements), Council Tax & NNDR, Housing Benefits, Risk Management and Strategic Asset Management. A draft report has been issued for a further audit. Work is in progress on eight audits. In addition, work has been completed on Customer Expectations/Delivering Efficiencies, IDEA Data Analytics and Data Matching and Follow Ups. This work has been ongoing throughout the year.
- 5 We are on target to deliver the agreed Audit Plan by the end of April 2017. Further information is included in Appendix A.
- 6 Information on the findings from audits completed since the last Overview and Scrutiny Committee on 26 January 2017 is included in Appendix B.

## **Updates to the 2016/17 Audit Plan**

- 7 Following the last Overview and Scrutiny Committee we have agreed some minor revisions to the 2016/17 plan with the Director of Finance (s151 Officer). We have slightly reduced the number of days initially allocated to certain audits so this time can be reallocated to support additional fraud work. 15 days in total have been reduced across Disaster Recovery, Payroll and Customer Expectations/Delivering Efficiencies.
- 8 No audits have been cancelled as a result. We are still able to give assurance over the areas included in the audit plan.
- 9 We have also combined the work for business continuity and disaster recovery which will now be presented as one report. This will allow us to look at these arrangements in their entirety and consider the extent to which business continuity and disaster recovery plans are fully integrated.

## Audit Opinions

- 10 For most reports we provide an overall opinion on the adequacy and effectiveness of the controls under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the opinion and priority ranking are included in Appendix C.

## Wider Internal Audit work

- 11 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
- **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice, guidance and training to members as required.
  - **Ongoing support to management and officers;** we meet regularly with management to identify emerging issues and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council. We have been working with senior management as part of the ongoing 'Towards 2020 Programme', providing support, advice and challenge.
  - **LGA Corporate Peer Challenge;** the Head of Internal Audit has supported and was interviewed as part of the October 2016 work undertaken by the LGA.
  - **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally 'followed up'. This helps to provide assurance to management and members that control weaknesses have been properly addressed. In 2016/17 we have worked with officers to ensure all findings are now being recorded on the Council's 'Covalent' performance management system. This will allow audit matters to be highlighted, considered and then addressed alongside other relevant performance matters. We are continuing to review agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report to members as a result of our follow up work.

Rebecca Wadsworth  
Audit Manager  
Veritau Ltd

April 2017

Table of 2016/17 audit assignments to 31 March 2017

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Business Continuity and Disaster Recovery	In Progress		
Training	Deferred to 2017/18		
Customer Expectations / Delivering Efficiencies	Completed	No opinion given	Not Applicable (ongoing support/advice)
Performance Management and Data Quality	In Progress		
Fundamental/Material Systems			
Housing Benefits	Completed	Substantial Assurance	April 2017
Payroll	In Progress		
Council Tax / NNDR	Completed	High Assurance	April 2017
Sundry Debtors	In Progress		
Creditors	In Progress		
Income	In Progress		
General Ledger – Banking arrangements	Completed	Substantial Assurance	January 2017
Regularity Audits			
Contract Management	In Progress		
Risk Management	Completed	No opinion given	April 2017
Environmental Health	Draft Report		
General Network and Key System Controls	In Progress		
Technical/Project Audits			
Data Protection and Security (1)	Completed	Reasonable Assurance	November 2016
Data Protection and Security (2)	Completed	Substantial Assurance	April 2017
IDEA data analytics and data matching	Completed	No opinion given	Not Applicable (ongoing support/advice)
Strategic Asset Management	Completed	Reasonable Assurance	
Follow-Ups	Completed	No opinion given	Not Applicable (ongoing support/advice)

