

OVERVIEW AND SCRUTINY COMMITTEE

Thursday 27 July 2017 at 6.30 pm

Council Chamber, Ryedale House, Malton

Agenda

AUDIT COMMITTEE

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 20 April 2017

(Pages 3 - 4)

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 KPMG Technical Update

(Pages 5 - 26)

7 Treasury Management Annual Report 2016-17

(Pages 27 - 38)

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|----|---|-------------------|
| 8 | Update of internal audit charter | (Pages 39 - 52) |
| 9 | Internal Audit Annual Report 2016/17 | (Pages 53 - 80) |
| 10 | Annual Governance Statement 2016/17 | (Pages 81 - 92) |
| 11 | Risk Management Strategy review | (Pages 93 - 110) |
| 12 | Revised Local Code of Corporate Governance | (Pages 111 - 124) |
| 13 | Exempt information
That under Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following item as information relates to action which may be taken in connection with the prevention, investigation or prosecution of crime. | |
| 14 | Counter fraud framework update | (Pages 125 - 142) |

SCRUTINY COMMITTEE

- | | |
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| 15 | Topic for the next Scrutiny Review |
| 16 | Any other business that the Chairman decides is urgent. |

Overview and Scrutiny Committee

Held at Council Chamber, Ryedale House, Malton
on Thursday 20 April 2017

Present

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

In Attendance

Will Baines, Tom Brough (KPMG), Ann Chapman, Stuart Cutts and Peter Johnson and Rebecca Wadsworth (Veritau)

Minutes

1 Apologies for absence

Apologies were received from Councillors Gardiner, Jainu-Deen, Sanderson and Duncan.

2 Minutes of the meeting held on the 26 January 2017

Decision
That the minutes of the meeting of the Audit Committee held on 26 January 2017 be approved and signed by the Chairman as a correct record.

3 Urgent Business

There were no items of urgent business.

4 Declarations of Interest

There were no declarations of interest.

5 Scrutiny Review of Meeting Start Times and Management of Meetings

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

Decision
That the draft final report be approved.

6 Internal Audit Third Progress Report 2016/17

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

Decision

That the Committee note the results of the Audit work undertaken as part of the 2016/17 audit plan.

7 Internal Audit Plan 2017/18

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

Decision

That the internal audit plan for 2017/18 be approved.

8 External Audit Plan 2016/2017

Considered – Report of Matthew Moore (KPMG).

Decision

That the report be noted.

9 KPMG Technical Update

Considered – Report of Matthew Moore (KPMG).

Decision

That the report be noted.

10 Any other business that the Chairman decides is urgent.

There being no other business, the meeting closed at 7:20pm.



Technical update

Incorporating the External Audit Progress Report





Ryedale District Council

July 2017

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Rashpal Khangura Director	KPMG resources	5
KPMG LLP (UK) Tel: + 0113 231 3396 rashpal.khangura@kpmg.co.uk	Technical developments	7
	Appendices	
Matthew Moore Manager	1. 2016/17 audit deliverables	18
KPMG LLP (UK) Tel: + 0113 231 3663 matthew.moore@kpmg.co.uk		

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>We have received a set of draft signed statements for the 30 June 2017 deadline. We have started our work on site and the work is ongoing. We will report our findings in the ISA260 report to the next audit committee</i>
Value for Money	<i>We have not identified any significant risks on VFM and we will be updating our risk assessment during the on site visit and will report our findings in the ISA260 report to the next audit committee</i>
Certification of claims and returns	<i>There has been some initial discussions and planning for the Housing Benefits claim certification and work will be starting during August / September</i>
Other work	<i>No other work is ongoing</i>



KPMG Resources

Ready for General Data Protection Regulations (GDPR)?

The biggest change to rules governing data protection for more than 20 years comes into effect in May 2018, carrying fines of up to 4% of revenue or €20m for organisations that do not comply, whichever is higher. The European Privacy regulators have made it very clear they intend to use their new powers.

Managing data requires a careful strategy to ensure that it's reliable and that customers understand what you are doing with their personal information and where required that you have gained their consent. This will ensure the insights it delivers are actionable, and reduces the risk that organisations won't be perceived as intrusive as customers see more tailored services.

Based on KPMG's extensive experience in working with organisations across sectors and geographies on privacy matters, we recommend the following five step approach. This could be used specifically for the purposes of the GDPR or as a broader privacy strategy approach.

- 1) **Define your privacy strategy** – Defining your privacy strategy is the first step. Without it, you can't have a consistent and coherent approach. The strategy must be defined and articulated, and then presented to senior leadership for their endorsement. You need to get it on the Council's agenda fast. Our recent experience has shown that most organisations will need to put investment into a privacy improvement programme.
- 2) **Where are you now?** – In order to establish the size of the task ahead and what specific areas need addressing, you need to understand your organisation's current maturity. This is not a tick box exercise but a pragmatic, focused process to really understand the GDPR privacy risk exposures that exist across your organisation.
- 3) **Take a pragmatic approach** – You need to build a realistic plan which will help you manage your risk to an appropriate level, in line with your overall business strategy. This does not necessarily mean taking a leading position in every single respect – but a clear view of what success looks like for you.
- 4) **Coordinate and deliver** – Focusing on areas of greatest risk, you need to ensure that controls are embedded as part of day to day business operations. This will require coordination across the organisation. Make sure you have the right blend of input from legal, IT, HR and other functions and enough resources. Don't underestimate the level of effort – personal information is everywhere in your organisation.
- 5) **Embed into business as usual** – Complying with the GDPR is about defining, implementing and then sustaining compliant processes. Post 2018 you will be required to demonstrate, on an ongoing basis, how you collect, use, retain, disclose and destroy personal information in line with the GDPR requirements. This impacts everything you do relating to personal information and is therefore a significant transformational activity for your organisation going forwards.

More details, including in relation to the five step approach set out above, can be found at:

www.kpmg.com/uk/privacyservices



Technical developments

NAO Report – Housing in England: overview

Level of impact: ● (For Information)

The NAO has recently published an overview of the housing market in England, the Department for Communities and Local Government's (DCLG) housing strategy and the overall housing policy landscape. The report notes that in recent years grown faster than its supply.

Total estimated government spending on housing in England was approximately £28 billion in 2015/16. The most significant element of this is housing benefit. In 2015/16 there were 4.1 million claimants in England, costing around £20.9 billion. Two of DCLG's four strategic objectives for this Parliament are focused on housing: increasing home ownership, and increasing the supply of homes, with an ambition of delivering a million new homes in England by 2020.

The report finds that housebuilding has not kept pace with need, and this is particularly acute in London. It notes that DCLG is reliant on the market to achieve its housing objectives and it is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the market.

The report also finds that housing has become more affordable for existing homeowners, whereas by contrast housing has become less affordable for first-time buyers, and social housing rents have been increasing faster than earnings since 2001-02. Homelessness has also increased over the past five years. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010/11.

Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. In addition, changes made in one area of housing policy can have impacts in other areas. In July 2015, for example, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing.

The report is available from the NAO website at www.nao.org.uk/report/housing-in-england-overview

Comptroller and Auditor General (C&AG) keynote speech: 'The implications of central decision-making on the delivery of frontline services'

Level of impact: ● (For Information)

The Comptroller and Auditor General (C&AG), Sir Amyas Morse, recently gave a keynote speech on *The implications of central decision-making on the delivery of frontline services* at the Strand Group, the Policy Institute at King's College London's signature seminar series.

Drawing on his unique perspective looking across the whole of the public sector, the C&AG explored some of the elements of strategic financial management and planning that influence the success of major reform programmes in connected systems.

The speech examined how central government introduces reforms to locally delivered services to achieve its policy objectives, and the effect of its approach on funding, budgeting and efficiency.

Using the examples of local government, adult social care, and the NHS in England, the C&AG argued that the focus of local public services has shifted from providing 'more for less' to providing 'less for less', and that the lack of joined-up decision-making and funding arrangements between connected systems can often lead to consequences such as:

- unforeseen conflicting objectives for local bodies;
- cost shunting between parts of connected systems; and ultimately; and
- risks of financial, or service, failure locally.

The C&AG explained how year-on-year funding reductions can impact on the accessibility and quality of the services provided, not only for the local government sector, but across the health and social care system more widely.

The C&AG concluded that central government can do more to understand how assumptions about the efficiencies that may be available are likely to affect their objectives across public services, to help them promptly manage major risks. He urged those in the centre to do more to look outside of their 'silos' to understand the complexity and interconnectedness of the environment they are seeking to reform.

Finally, he encouraged central government to work more closely with local bodies to ensure that funding and decision-making arrangements drive not only economy and efficiency, but also effectiveness.

The full transcript of the speech is available on the NAO website at www.nao.org.uk/wp-content/uploads/2017/02/CAG-speech-Kings-College-London-070217.pdf

Public Sector Audit Appointments – Updated terms of appointment and statement of responsibilities published

Level of impact: ● (For Information)

On 23 February 2017, Public Sector Audit Appointments Ltd (PSAA), issued the revised document *Terms of Appointment: Principal Local Authorities and Police Bodies*. There are minimal changes the document issued in September 2015 the re-write is intended to clarify or simplify the arrangements within the document.

PSAA has also issued an updated *Statement of Responsibilities of audited and audited bodies Principal Local Authorities and Police Bodies* applicable for 2017/18. The Statement explains where the differing responsibilities of auditors and of audited bodies begin and end, and sets out what auditors should expect of the audited bodies in certain areas. The Statement is consistent with those issued previously, but removes references to local NHS bodies and smaller authorities.

Both documents are available on the PSAA's website at www.psaa.co.uk/appointing-auditors/terms-of-appointment/

Local government finance settlement 2017-18

Level of impact: ● (For Information)	KPMG Perspective
<p>The Department for Communities and Local Government (DCLG) has published the final local government finance settlement for 2017-18. The settlement reflects comments received by DCLG in response to its consultation, with key features including:</p> <ul style="list-style-type: none">· confirmation of spending allocations for those authorities which have taken up the government’s four-year funding deal first set out in 2015;· details of council tax referendum thresholds, including the additional social care precept, and a 2% principle for all shire district councils, and for police and crime commissioners in the lowest quartile; and· the legislative framework for business rates reform underpinning the move towards 100% business rates retention. <p>For further information please see https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2017-to-2018</p>	<p>Committee members may ask for an update as to how this will impact on the medium term financial plans</p>

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NAO Report: Local support for people with a learning disability

Level of impact: ● (For Information)

On 3 March 2017, the NAO published a report on Local Support for People with a Learning Disability. The report examines how NHS in England and local authorities seek to improve the lives of the 129,000 people aged 18 to 64 who use local authority learning disability support services.

The report highlights the good progress made by the Department of Health and NHS England in setting up a programme to close hospital beds for people with a learning disability, but concludes that the programme is not yet on track to achieve value for money. The programme partners have yet to resolve a number of complex challenges if they are to achieve the ambition of a substantial shift away from reliance on inpatient care.

Between £135 million and £195 million annually will need to be made available to pay for health and social care support in the community for people with learning disabilities discharged from mental health hospitals. Unless more funding is made available for local services, this will be an unfunded pressure on the budgets of local authorities and clinical commissioning groups (CCGs). NHS England has recognised that it will take time for funding to move from hospitals to community support. To help in the short-term, it has provided £30 million revenue funding over three years, to be match-funded by partnerships, and £100 million of capital funding.

The report is available at <https://www.nao.org.uk/report/local-support-for-people-with-a-learning-disability/>

Local authority accounts: A guide to your rights

Level of impact: ● (For Information)

The NAO publishes a guide aimed at helping local people understand their rights to ask questions, inspect and object to local authority accounts. The updated publication, Local authority accounts: A guide to your rights, is available on the NAO website (at the link below).

The main changes to the guide are as follows:

- We have changed the title from Council Accounts: A guide to your rights to Local authority accounts: A guide to your rights, to reflect the fact that public rights apply to a wider selection of authorities than 'councils'.
 - The guide contains a new Annex, which addresses issues specific to smaller authorities, such as exemption from limited assurance review, which comes into force from 2017-18 onwards.
 - The guide clarifies that, while helpful to do so, it is not necessary for electors to identify an item of account in order for the objection to be eligible, particularly where they are raising issues in respect of governance, and/or are asking the auditor to issue a report in the public interest.
- Audit committee members are encouraged to read the guide, and to direct members of the public to in correspondence where this may be helpful.

The guide can be found at <https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

Publication of 2017-18 work programme and scale of fees

Level of impact: ● (For Information)

Publication of 2017-18 work programme and scales of fees

Following consultation, Public Sector Audit Appointments Ltd (PSAA) has published the work programme and scale fees for the audit of the 2017-18 accounts of principal local government and police bodies.

There are no changes to the overall work programme for 2017-18. Scale fees will therefore also remain at the same level as the scale fees applicable for 2016-17. This retains the significant fee reductions of 55 per cent secured since 2012-13, and continues to protect audited bodies from cost of living increases with an overall real terms saving equivalent to 61 per cent.

The audit of the 2017-18 accounts is the final year for the current audit contracts, which were extended for one year under transitional arrangements made by the Department for Communities and Local Government. For audits of the accounts from 2018-19, the provisions of the Local Audit and Accountability Act 2014 in relation to local appointment of auditors will apply. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies, and, in accordance with the Act, PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

During the course of 2017-18 PSAA plans to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA making further efficiencies since its establishment.

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 published by the National Audit Office.

The 2017-18 work programme documents and scale fees for individual audited bodies are now available on the PSAA website at:

<http://www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/>

Public Sector Internal Audit Standards (PSIAS)

Level of impact: ● (For Action)	KPMG Perspective
<p>The revised Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2017 and are included on the IASAB website (a CIPFA microsite – link below).</p> <p>These were agreed by the Relevant Internal Audit Standard Setters (RIASS) who are HM Treasury in respect of central government, the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations, the Department of Health in respect of the health sector in England (excluding Foundation Trusts), and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.</p> <p>The standards are applicable to the following public sector bodies in England:</p> <ul style="list-style-type: none"> · local authorities and other local government bodies, including police and fire bodies; · government departments and their executive agencies and non-departmental public bodies; and · Clinical Commissioning Groups and NHS trusts. <p>Note that Section 2 of the PSIAS sets out the requirements for Wales, Scotland and Northern Ireland.</p> <p>The standards are based on the mandatory elements of the International Professional Practices Framework (IPPF) as follows:</p> <ul style="list-style-type: none"> · definition of internal auditing; · core principles for the professional practice of internal auditing; · code of ethics; · international standards for the professional practice of internal auditing (which comprise statements, interpretations and a glossary); and · plus the mission of internal auditing. <p>In addition, the PSIAS include a small number of the UK public sector requirements, which indicate how internal auditors must implement the IPPF in the UK public sector including:</p> <ul style="list-style-type: none"> · conforming to the Code of Ethics. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation; · having regard to the Committee on Standards of Public Life's Seven Principles of Public Life; and · the requirement for the chief audit executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme. <p>The 2017 PSIAS standards can be found at http://www.iasab.org/standards</p>	<p>Committee members may request assurance that the Internal Audit standards will be achieved.</p>

Local Audit (public access to Documents) Act 2017

Level of impact: ● (For Information)

The Local Audit (Public Access to Documents) Act 2017 (the Act) received royal assent on 27 April 2017. The Act extends rights of inspection under section 26 of the Local Audit and Accountability Act 2017 to include journalists and citizen journalists.

The Act defines a journalist as ‘any person who produces for publication journalistic material (whether paid to do so or otherwise).’

Committee members will wish to note that while the Act extends rights of inspection, there are no changes in respect of auditors’ additional powers and duties; the rights under the Local Audit and Accountability Act 2014 to ask the auditor questions about the accounts, and to make an objection at audit, continue to be restricted to local government electors only.

Period for the Exercise of Public Rights 2017

Level of impact: ● (Low)	KPMG Perspective
<p>The Accounts and Audit Regulations 2015 prescribe a thirty working day period (the inspection period) for local electors and other interested persons to exercise their public rights to inspect the accounts, and for electors to ask the auditor questions about the accounts and make objections.</p> <p>The Regulations stipulate that the inspection period must include the first ten working days of July. Inspection periods could therefore commence as early as Monday 5 June, and end as late as Friday 11 August 2017.</p> <p>Audit committee members may wish to ensure that they are aware of the dates that their authority has set for the 2017 inspection period, so that they can ensure they respond promptly to correspondence with electors during this period, as there is no discretion to extend the inspection period beyond thirty working days.</p> <p>Regulations 14 and 15 set out the requirements for commencing the period for the exercise of public rights.</p>	<p>The committee need to be satisfied that the correct dates for the inspection period have been set up correctly.</p>



Audit Deliverables

Appendix 1

2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2016	done
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2017	done
Substantive procedures			
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

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Appendix 1

2016/17 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
Completion			
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
Certification of claims and returns			
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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OVERVIEW AND SCRUTINY ITEM, FOR CONSIDERATION PRIOR TO FULL COUNCIL

**RYEDALE
DISTRICT
COUNCIL**



REPORT TO:	COUNCIL
DATE:	31 AUGUST 2017
REPORT OF THE:	RESOURCES & ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	TREASURY MANAGEMENT ANNUAL REPORT 2016-17
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to:
- (i) Note the annual treasury management report for 2016/17; and
 - (ii) Approve the actual 2016/17 prudential and treasury indicators in this report.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 The Council has adopted the Code. A provision of the Code is that an annual review report must be made to the Full Council relating to the treasury activities of the previous year.

4.0 SIGNIFICANT RISKS

- 4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment strategy these are minimised. The employment of Treasury Advisors also helps reduce the risk.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code.
- 5.2 The Council uses the services of Capita Treasury Services Limited to provide treasury management information and advice.

REPORT

6.0 REPORT DETAILS

- 6.1 During 2016/17 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 23 February 2016)
- A mid year (minimum) treasury update report (Council 8 December 2016)
- An annual review following the end of the year describing the activity compared to the strategy (this report).

- 6.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

- 6.3 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Overview and Scrutiny Committee before they were reported to the full Council.

- 6.4 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Summary of interest rate movement in the year;
- Detailed borrowing activity;
- Detailed investment activity.

The Council's Capital Expenditure and Financing 2016/17.

- 6.5 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

- 6.6 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2016/17 Actual (£)	2015/16 Actual (£)
Total Capital Expenditure	537,842	1,076,215
Resourced by:		
Capital receipts	185,315	-
Capital grants and contributions	311,680	301,878
Capital reserves	40,847	34,054
External Borrowing	-	740,283
Total	537,842	1,076,215

The Economy and Interest rates

- 6.7 The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016.
- 6.8 The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.
- 6.9 In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

Overall Treasury Position as at 31 March 2017

- 6.10 At the beginning and the end of 2016/17 the Council's treasury position was as follows (excluding finance leases):

	31 March 2017 Principal	31 March 2016 Principal
Total Debt	£1.75m	£1.75m
CFR	£1.70m	£1.73m
Over/(Under) borrowing	£0.05m	£0.02m
Total Investments	£16.01m	£11.66m
Net Debt	-£14.26m	-£9.91m

The Strategy for 2016/17

- 6.11 The Treasury Management Strategy for 2016/17 was approved by members at full Council on 23 February 2016.
- 6.12 The expectation for interest rates within the treasury management strategy for 2016/17 anticipated a low but rising Bank Rate, (starting in quarter 2 of 2016) and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