# Summary of Key Issues from audits completed to 31 March 2017; not previously reported to Committee

## Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Council Tax & NNDR	High Assurance	<p>Council Tax and National Non Domestic Rates (NNDR) are two of the council's key funding streams for the provision of its services.</p> <p>The audit examined the controls and processes in place to ensure:</p> <ul style="list-style-type: none"> <li>exemptions, relief and disregards are only applied to eligible individuals and businesses</li> <li>joint and severable liability are applied correctly for payments of council tax and NNDR</li> </ul> <p>We reviewed exemptions/discounts in respect of small business relief, listed buildings, residents in care and twenty eight day exemption</p>	February 2017	<p><b>Strengths</b> The Council's procedures and controls in place, to ensure that Council Tax and NNDR relief and disregards are only applied to eligible individuals and businesses, were found to have been complied with. The Council have sufficient methods to identify joint and severable liability and apply them to Council Tax and NNDR.</p> <p><b>Areas for improvement</b> No weaknesses were noted.</p>	-
Data Protection and Security (2)	Substantial Assurance	<p>The Council holds and processes large amounts of personal and sensitive data. Senior management recognise there are information governance risks associated with holding this information, and that appropriate practices need to be followed by RDC staff.</p> <p>We performed a second unannounced visit and review of Ryedale House in January 2017.</p> <p>The objective of the visit was to assess the extent to which data was being held securely in the Council's offices. This included hard copy personal and sensitive information as</p>	February 2017	<p><b>Strengths</b> We have seen improvements since the visit in 2016. Key safes were being used to ensure information is securely locked away. The Clear Desk policy was being observed in most cases. The number of adverse findings from the January 2017 review is significantly reduced compared with the June 2016 visit.</p> <p><b>Areas for Improvement</b> Whilst the frequency of weaknesses was less than in 2016, we still found some instances where documents had not been secured.</p> <p>In addition to some desks not being clear, there were cases where desks may have been cleared but sensitive information had been put in drawers or cupboards and the drawers or cupboards were not locked. Two</p>	Officers responsible for the areas where unsecured sensitive information was found are to be reminded of their responsibilities with regard to the Data Protection Act and Ryedale policies.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		well as electronic items. Our previous visit in July 2016 had noted some areas of weakness and non compliance with expected practice. That audit had a Reasonable Assurance opinion.		of the findings from the January 2017 visit were at the same locations as findings at in June 2016.	
Housing Benefits	Substantial Assurance	<p>The audit reviewed the controls and processes for calculating and paying housing benefits. The work specifically reviewed the procedures that ensure:</p> <ul style="list-style-type: none"> <li>Support applications and changes of circumstances are assessed accurately, calculated correctly and processed within a reasonable timeframe and in accordance with legislation,</li> <li>regular reconciliations are undertaken to ensure transactions are correctly recorded in the Council's ledger accounts,</li> <li>Discretionary Housing Payments (DHPs) are awarded appropriately and calculated correctly,</li> <li>appeals against Housing Benefit and CTS awards are processed according to procedure and within a reasonable timescale.</li> </ul>	March 2017	<p><b>Strengths</b></p> <p>We found the average time taken to process changes in circumstances is well within the current government target of 12 days.</p> <p>Regular reconciliations were undertaken between the HB system and the Council Tax system for Council Tax Support. The benefits system is reconciled on an annual basis with the general ledger.</p> <p>We saw good monitoring of the DHP budget and the funds available using Northgate which incorporates committed weekly payments into the budget figure. Copies of claims relating to DHPs paid are retained on the document management system and supported by all relevant information.</p> <p>The Council has a good system for dealing with cases where an applicant is not happy with a decision.</p> <p><b>Areas for Improvement</b></p> <p>The time taken to process new claims is not meeting the government target of 25 days and a substantial backlog has built up over the last few months of 2016.</p> <p>The officer who processes the majority of DHPs is no longer in post from April 2017. For the future detailed process notes would help ensure a continued consistency in the awarding of these payments.</p>	<p>Management are exploring the option of outsourcing some of the assessing to help improve performance, provide greater flexibility &amp; resilience.</p> <p>Clear procedures for all DHP's will be produced by the Benefits Specialist.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Risk Management	No opinion	<p>Risk management is a critical part of the strategic management of any organisation.</p> <p>Our work in 2015/16 had highlighted a number of areas for the Council to improve on Risk management. The work this year reviewed the progress made towards implementing the six actions that were agreed by management as part of the 2015/16 audit of Risk Management.</p> <p>The work also consider 'the direction of travel' with regards risk management in light of the ongoing transformation and explore how this could be used as a vehicle for change and further improvement within the existing risk management process.</p>	March 2017	<p><b>Strengths</b> Some progress has been made towards addressing the agreed actions from the 2015/16 report.</p> <p>A risk workshop was held in November 2016 at which senior managers reviewed the corporate risk register. Each corporate risk was assigned to a risk owner from within the Corporate Management Team. This was a significant step in the improvement of risk management arrangements as ownership of risks is vital in ensuring their effective management.</p> <p><b>Areas for Improvement</b> Limited progress has been made in improving risk management procedures. A number of issues from the previous report have not been fully addressed. Effective Risk Management is not embedded or being followed.</p> <p>We saw that corporate risks were not subject to any regular, systematic monitoring and review on the Covalent system.</p> <p>Service risk registers are not relevant or being kept up to date.</p> <p>Medium and high category corporate risks are not being managed or monitored.</p> <p>The way risks are currently captured and structured on Covalent does not encourage effective management of those risks.</p> <p>In total twelve areas for improvement were shared to help the Council make the necessary improvements.</p>	<p>Management have agreed a comprehensive action plan for all twelve recommendations.</p> <p>Six of the findings are planned to be completed by May 2017. The remaining six have a deadline of September 2017.</p>
Strategic Asset Management	Reasonable Assurance	In February 2016 the Council identified a need for its property assets to be reviewed and a Scrutiny Assets Review was completed during	April 2017	<p><b>Strengths</b> During the last 18 months the number of vacant industrial units has been reduced with</p>	Work was completed in January 2017 to give valuations for all industrial units including recommended

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>2016. Full Council agreed a policy on the management of the Council's assets on 6 October 2016.</p> <p>This short review focussed on the Council's landlord responsibilities in respect of Investment properties, which, based on the Council's own definition, relates to the Council's Industrial Units at Showfield Lane in Malton, Westgate Carr Lane in Pickering and at Sheriff Hutton Industrial Park.</p>		<p>all units currently being let out. Invoices for rent and service charges are raised in good time quarterly in advance.</p> <p>There is now an asset register which is populated with all of the Council's assets. There are lease agreements in place for all units let. Credit checks are now carried out for all new tenancies. A key element of the T2020 transformation programme is ensuring all the Council's assets are being optimised and the arrangements for asset management continue to be reviewed by management.</p> <p><b>Areas for Improvement</b> There are some areas of the Service where improvements need to be made. These include the following:</p> <ul style="list-style-type: none"> <li>• Ensuring there is a regular review of rents to maximise income and reflect market trends. There is no evidence that rents have been reviewed for at least five years, and rents have not increased during this time.</li> <li>• Adopting an Asbestos Management Policy</li> <li>• Reviewing the costs billed to tenants as service charges and ensuring the procedure of sending service charge statements to tenants is applied as service charge statements were not issued to tenants for 2015/16</li> <li>• Ensuring the accumulated funds from service charges form the basis of a 10 year repair and maintenance programme for investment properties.</li> <li>• Ensuring the revenue budget for rental income from Investment</li> </ul>	<p>rents to ensure income is maximised. Implementation of the Asset Management Strategy will include regular rent reviews and increasing current rents in accordance with existing lease agreements is being progressed with Legal Services.</p> <p>The risks from asbestos are currently being managed. An asbestos management plan will be drawn up to formalise this to include the frequency of inspections.</p> <p>The procedure for producing year-end service charge statements in accordance with best practice will be reviewed and an appropriate process will be implemented as part of developing the use of the Estates Management module of the IDOX system.</p> <p>Work has been undertaken to commission condition surveys which will enable the production of a 10 year programme of work to ensure there is a planned approach to the repairs and maintenance requirements at the industrial units. A review of the service charges will then be undertaken to align them with the funding contribution</p>