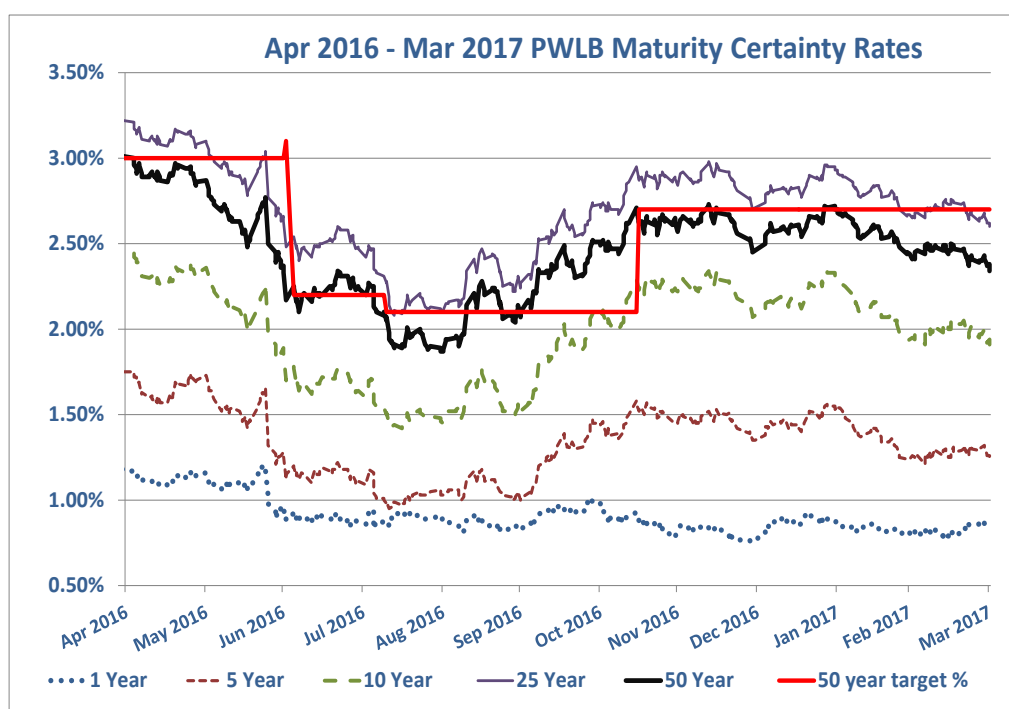
During 2016/17 there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3, and then partially easing back towards the end of the year.

The Borrowing Requirement and Debt

- 6.13 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR) (excluding borrowing by finance leases).

	31 March 2016 Actual	31 March 2017 Budget	31 March 2017 Actual
Total CFR	£1.730m	£1.999	£1.695m

Borrowing Rates in 2016/17



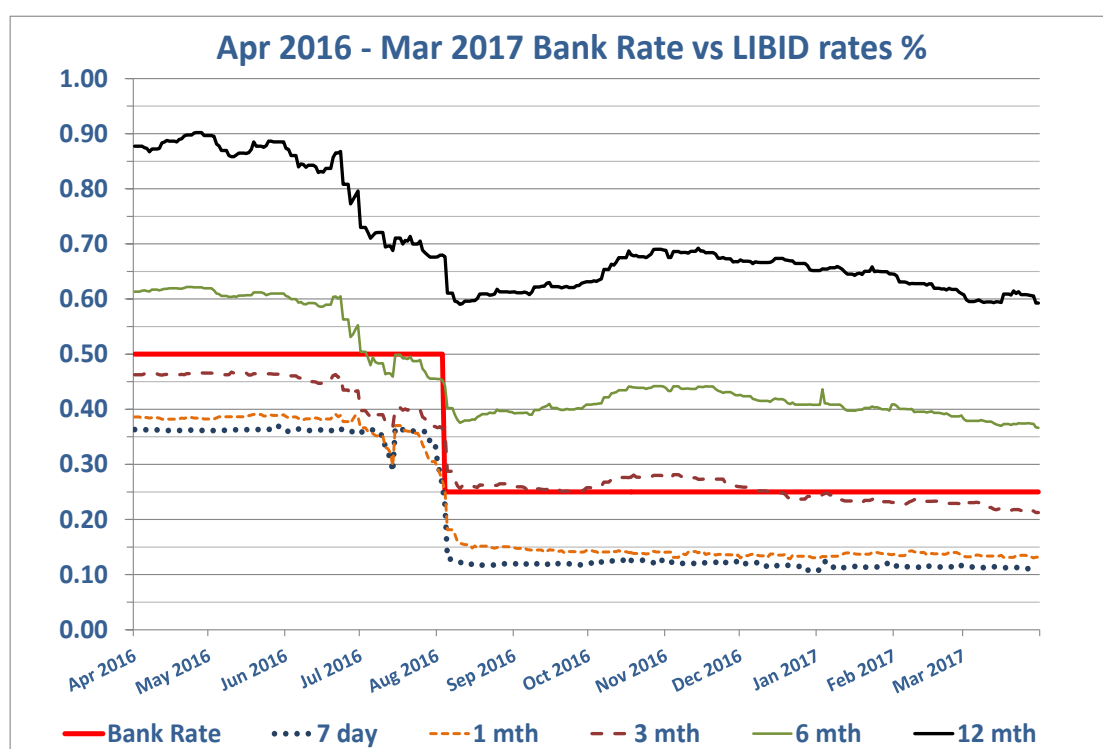
Borrowing Outturn for 2016/17

- 6.14 No new borrowing was undertaken during the year, the debt portfolio remains as follows:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£1.00m	Maturity	3.69%	50 years
PWLB	£0.75m	EIP	2.99%	19 years

Investment Rates in 2016/17

- 6.15 After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.



Investment Outturn for 2016/17

- 6.16 The Council's investment policy is governed by DCLG guidance, which has been implemented in the Annual Investment Strategy approved by the Council on 23 February 2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

6.17 The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

6.18 The following table shows the result of the investment strategy undertaken by the Council and the relative performance of the internally managed funds against the 7-day LIBID uncompounded rate bench mark:

	Average Investment (£)	Gross Rate of Return	Net Rate of Return	Benchmark Return
Internally Managed:				
Temporary & On-Call Investments	£5,471,259	0.18%	n/a	n/a
Fixed Term Deposits	£1,156,650	0.61%	n/a	0.20%

6.19 **The interest received by the Council from investments in 2016/17 totalled £90k; this compares to an original estimate of £65k.**

6.20 The Council's investment position is organised by the Finance Section in order to ensure adequate liquidity for revenue and capital activities and security of investments. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Treasury Management Practices. At the beginning and the end of 2016/17 the Council's investments position was as follows:

	31 March 2017 (£)	31 March 2016 (£)
Internally Managed Investments	16,072,738	11,660,000

6.21 The maturity of the investment portfolio was as follows;

	31 March 2017 (£)	31 March 2016 (£)
On-call Investments	72,738	60,000
Fixed Term Deposits:		
Repayable within 1 month	0	0
Repayable 1 month to 3 months	0	2,100,000
Repayable 3 months to 6 months	14,000,000	9,500,000
Repayable 6 months to 12 months	2,000,000	0
Repayable 12 months to 24 months	0	0
Total	16,072,738	11,660,000

6.22 Investments were placed with the following institutions:

Type of Institution	31 March 2017 (£)	31 March 2016 (£)
UK Clearing Banks	8,172,738	7,160,000
Foreign Banks	5,000,000	2,000,000
Building Societies	2,900,000	2,500,000
Local Authorities	0	0
Total	16,072,738	11,660,000

Compliance with Treasury Limits

- 6.23 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (annex B).

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:

- a) Financial
The results of the investment strategy effect the funding of the capital programme.
- b) Legal
There are no legal implications within this report
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
There are no additional implications within this report.