System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>Properties accurately reflects the lease agreements in place and is reconciled annually.</p> <p>There is currently no overall IT system used for collating and managing assets, there are three systems used for specific tasks by different services. As part of the current asset review a number of options have been examined including developing the existing IDOX Estate Management module in order for management to decide on the best solution for the efficient and effective management of the Councils assets.</p>	<p>required to deliver the 10 year programme taking into account the accumulated balance.</p> <p>The new asset management policy will ensure that rents are reviewed regularly to ensure market rents are being charged and income is maximised</p>

### Audit Opinions and Priorities for Actions

#### Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

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

#### Priorities for Actions

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



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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>20 APRIL 2017</b>
<b>REPORT OF THE:</b>	<b>RESOURCES AND ENABLING SERVICES LEAD (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT PLAN 2017/18</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present to members the internal audit plan for 2017/18.

### **2.0 RECOMMENDATION**

- 2.1 It is recommended that the internal audit plan for 2017/18 be approved.

### **3.0 REASON FOR RECOMMENDATION**

- 3.1 The Overview and Scrutiny Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the council's internal auditors in line with good practice as set out in the Public Sector Internal Audit Standards (PSIAS).

### **4.0 REPORT DETAILS**

- 4.1 The work of internal audit is governed by the Public Sector Internal Audit Standards. In accordance with those standards and the council's audit charter, internal audit is required to prepare an audit plan on at least an annual basis. This report includes the internal audit plan for 2017/18.
- 4.2 The internal audit plan has been prepared on the basis of a risk assessment. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the council's priorities and objectives.
- 4.3 The content of the audit plan has been subject to consultation with senior officers and is submitted for formal approval by the Committee. Any changes to the plan required during the year will be discussed and agreed through the council's client management arrangements and will be notified to the Committee.

- 4.4 The plan includes 345 days for 2017/18. This includes 225 days for internal audit work, which is the same as the 2016/17 plan, 105 days for fraud work and 15 days for information governance support.

## **5.0 IMPLICATIONS**

- 5.1 The following implications have been identified:
- a) Financial  
None
  - b) Legal  
None
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None

**Peter Johnson**  
**Finance Manager (s151)**

**Author:** Rebecca Wadsworth Audit Manager.  
Veritau Limited  
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**E-Mail Address:** [rebecca.wadsworth@veritau.co.uk](mailto:rebecca.wadsworth@veritau.co.uk)

### **Background Papers:**

Public Sector Internal Audit Standards  
CIPFA Local Government Application Note (for the United Kingdom Public Sector Internal Audit Standards)

### **Appendices:**

Appendix A - Internal Audit Plan 2017/18

RYEDALE  
DISTRICT  
COUNCIL



## **Ryedale District Council**

### **Internal Audit Plan 2017/18**

**Audit Manager:**

Rebecca Wadsworth

**Head of Internal Audit:**

Max Thomas

**Circulation List:**

Members of the Overview and Scrutiny Committee  
Chief Executive  
Resources and Enabling Services Lead (s151)

**Date:** April 2017

  
Assurance Services for  
the Public Sector

## Introduction

- 1 This document sets out the planned 2017/18 programme of work for internal audit, provided by Veritau for Ryedale District Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards. In accordance with those standards and the Council's Audit Charter, internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The Head of Internal Audit is required to produce an annual internal audit opinion to the Council based on an 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 provide a fully informed body of work to provide that opinion.
- 4 The internal audit plan has been prepared on the basis of a risk assessment. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the District Council's priorities and objectives. The content of the internal audit plan has been subject to consultation with directors and other senior officers.
- 5 The internal audit plan is submitted for formal approval by the Overview and Scrutiny Committee who are also responsible for monitoring progress against the plan. Changes to the plan will be agreed with the Resources and Enabling Services Lead (s151) and will be notified to this committee. Proposed work is also discussed with the Council's external auditors to ensure there is no duplication of effort. We will provide regular updates on the scope and findings of our work to the Overview and Scrutiny Committee throughout 2017/18.
- 6 The plan is based on a total commitment of 345 days for 2017/18. This includes 225 days for internal audit work, 105 days for fraud work and 15 days for information governance support. which is the same as the 2016/17 plan.

## 2017/18 Audit Plan

- 7 The plan has been structured into the following sections:
  - **Strategic Risks;** this work involves reviewing areas highlighted as specific risks in the risk register.
  - **Fundamental/Material Systems;** to provide assurance on the key areas of financial risk. This work will help provide assurance the internal controls on these key systems for the Council are working effectively and the risks of loss are minimised. The work will also support the work of the external auditors.
  - **Operational/Regularity Audits;** to provide assurance on those areas identified through Veritau's risk based assessment. This work will cover

a number of the governance frameworks which the Council rely on to provide assurance that key areas of the business are operating effectively. We have also identified a number of service risk areas to review.

- **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 effect the delivery of services.
- **Counter Fraud;** to provide a mix of pro-active and re-active support to the Council on fraud related matters.
- **Information Governance;** to provide support and advice on the development of Information Governance policies and procedures.
- **Client support, Advice and Follow;** This is work that supports the Council in its functions and provides assurance on ad-hoc matters and the adoption of findings we have reported in previous years.

8      The Council is undertaking a significant transformation programme. The new operating model is being implemented from 3 April 2017 so 2017/18 is a very important year to develop, introduce and embed the new thinking and arrangements. We have included specific work in this plan to challenge and support those developments.

9      Following the Corporate Peer Challenge in October 2016 the Council has developed a draft improvement plan, based on their findings and recommendations. In developing this audit plan we have included coverage of areas of the improvement plan including income generation and partnerships.