Peter Johnson

Resources and Enabling Services Lead Officer (s151)

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Background Papers: None

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TREASURY MANAGEMENT ANNUAL REPORT 2016/17 - RISK MATRIX – ANNEX A

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Credit risk - associated with investing with financial institutions that do not meet the credit rating criteria.	Could mean loss of principal sum and interest accrued.	2	D	In response to the economic climate the Council continue to adopt a more stringent credit rating methodology.	1	D
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	3	B	The number of investment options have been kept to a minimum within the investment strategy.	2	B
Liquidity risk - Use of fixed term deposits and / or instruments / investments with low marketability may mean a lack of liquidity	Unable to take advantage of better investment options. Funds are unavailable to cover capital spend.	1	B	The maturity profile has shortened for investments. Short and medium term cash flow management ensures funds are available when needed.	1	B

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

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ANNEX B

PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2015/16 Actual	2016/17 Original	2016/17 Actual
Capital Expenditure	£1.076m	£1.295m	£0.538m
Ratio of financing costs to net revenue stream	2.11%	3.85%	2.26%
Net borrowing requirement	-£9.339m	-£7.028m	£13.731m
Capital Financing Requirement as at 31 March (incl. leasea)	£2.351m	£2.747m	£2.227m
Annual change in Capital Financing Requirement	£0.825m	£0.396m	-£0.124m
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	N/a	£0.59	N/a

Treasury Management Indicators

	2015/16 Actual	2016/17 Original	2016/17 Actual
Authorised Limit for external debt - borrowing			
other long term liabilities	N/a	£10.0m	N/a
Total	N/a	£ 1.0m	N/a
Operational Boundary for external debt - borrowing			
other long term liabilities	N/a	£5.0m	N/a
Total	N/a	£0.8m	N/a
External debt	£1.750m	£2.070m	£1.750m
Upper limit for fixed interest rate exposure			
Net principal re fixed rate investments	N/a	100%	N/a
Upper limit for variable rate exposure			
Net principal re variable rate investments	N/a	50%	N/a
Upper limit for total principal sums invested for over 364 days			
(per maturity date)	N/a	£1.0m	N/a

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	27 JULY 2017
REPORT OF THE:	RESOURCES & ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	UPDATE OF INTERNAL AUDIT CHARTER
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report highlights changes made to the Council's internal audit charter

2.0 RECOMMENDATION(S)

- 2.1 It is recommended the Committee approve the changes to the Council's internal audit charter.

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 In accordance with the responsibility of the committee to consider reports dealing with the management of the internal audit function, and for the Council to comply with proper practice for internal audit.

4.0 SIGNIFICANT RISKS

- 4.1 The council will not comply with the requirements of the Accounts and Audit Regulations 2015 if it does not have an audit charter.

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 Accounts and Audit Regulations 2015 require the council to have an effective internal audit service that complies with public sector internal audit standards. Cipfa is responsible for setting those standards for councils.

- 6.2 Cipfa works jointly with other bodies responsible for internal audit standards in the UK public sector (such as HM Treasury and the Department of Health) to produce common standards - the Public Sector Internal Audit Standards (PSIAS). The PSIAS are based on standards set by the Global Institute of Internal Auditors (IIA).
- 6.3 An updated version of the PSIAS has recently been published to reflect changes made to the International Professional Practices Framework (IPPF) by IIA. The changes are relatively minor in nature and mostly consist of further clarification. Other changes include revisions to job titles. Some changes are now required to the Authority's Internal Audit Charter. The revised Audit Charter with tracked changes to show those changes is attached as Appendix 1.

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 & Enabling Services Lead (s151)

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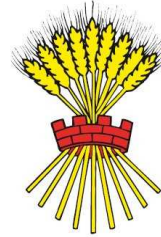
Background Papers:

Public Sector Internal Audit Standards

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

APPENDIX 1

**RYEDALE
DISTRICT
COUNCIL**



Ryedale District Council Internal Audit Charter

27 July 2017

1 Introduction

- 1.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2017 CIPFA adopted revised Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Ryedale District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Ryedale District Council.

"Board" – the Overview and Scrutiny Committee fulfils the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Resources and Enabling Services Lead in his role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the Council individually (including the Chief Executive) or collectively as Leadership Team (LT) in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the Council for audit planning purposes
- approving the release of information arising from an audit to any third party.

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

- 2.2 The standards also refer to the “chief audit executive”. This is taken to be the Head of Internal Audit (Veritau).

3 Application of the standards

- 3.1 In line with the PSIAS, the mission of internal audit at Ryedale District Council is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

- 3.2 The council requires that the internal audit service aspires to achieve the mission through its overall arrangements for delivery of the service. In aiming to achieve this, the council expects that the service:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

- 3.3 The PSIAS defines internal audit as follows.

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 3.4 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Ryedale. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

4 Scope of internal audit activities

- 4.1 The scope of internal audit work will encompass the Council’s entire control environment², comprising its systems of governance, risk management, and control.

² For example the work of internal audit is not limited to the review of financial controls only.

- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

- 5.1 The Head of Internal Audit is required to provide an annual report to the Overview and Scrutiny Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement. The report will include:

- the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control
- any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
- any particular control weakness judged to be relevant to the preparation of the annual governance statement
- a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
- an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
- a statement on conformance with the PSIAS (including the code of ethics and standards) and the results of the quality assurance and improvement programme.

- 5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:

- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
- draw up an indicative risk based audit plan on an annual basis following consultation with the Overview and Scrutiny Committee and senior management. The audit plan will also reflect the requirements of the Charter, the strategy, and proper practice.
- consider trends and emerging issues that may impact the organisation.

- 5.3 In undertaking this work, responsibilities of the internal audit service will include:

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council³
- objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
- reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action
- advising the Council on relevant counter fraud and corruption policies and measures.

5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example Council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the mission of internal audit, core principles and standards as set out in the PSIAS and reflected in this charter
- the code of ethics in the PSIAS⁴
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

³ where third parties place reliance on the assurance provided then they do so at their own risk

⁴ Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
 - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice ⁵
 -

7 Accountability, reporting lines, and relationships

- 7.1 Internal audit services are provided under contract to the Council by Veritau North Yorkshire. The company is a separate legal entity⁶. Staff undertaking internal audit work will be employed by Veritau North Yorkshire or another Veritau group company. Staff may also be seconded to the group from the Council. The Resources and Enabling Services Lead acts as client officer for the contract, and is responsible for overall monitoring of the service.
- 7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:
- Council, Cabinet, or any Committee (including the Overview and Scrutiny Committee)
 - Chief Executive
 - Resources and Enabling Services Lead (s151 officer)
 - Monitoring Officer
 - other directors and service managers.
- 7.3 The Resources and Enabling Services Lead (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Resources and Enabling Services Lead. This is included in Appendix 1.

⁵ auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months

⁶ Veritau is part-owned by the Council. The company provides internal audit services to a number of member councils and other public sector organisations.

- 7.4 The Head of Internal Audit will report independently to Overview and Scrutiny Committee⁷ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - his/her annual opinion on the Council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of Overview and Scrutiny Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 Overview and Scrutiny will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁸.

8 Fraud, consultancy services and non-audit services

- 8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.
- 8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption should be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.
- 8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Overview and Scrutiny Committee.

⁷ The committee charged with overall responsibility for governance at the council.

⁸ The relationship between internal audit and Overview and Scrutiny Committee is set out in more detail in Appendix 2.

- 8.4 Where Veritau provides non-audit services (for example information governance), appropriate safeguards will be put in place to ensure audit independence and objectivity are not compromised. These safeguards include the work being performed by a separate team with different line management arrangements. Separate reporting arrangements will also be maintained. The Head of Internal Audit will report any instances where audit independence or objectivity may be compromised to the Resources and Enabling Services Lead and the Audit Committee. The Head of Internal Audit will also take steps to limit any actual or perceived impairment that might occur (for example by arranging for the audit of these services or functional activities to be overseen externally).

9 Resourcing

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are appropriate and sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be inadequate or insufficient, recommendations to address the shortfall will be made to the Resources and Enabling Services Lead and to Overview and Scrutiny Committee.

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:
- enter all Council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
 - be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.
- 10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

- 11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Resources and Enabling Services Lead and Overview and Scrutiny Committee, for approval.

**Relationship between the Resources and Enabling Services Lead
(the s151 Officer) and internal audit**

- 1 In recognition of the statutory duties of the Council's Resources and Enabling Services Lead (the s151 officer) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the s151 officer and internal audit.
- (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the s151 officer.
 - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the s151 officer (in addition to Overview and Scrutiny Committee).
 - (iii) The s151 officer will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the s151 officer.
 - (iv) The HoIA will notify the s151 officer of any matter that in the HoIA's professional judgement may have implications for the s151 officer in discharging his/her s151 responsibilities.
 - (v) The s151 officer will notify the HoIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then he/she will make representations to the s151 officer, as well as to Overview and Scrutiny Committee.
 - (viii) The HoIA will report to the s151 officer (and the Audit, Governance and Standards Committee) any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action
 - (ix) The HoIA will report to the s151 officer (and the Audit, Governance and Standards Committee) any instances where audit work has not conformed to the code of ethics and/or the standards. This includes the reasons for non-conformance and the possible impact on the audit opinion.

- (x) The s151 officer will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

**Relationship between Overview and Scrutiny
Committee and internal audit**

- 1 The Overview and Scrutiny Committee plays a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee.
- 2 The Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee in accordance with the approved escalation policy.
 - (vii) Approval (but not direction) of the annual internal audit plan.
- 4 In relation to the Overview and Scrutiny Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee

- (iv) establish whether anything arising from the work of the Committee requires consideration of the need to change the audit plan or vice versa
 - (v) highlight any shortfall in the resources available to internal audit or any instances where the independence or objectivity of internal audit work may be compromised (and make recommendations to address these to the Committee)
 - (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee. This includes risks which management are failing to address but which the HoIA considers are unacceptable for the District Council.
 - (vii) participate in the Committee's review of its own remit and effectiveness
 - (viii) discuss the outcomes of the quality assurance and improvement programme, and consult with the board on how external assessment of the internal audit service will be conducted (required once every five years).
- 5 The HoIA will informally meet in private with members of Overview and Scrutiny Committee, or the committee as a whole as required. Meetings may be requested by committee members or the HoIA.



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	27 July 2017
REPORT OF THE:	RESOURCES & ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	INTERNAL AUDIT ANNUAL REPORT 2016/17
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1. In accordance with chapter 5 of the council's Audit Charter, 'The Head of Internal Audit is required to provide an annual report to the Overview and Scrutiny Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement.'
- 1.2. The report summarises the outcomes of audit work undertaken in 2016/17 and provides an opinion on the overall adequacy and effectiveness of the authority's internal control arrangements.

2.0 RECOMMENDATION(S)

- 2.1 Members are asked to
 - a) Note the results of the audit work undertaken in 2016/17
 - b) Accept the opinion of the Head of Internal Audit on the adequacy and the effectiveness of the authority's internal control environment.

3.0 REASON FOR RECOMMENDATION(S)

- 3 It is recommended the report is considered by the Overview and Scrutiny Committee as it summarises the audit work undertaken during the year. It also encompasses the overall internal audit opinion of the internal control framework which forms part of the Annual Governance Statement.

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 results of completed audit work have been reported to relevant officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of the audits finalised since the last report to this committee in April 2017 are included in Appendix 2 to the supporting report. All of the work from the 2016/17 audit plan has been completed.
- 6.2 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the Council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 6.3 Although a reasonable assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around Payroll and operation of the corporate Risk Management arrangements. These areas should be considered for inclusion in the Council's Annual Governance Statement.
- 6.4 The Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure working practices continue to conform to the required professional standards. The outcomes from the QAIP (which included an independent of Veritau's practices in 2014) demonstrated that the service provided by Veritau conformed to the International Standards for the Professional Practice of Internal Auditing. Full details are included in Appendix 5 to the supporting report.

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

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RYEDALE
DISTRICT
COUNCIL



Ryedale District Council

Internal Audit Annual Report

2016/17

Audit Manager: Stuart Cutts
Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Executive
Resources & Enabling Services Lead (S151 Officer)

Date: 27 July 2017


Assurance Services for
the Public Sector

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 connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme
- 2 During the year to 31 March 2017 the Authority's internal audit service was provided by Veritau Limited.

Internal audit and counter fraud work carried out in 2016/17

- 3 During 2016/17, internal audit work was carried out across the full range of the council's activities. The main areas of internal audit activity included:
 - **Strategic risk register** – reviewing key risk areas as highlighted by the Council's risk register.
 - **Financial systems** - Work in this area provides assurance to the council on the adequacy and effectiveness of financial system controls. This helps support the work of the external auditors and provides assurance to the Authority that the risk of loss is minimised.
 - **Regularity audits** – providing assurance on governance and risk management arrangements and systems to manage risks to the achievement of corporate objectives. We have also reviewed areas of operational systems and processes which support service delivery.
 - **Technical / projects** – we have reviewed specific areas to help the Council improve arrangements, covering information data protection and security and asset management.

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit and Performance Review Committee.

- **Follow up** - it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follow up agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. Our work shows that progress has been made by management during the year to address previously identified control weaknesses. However there are specific areas referred to in Appendix 2 (on Payroll and Creditors, plus our previous work on Risk Management) where agreed actions had not been completed and management are therefore planning to ensure these are addressed in 2016/17.