10     Details of the 2017/18 plan are set out in **Appendix A**

## Strategic Risks

Risk No	Risk	Audit	Scope	Days
08	Business Continuity Planning	Business Continuity and Disaster Recovery	A follow up of the progress being made implementing the arrangements to ensure compliance with the Civil Contingencies Act 2004 and the need for established business continuity and disaster recovery procedures. We will also follow up the progress made on the ICT disaster recovery arrangements.	10
03	Staff Management	HR Performance Management and Training	A review of the arrangements for managing staff performance including the effectiveness of the Council's arrangements to deliver training aims and objectives.	15
10	Information Security	Data Protection and Security	To undertake unannounced visits to establish the extent to which the Council's expectations of data security of sensitive information, including the clear desk policy are being followed.	6
10	Information Security	IT Information Security	This audit will look at the Council's arrangements for managing information security risks including IT controls such as firewalls and malware protection as well as access controls and rights management.	15
01	Significant Partnerships	Partnership Arrangements	A review of the Council's arrangements for managing partnerships and ensuring effective governance and a clear strategic direction are in place.	10



**Fundamental/Material Systems**

<b>Audit</b>	<b>Scope</b>	<b>Days</b>
Housing Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme.	10
Payroll	A review of the key risks/ controls of the payroll system.	10
Council Tax/NNDR	A review of the key risks/controls for the setting and collection of local tax including performance management arrangements.	10
Sundry Debtors	A review focusing on the effectiveness of the systems of debt recovery.	8
Creditors	To review the key risks/controls surrounding the payment of Creditors invoices.	8
Income	To review the key risks/controls surrounding the receipting and balancing of monies received. We will also review the strategic arrangements for income collection to appraise how the Council maximises the monies it can receive.	10
General Ledger	A review of the key controls in the General Ledger.	8

**Operational/Regularity Audits**

<b>Audit</b>	<b>Scope</b>	<b>Days</b>
Procurement	A review of the Council's arrangements against key risk areas highlighted in the December 2016 Home Office report in respect of the threat from Serious and Organised Crime to publicly procured services in Local Government.	6
Risk Management	A review of the effectiveness of the Risk Management arrangements to highlight and robustly manage the key strategic risks of the Council.	10
Lettings Income	This audit will look at arrangements for the management of lettings income.	8
Taxi Licensing	To review the key risks and controls in place in respect of Taxi Licensing.	8
Development Management	To consider the management of the key service, performance and operational risks of the Development Management function.	8
		<b>40</b>

**Technical/Projects**

<b>Audit</b>	<b>Scope</b>	<b>Days</b>
Transformation Programme	To provide advice, guidance and challenge to the 'Towards 2020' transformation programme. The allocation of time will also include assurance on overall monitoring and governance arrangements or support to specific work streams and aspects of the programme.	10
Project and Programme Management	A review of the effectiveness of the Project Management policies, procedures and processes in place at the Council in light of the new operating model.	15
		<b>25</b>

**Counter Fraud**

<b>Fraud Area</b>	<b>Scope</b>	<b>Days</b>
Counter Fraud General	An allocation of time to monitor changes to regulations and guidance, to review counter fraud risks, and support the Council with maintenance of the counter fraud policy framework. This will include completion of the annual counter fraud risk assessment.	15
Proactive Work	An allocation of time to raise awareness of counter fraud issues and procedures for reporting suspected fraud. This will include targeted proactive counter fraud analysis.	10
Reactive Investigations	An allocation of time to provide support, advice and recommendations on cases which may be appropriate for investigation as well as investigation of those cases and recommendations on subsequent actions.	50
National Fraud Initiative (NFI)	An allocation of time for organisation of NFI data submission and investigation of subsequent matches.	15
DWP Liaison	An allocation of time to undertake system interrogation and provision of information for the DWP's Single Fraud Investigation Service (SFIS).	15
		<b>105</b>

**Information Governance**

<b>IG Area</b>	<b>Scope</b>	<b>Days</b>
Information Governance	Allocation of time to provide support on the development of policies and procedures; including privacy impact assessments and changes relating to the General Data Protection Regulations.	15
		<b>15</b>

## Client Support, Advice and Follow up

Area	Days
Committee Preparation and Attendance	12
External Audit Liaison	2
Miscellaneous Advice and support	8
Corporate Issues (including audit planning and client liaison)	10
Follow up of previous years findings	8
	40
<b>TOTAL PLANNED DAYS</b>	<b>345</b>



# External Audit Plan 2016/2017



Ryedale District Council

February 2016



# The Local Government Landscape



Page 46

## Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set £0.4m.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set £20,000.

### Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as the significant changes in the pension liability due to LGPS Triennial Valuation.

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as disclosures associated with retrospective restatement of CIES, EFA and MiRS:

**See pages 3 to 7 for more details.**

## Value for Money Arrangements work



Our risk assessment is ongoing and we will report VFM significant risks during our audit

**See pages 8 to 11 for more details.**

## Logistics



Our team is:

- Rashpal Khangura – Director
- Rob Walker – Manager
- Tom Soulby – Assistant manager

More details are on **page 14**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £41,826 **see page 12**.

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in [month] 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

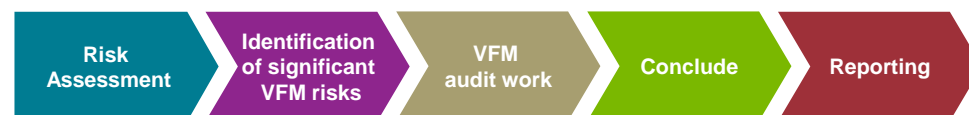
## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 7 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 [and the findings of our VFM risk assessment].







## Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

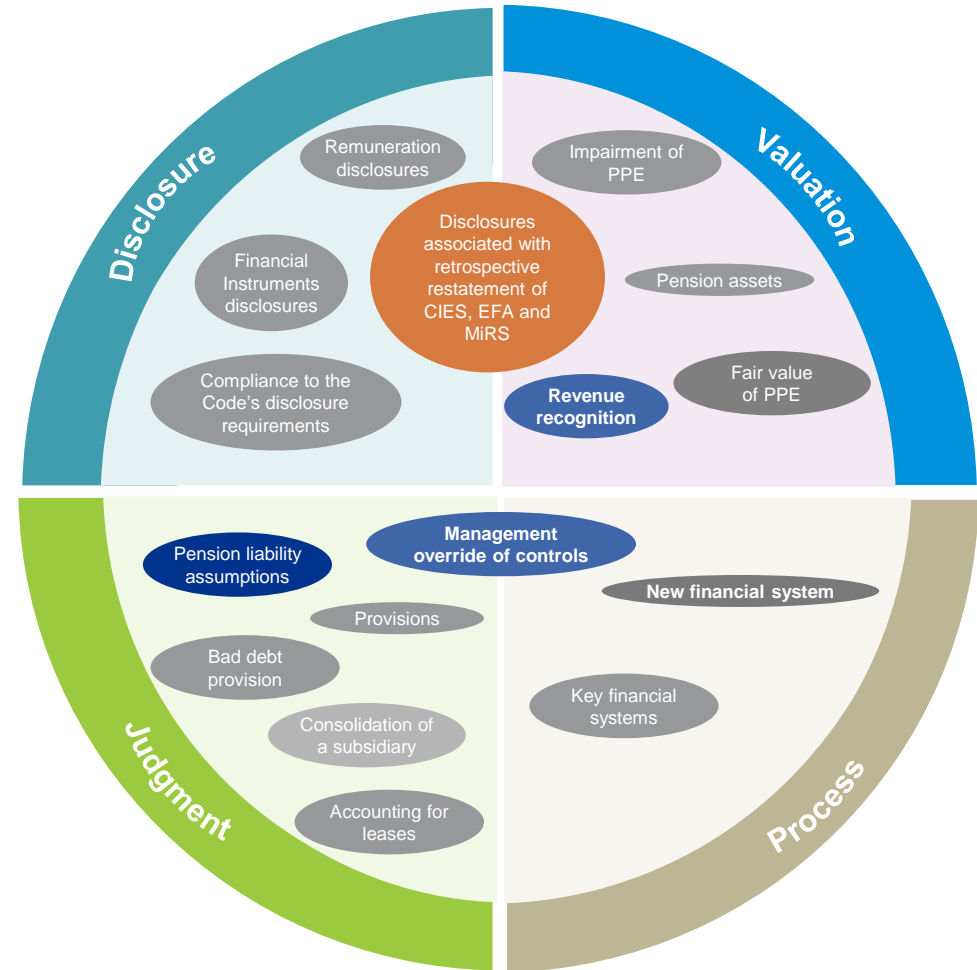
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.





## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### **Risk : Significant changes in the pension liability due to LGPS Triennial Valuation**

During the year, the Local Government Pension Scheme for North Yorkshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by North Yorkshire County Council, who administer the Pension Fund.

Approach : As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.



## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### Disclosures associated with retrospective restatement of CIES, EFA and MiRS

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Councils are funded and how they use the funding to serve the local population. Outcome of this project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note

As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards.

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, worthy of audit understanding.

#### Approach:

As part of our audit;

- We will assess how the authority have actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- We will check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.

# Financial statements audit planning (cont.)

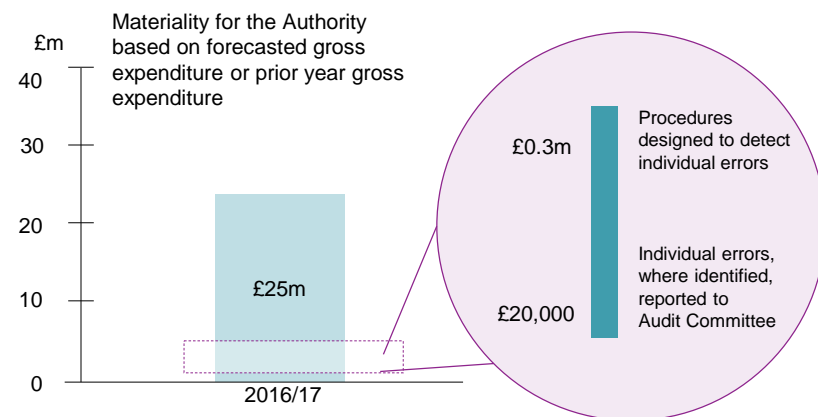


## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £0.4million which equates to 1.6 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.



## Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £20,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