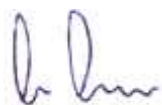
- 4 **Appendix 1** provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Work has been reported to this committee during the course of the year as part of regular monitoring reports. Details of work not previously reported to the committee are included in **appendix 2**. The opinions and priority rankings used by Veritau are detailed in **appendix 3**.
- 5 Counter fraud work was undertaken in accordance with the approved plan. The fraud team received 70 reports of potential fraud of which 55 were passed for investigation. The team completed 30 investigations in 2016/17 and produced £38,642 in savings. Three internal fraud investigations were completed last year. **Appendix 4** summarises counter fraud activity carried out during the year.
- 6 An annual review and update of counter fraud arrangements is being brought to the committee in a separate report.

Compliance with Public Sector Internal Audit Standards (PSIAS)

- 7 The work of internal audit has been undertaken in accordance with the PSIAS.
- 8 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in **appendix 5**.

Audit Opinion and Assurance Statement

- 9 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 10 Although a reasonable assurance opinion can be given, we are aware of some specific weaknesses in the control environment which have been identified in respect of the systems for Payroll and Risk Management. The council arrangements for Payroll and Risk Management continue to have some significant weaknesses. The council should consider whether it feels these two areas are required for inclusion in the council's Annual Governance Statement.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

27 July 2017

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Business Continuity and Disaster Recovery	Completed	No opinion given	July 2017
Training	Deferred	Deferred to 2017/18	-
Customer Expectations / Delivering Efficiencies	Completed	No opinion given	April 2017
Performance Management and Data Quality	Completed	Reasonable Assurance	July 2017
Financial Systems			
Housing Benefits	Completed	Substantial Assurance	April 2017
Payroll	Completed	Limited Assurance	July 2017
Council Tax / NNDR	Completed	High Assurance	April 2017
Sundry Debtors	Completed	High Assurance	July 2017
Creditors	Completed	Reasonable Assurance	July 2017
Income	Completed	Substantial Assurance	July 2017
General Ledger	Completed	Substantial Assurance	January 2017
Regularity Audits			
Contract Management – Contracts Register	Completed	Reasonable Assurance	July 2017
Risk Management	Completed	No opinion given	April 2017
Environmental Health	Completed	Limited Assurance	July 2017
Network Access Controls	Completed	No opinion given	July 2017
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	April 2017
Strategic Asset Management – Landlord responsibilities for Industrial Units	Completed	Reasonable Assurance	April 2017
Follow-Ups	Completed	N/A	