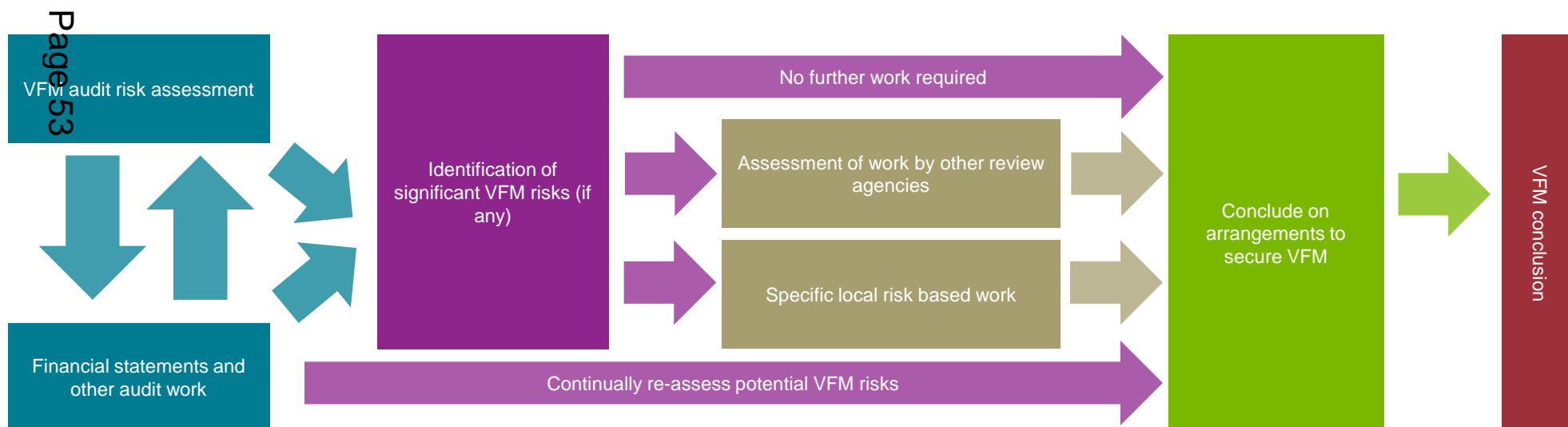


## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### Informed decision making

#### Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

#### Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

#### Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
<b>VFM audit risk assessment</b>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul>
<b>Linkages with financial statements and other audit work</b>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<b>Identification of significant risks</b>	<p>The Code identifies a matter as significant <i>'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</i></p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
<b>VFM audit risk assessment</b>  <div>Page 56</div>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers across the Authority;</li> <li>■ Review of minutes and internal reports;</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<b>Linkages with financial statements and other audit work</b>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<b>Reporting</b>	<p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

## Our audit team

Our audit team will be led by Rashpal Khangura Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with key finance staff. Our communication outputs are included in Appendix 1.

## Independence and Objectivity

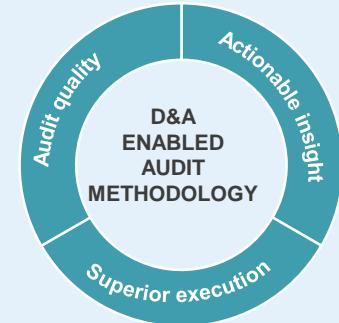
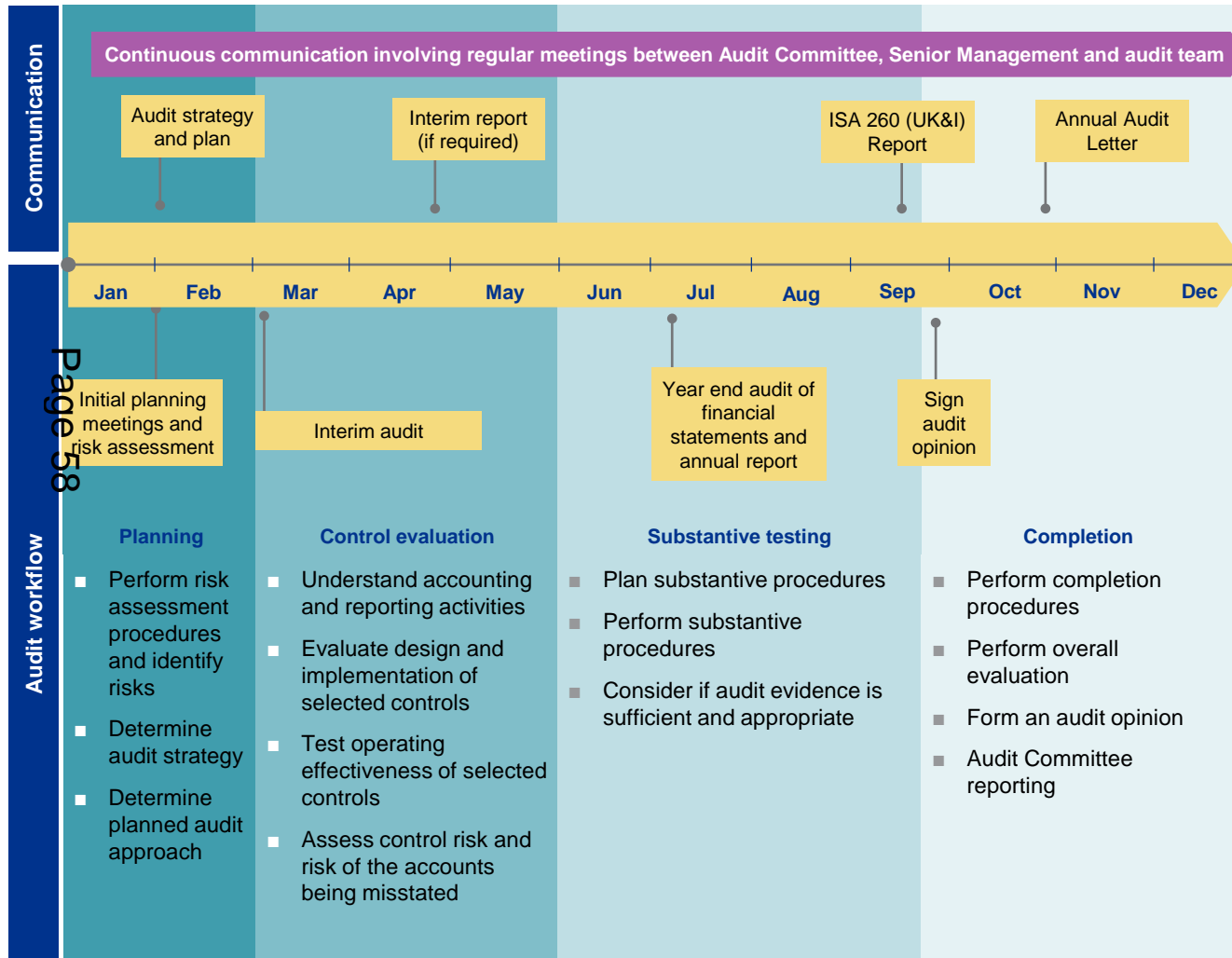
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

## Audit fee

*Our Audit Fee Letter 2016/2017* presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £41,826 compared to £45,424 in 2015/16 which was higher as a result additional VFM work totalling £3,598.

# Appendix 1: Key elements of our financial statements audit approach



## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as payroll and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department.



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<b>Name</b>	Rashpal Khangura
<b>Position</b>	Director
<b>Contact</b>	T: 07876 392195 E: <a href="mailto:Rashpal.Khangura@kpmg.co.uk">Rashpal.Khangura@kpmg.co.uk</a>
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Finance Risk and Audit Committee and Chief Executive.'</p>



<b>Name</b>	Matt Moore
<b>Position</b>	Manager
<b>Contact</b>	T: 07468 369807 E: <a href="mailto:Matthew.Moore@kpmg.co.uk">Matthew.Moore@kpmg.co.uk</a>
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will liaise with the S151 officer.'</p>



<b>Name</b>	Thomas Brough
<b>Position</b>	Assistant Manager
<b>Contact</b>	T: 07826 536885 E: <a href="mailto:Thomas.Brough@kpmg.co.uk">Thomas.Brough@kpmg.co.uk</a>
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

# Appendix 3: Independence and objectivity requirements

## Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

## Confirmation statement

We confirm that as of January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rashpal Khangura the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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# Technical update

Incorporating the External Audit Progress Report





Ryedale District Council

April 2017

# Contents

The contacts at KPMG in connection with this report are:		Page
<b>Rashpal Khangura</b> Director KPMG LLP (UK) Tel: 0113 231 3396 <a href="mailto:Rashpal.khangura@kpmg.co.uk">Rashpal.khangura@kpmg.co.uk</a>	<b>External audit progress report</b>	3
	<b>KPMG resources</b>	5
	<b>Technical developments</b>	9
	<b>Appendices</b>	
<b>Matthew Moore</b> Manager KPMG LLP (UK) Tel: 0113 231 3663 <a href="mailto:matthew.moore@kpmg.co.uk">matthew.moore@kpmg.co.uk</a>	1. 2016/17 audit deliverables	14

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors. The report also highlights the main technical issues which are currently having an impact in local government. If you require any additional information regarding the issues included within this report, please contact a member of the audit team. We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

-  High impact
-  Medium impact
-  Low impact
-  For information





# External audit progress report

# External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	<i>Planning for 2016/17 has already commenced. Our audit plan will be taken to the March audit committee.</i> <i>Our interim audit visit took place week commencing 20th March, and our review of the draft financial statements will commence in July 2017.</i>
Value for Money	<i>We consider value for money throughout our audit process. Details of our planned work will be included within our audit plan.</i>
Certification of claims and returns	<i>We have not yet started our audit of the 2016/17 Housing Benefit &amp; Council Tax Benefit Claim in line with the Public Sector Audit Appointments (PSAA) guidance.</i>
Other work	<i>No additional work has been requested that we have not already brought to the Audit Committee's attention.</i>



# KPMG resources

# Publication 'Value of Audit – Perspectives for Government'

## What does this report address?

This report builds on the Global Audit campaign – *Value of Audit: Shaping the future of Corporate Reporting* – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.

Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.

## What are the key issues?

- The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.
- The importance of trust and independence of government across different markets.
- How government audits can provide accountability thereby enhancing the government's controls and instigating decision-making.
- The importance of technology integration and the issues that need to be addressed for successful implementation
- The degree of reliance on government financial reports as a result of differing approaches to conducting government audits

The *Value of Audit: Perspectives for Government* report can be found on the KPMG website at

<https://home.kpmg.com/xx/en/home/insights.html>

The *Value of Audit: Shaping the Future of Corporate Reporting* can be found on the KPMG website at [www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx](http://www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx)

# Publication 'Reimagine - Local Government'

KPMG have published a number of reports under the headline of *Reimagine – Local Government*. These are summarised below:

## **Council cash crunch: New approach needed to find fresh income**

- By 2020, councils must generate all revenue locally.
- More and more are looking towards diversifying income streams as an integral part of this.
- Councils have significant advantages in becoming a trusted, independent supplier.
- To succeed, they must invest in developing commercial capability and capacity.

## **Councils can save more than cash by sharing data**

- Better data sharing in the public sector can save lives and money.
- The duty to share information can be as important as the duty to protect it.
- Local authorities are yet to realise the full value of their data and are wary of sharing information.
- Cross-sector structures and the right leadership is the first step to combating the problem.

## **English devolution: Chancellor aims for faster and more radical change**

- Experience of Greater Manchester has shown importance of strong leadership.
- Devolution in areas like criminal justice will help address complex social problems.
- Making councils responsible for raising budgets locally shows the radical nature of these changes.
- Cuts to business rates will stiffen the funding challenge, even for the most dynamic councils.

## **Senior public sector pensions**

- Recent changes to pensions taxation have particularly affected the public sector, with fears senior staff may quit as pension allowances bite.
- 'Analyse, control, engage' is the bedrock of an effective strategy.

## **Time for the *Care Act* to deliver**

- Momentum behind last year's *Care Act* risks stalling.
- Councils are struggling to create an accessible care market with well-informed consumers.
- Local authorities must improve digital presence and engage providers.
- Austerity need not be an impediment to progress. It could be an enabler.

The publications can be found on the KPMG website <https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html>

# Publication 'The future of cities'

We are delighted to share *The future of cities*, a report that helps local government leaders build and evaluate sustainable cities for their current and future generations.

## What is *The future of cities*?

*The future of cities* is a global report that follows from the UK firm's thought leadership partnership with the City of Bristol and the work surrounding its European Green Capital 2015 designation. The report is broken into two modules that draw on the expertise of KPMG practitioners around the world and includes a range of case studies to ensure you find approaches relevant to your context.

The first module, *The future of cities: creating a vision*, explains the central role of vision in the success of second cities, identifying seven guiding principles to make cities more attractive. Examples are provided of various cities around the globe that are putting some of these principles into action.

The second, *The future of cities: measuring sustainability*, discusses some of the ways in which cities are being measured and how these metrics could evolve. More important, it provides practical examples of what leading cities are doing, the lessons to be learned and how these can be applied to other cities.

This content is now featured on [kpmg.com/futurecities](https://kpmg.com/futurecities) where readers can access a broader collection of reports and shorter opinion pieces from KPMG's leading thinkers on different aspects on how to create better, more sustainable places to live and work.



# Technical developments

# PSAA's Value For Money Tool

Level of impact: <span style="color: green;">●</span> (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 3 October 2016.</p> <p>The VFM profiles have been updated with the latest available data. The adult social care section has been re-designed based on the new adult social care financial return (ASC-FR). Data is available from 2014/15 onwards with no comparable data from earlier years.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none"><li>— General fund revenue account budget (RA) (2016/17)</li><li>— Child and working tax credit statistics (2014/15)</li><li>— Children in low-income families local measure (2015)</li><li>— Chlamydia testing activity dataset (CTAD) (2015)</li><li>— Climate change statistics: CO2 emissions (2014)</li><li>— Collection rates for council tax and non-domestic rates in England (2015/ 16)</li><li>— Council tax demands and precepts statistics (2016/17)</li><li>— Fuel poverty sub-regional statistics (2014)</li><li>— Homelessness statistical release (P1E) (2015/16)</li><li>— Housing benefit speed of processing (2015/16)</li><li>— Mid-year population estimates (2015)</li><li>— NHS health check data (2015/16)</li><li>— Planning applications (2015/16)</li><li>— Schools, pupils and their characteristics (2015/16)</li><li>— Young people from low income backgrounds progressing to higher education (2013/14)</li></ul> <p>The Value For Money Profiles can be accessed via the PSAA website at <a href="http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing">http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</a></p>	<p><i>The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.</i></p>



# NAO report: Children in need of help or protection

Level of impact: ● (For Information)

The NAO has recently published a report entitled *Children in need of help or protection*.

The report finds that the actions taken by the Department for Education since 2010 to improve the quality of help and protection services delivered by local authorities for children have not yet resulted in services being of good enough quality. NAO analysis found that spending on children's social work, including on child protection, varies widely across England and is not related to quality.

Neither the Department for Education nor authorities understand why spending varies.

The report finds that nationally the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than just local failure. Ofsted has found that almost 80% of authorities it has inspected since 2013 are not yet providing services rated as Good to help protect children. Good performance is not related to levels of deprivation, region, numbers of children or the amount spent on children in need. Ofsted will not complete the current inspection cycle until the end of 2017, a year later than originally planned. The Department does not therefore have up-to-date assurance on the quality of services for 32% of local authorities.

The report also notes that children in different parts of the country do not get the same access to help or protection, finding that thresholds for accessing services were not always well understood or applied by local partners such as the police and health services. In Ofsted's view some local thresholds were set too high or low, leading to inappropriate referrals or children left at risk. In the year ending 31 March 2015 there were very wide variations between local authorities in the rates of referrals accepted, re-referrals, children in need and repeat child protection plans.

The report is available from the NAO website at [www.nao.org.uk/report/children-in-need-of-help-or-protection](http://www.nao.org.uk/report/children-in-need-of-help-or-protection)

# Consultation on 2017/18 work programme and scales of fees

Level of impact: ● (For Information)

Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2017/18 work programme and scales of fees.

The consultation sets out the work that auditors will undertake at principal local government and police bodies for 2017/18, with the associated scales of fees. The consultation document, and the lists of individual scale fees, are available on the 2017/18 work programme and scales of fees consultation page of the PSAA website: [www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees](http://www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees)

There are no planned changes to the overall work programme for 2017/18. It is therefore proposed that scale fees are set at the same level as the scale fees applicable for 2016/17.

The work that auditors will carry out on the 2017/18 accounts will be completed based on the requirements set out in the *Local Audit and Accountability Act 2014* and under the *Code of Audit Practice*.

The consultation closed on Thursday 12 January 2017. PSAA will publish the final work programme and scales of fees for 2017/18 in March 2017.

This is the final year for which PSAA will set fees under the current transitional arrangements. The Secretary of State for Communities and Local Government has specified PSAA as an appointing person for principal local government and police bodies, under the provisions of the *Local Audit and Accountability Act 2014* and the requirements of the *Local Audit (Appointing Person) Regulations 2015*.

This means that PSAA will make auditor appointments under new audit contracts to bodies that choose to opt into the national scheme the company is developing, for audits of the accounts from 2018/19.

Further information is available on the appointing person page of the PSAA website: [www.psaa.co.uk/supporting-the-transition/appointing-person](http://www.psaa.co.uk/supporting-the-transition/appointing-person)

# Overview of Local Government

Level of impact: ● (For Information)

The NAO has recently published an Overview of Local Government

The overview looks at the local government landscape and summarises both matters of likely interest to Parliament and the National Audit Office's (NAO's) work with local authorities. These include Local Government Responsibilities, Funding and Service Spending and the findings from the NAOs work on Local Government.

The overview is available from the NAO website at [www.nao.org.uk/report/overview-local-government](http://www.nao.org.uk/report/overview-local-government)



# Appendix

## Appendix 1

# 2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2017	TBC
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2017	completed
<b>Interim</b>			
Interim report	Details and resolution of control and process issues.  Identify improvements required prior to the issue of the draft financial statements and the year-end audit.  Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	June 2017	TBC
<b>Substantive procedures</b>			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues.  Communication of adjusted and unadjusted audit differences.  Performance improvement recommendations identified during our audit.  Commentary on the Council's value for money arrangements.	September 2017	TBC

## Appendix 1

# 2016/17 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2017	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2017	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2017	TBC

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