Summary of Key Issues from audits completed and final reports issued/agreed; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Business Continuity and Disaster Recovery	Reasonable Assurance	<p>The council's responsibilities for business continuity fall under the Civil Contingencies Act 2004 which states councils should ensure they can continue to deliver their functions in an emergency 'so far as is reasonably practicable'.</p> <p>We previously completed work which we reported in April 2016. The Council was in the process of developing Business Continuity and Disaster Recovery arrangements. No corporate or service plans had been finalised.</p> <p>Our work has reviewed the progress the Council has made in the last year.</p>	July 2017	<p>Strengths Draft service business continuity and incident management plans have been produced for all services. The plans followed best practice templates and are stored on external servers that can still be accessed during incidents which affect the Council's IT systems.</p> <p>The Council has trained two business continuity officers to help develop business continuity and disaster recovery expertise.</p> <p>Areas for improvement At the time of the audit both corporate and service business continuity plans had still not been finalised.</p> <p>The areas for improvement for disaster recovery plans had not been addressed. Service business continuity plans are not yet fully linked with disaster recovery plans.</p> <p>Given the current position of arrangements then both areas are not yet embedded into Council arrangements.</p>	<p>During 2016/17 the Council has moved towards a new operating model as part of the 2020 transformation programme. Business continuity and disaster recovery plans could not be finalised until this new structure had been implemented.</p> <p>Corporate and Service Business Continuity plans are planned to be finalised by 31 July 2017.</p> <p>Work will also be undertaken to help embed arrangements throughout the organisation.</p>
Performance Management and Data Quality	Reasonable Assurance	<p>Good quality data is essential for reliable performance and financial information.</p> <p>This audit focused on reviewing how performance information is managed, specifically whether:</p>	June 2017	<p>Strengths The Council uses Covalent to record and manage its performance information. We found this system was regularly updated by officers with the latest performance data available to them. Targets have been allocated to officers who are accountable for performance.</p>	<p>All performance indicator targets will be reviewed as part of a wider review of performance information to tie in with the new Business Plan.</p> <p>Existing data quality policies and the Procedure guidance will be</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<ul style="list-style-type: none"> Performance data is complete, accurate and up to date Performance data and target setting is being appropriately and effectively used 		<p>Supporting data on performance was available on shared drives and where possible was taken directly from the system being used by the relevant service.</p> <p>Areas for improvement There are many areas of the Council's services not represented by any performance measures. Of the 140 indicators recorded, only 40 are currently linked to the Council Plan.</p> <p>Half of the 140 performance indicators on Covalent do not have a target. Many relate to areas managed by external bodies over which the Council has little or no direct influence.</p> <p>Of those indicators with targets some targets had not recently been reviewed. Some targets were greatly exceeded by performance (leading to little challenge or incentive for improvement). Some indicators were lower than statutory targets. One indicator had no target where one might have been expected.</p> <p>A number of key policies and documents need to be updated. The format of the "Delivering the Council Plan" report could be improved.</p>	<p>reviewed, updated and consolidated where possible.</p> <p>The performance report currently sent to members will be reviewed and aligned with the new Business Plan.</p> <p>All work will be completed by March 2018 so to tie into the new Business Plan.</p>
Payroll	Limited Assurance	<p>The council's payroll is processed by City of York Council (CYC) so the arrangements operated by the council involve some 'in-house' processes alongside the work undertaken by CYC.</p> <p>We specifically covered the in-house procedures and controls within the payroll system that ensure:</p>	July 2017	<p>Strengths The audit found that payroll changes were appropriately authorised and timely notification was given to City of York payroll.</p> <p>The review confirmed that mileage and other travel and subsistence expense claims are checked and authorised prior to being paid.</p> <p>Areas for improvement In previous payroll audits we have highlighted</p>	<p>We are continuing to work with CYC and aim to have a finalised SLA in place by the end of October 2017.</p> <p>We are reviewing the various forms used linked to the errors and the system of overtime enhancements and multipliers to help prevent future issues of the type highlighted in the audit.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<ul style="list-style-type: none"> Payments are made only to valid employees at agreed rates of pay and overtime Mileage and expenses are accurate, supported and appropriately authorised prior to processing. A fully completed Service Level Agreement (SLA) is in place with the City of York Council for carrying out the payroll service 		<p>the lack of a SLA with City of York Council (CYC) for provision of payroll services as an issue. In last years audit we saw that a draft SLA had been produced. However a final SLA has not yet been agreed.</p> <p>The audit highlighted payroll errors made when an individual has left the authority or changed roles. Payroll information had not been updated or only partly updated. In the cases where former employees continued to be paid the council had taken appropriate action and recovered the money.</p> <p>We also saw instances where Honorary payments, multipliers and overtime have been incorrectly calculated.</p> <p>Improvements could be made to the arrangements for securely transmitting electronic information sent to the City of York payroll department.</p>	<p>We will provide training where required and also remind staff to check the payroll to ensure that the alterations have been made correctly. This work will be completed by the end of August 2017.</p> <p>Officers who are responsible for sending payroll data to City of York Council now use secure GCSX e-mail accounts.</p>
Sundry Debtors	High Assurance	<p>We reviewed sundry debtors processes and control to ensure:</p> <ul style="list-style-type: none"> The system was operated in accordance with Council Financial Regulations and other relevant legislation; Invoices are raised accurately and promptly for goods and services provided; Appropriate recovery action was taken A consistent procedure has been established and applied 	May 2017	<p>Strengths</p> <p>Our work confirmed recovery actions were being undertaken in line with council policy. There was no debtor's account that had been placed on hold for more than 30 days.</p> <p>Procedures for writing off debts were applied consistently. This will help to ensure that only debts that are uneconomic to pursue are written off.</p> <p>Areas for improvement</p> <p>We found that for the majority of invoices there was not a date on the debtors system to show when the service was provided by the authority.</p>	<p>Users of the Debtors system were to be reminded of the importance of completing all relevant fields, including the date the services was provided.</p> <p>The Sundry Debtors and Income Procedure Manual will be reviewed and updated.</p> <p>These actions were planned to be completed by 30 June 2017.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		for debtor write-offs.		<p>The debt guidance policy states that invoices must be raised within 5 days of service provision. In the majority of cases, where a service date was recorded, this date was exceeded.</p> <p>The authority has a Sundry Debtors and Income Procedure Manual. The current document dates from May 2014 and requires review. Whilst the manual appears to be substantially relevant some section names and job titles included no longer exist under the new structures.</p>	
Creditors	Reasonable Assurance	<p>We reviewed the processes and controls for ordering goods and services. We also examined payments, to ensure these were only made for valid invoices and within the required timescales.</p> <p>Finally we reviewed the quality, accuracy and usefulness of management information, to ensure expenditure is in line with financial regulations, policies and procedures.</p>	July 2017	<p>Strengths Invoices received are processed and paid via the official system, with the majority of payments complying with the requirements outlined in the Constitution. Payments appear to be for valid expenditure, for the correct amount and supported by invoices.</p> <p>The Accounts Payable Officer is aware of the potential for fraudulent requests to amend supplier bank details and performs relevant checks to confirm all requests for changes.</p> <p>Areas for improvement To comply with financial regulations, all invoices should be accompanied by a purchase order. However we found 36% of the payments made were not accompanied by a purchase order (a higher figure than 2015/16 when the same matter was raised).</p> <p>Regulations also require all invoices be paid within ten days of receipt. Our analysis highlighted 31% of payments exceeded ten</p>	<p>A 'no purchase order no pay' system will be considered in the medium/long term, once the Transformation changes are fully embedded in the Council. In the short term the s151 officer will stress the importance of using a purchase order for all expenditure, with the list of allowed exceptions also being provided to relevant staff.</p> <p>Some changes will be made to help improve awareness and management of payment times.</p> <p>The duplicate payments identified have been sent for resolution. An annual duplicates check will be performed. Communication will be sent to employees to remind them not to manually override the duplicate warning without first checking the invoice.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>days. Most of these (22%) were paid within thirty days. However 122 payments were found to have taken between six months and four years to be paid.</p> <p>We highlighted four duplicate invoice payments which had not been identified by officers or prevented by Council controls. These invoices totalled £1,715. A number of other duplicates were identified that had been picked up by the Accounts Payable Officer and dealt with accordingly. This indicates whilst there are duplicate checks being carried out, they are not failsafe.</p> <p>Improvements could be made to procedures to change supplier bank details made in the absence of the Accounts Payable Officer.</p> <p>During the audit getting relevant management information was not always possible as the Accounts Payable Officer was unsure how to run the required reports.</p>	<p>A new policy detailing procedures on supplier amendments and set ups is being written and will be provided to all relevant staff.</p> <p>The training needs of the creditors' team will be assessed and where in-house training can be provided, it will be. If it is considered appropriate, outsourced training will be provided. This will be completed by the end of 2017.</p> <p>We plan to ensure all actions (other than the training) have been fully addressed by the end of September 2017.</p>
Income	Substantial Assurance	We reviewed procedures and controls within the system that ensure income is collected securely and is correctly accounted for.	May 2017	<p>Strengths Since our last audit the Council has largely stopped taking cash payments which has significantly reduced the risks associated with cash.</p> <p>Payments received, whether electronically, through the post or over the counter, are recorded promptly. Income is promptly and accurately posted to the correct ledger code or debtor account. Income is banked promptly and securely and daily reconciliations are carried out between payments collected and deposits into the Council's bank account.</p>	<p>A full review of Covalent, including service risk registers, is being undertaken. Income risks will be considered as part of this exercise.</p> <p>We have now revised the daily reconciliation of Collections and Deposits.</p> <p>Updated Income administrative procedures have been documented.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Areas for improvement</p> <p>Risks relating to income do not feature in risk registers.</p> <p>The daily reconciliations currently involve the manual recording of collections which are time-consuming and susceptible to potential error.</p> <p>The procedure guide for officers taking payments does not fully reflect the current working practices.</p>	
Contract Management – Contracts Register	Reasonable Assurance	<p>We reviewed the Council's arrangements for preparing and maintaining a contract register. We reviewed arrangements to ensure the register:</p> <ul style="list-style-type: none"> was complete and accurate was an effective monitoring and management tool proportionately reflects the risks of individual contracts. 	April 2017	<p>Strengths</p> <p>The Council is currently undergoing a major transformation and has set priorities for improved contract management going forward.</p> <p>The Council has been maintaining and publishing a contracts register to comply with transparency requirements (the Openness of Local Government Bodies Regulations 2014).</p> <p>Areas for improvement</p> <p>The Council has been preparing two separate registers; one for transparency and one on the performance management system (Covalent). There were inconsistencies between the two registers.</p> <p>Our analysis of the two contract registers showed each register had information missing.</p> <p>In accordance with the Council's Constitution, all purchases over £50,000 must have a contract in place. Our review of Council expenditure highlighted a number of suppliers with cumulative spend over £50,000 but there</p>	<p>We have decided to use one centralised Excel-based register for both management and transparency purposes. This will ensure information held is consistent and will reduce the work spent on consolidation.</p> <p>The new register will allow for more information than Covalent and will include sufficient detail to be useful as a management and monitoring tool.</p> <p>The Council's new Commissioning Officer will scrutinise the expenditure analysis provided by audit and determine whether or not a contract is or should be in place. Supplier spend analysis reporting will be undertaken in future on an annual basis.</p> <p>It is planned for all findings to have been fully considered and</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>was no contract listed on the contracts register.</p> <p>The Covalent based system had limited use as a tool to support effect contract management.</p>	implemented by the end of September 2017.
Environmental Health	Limited Assurance	<p>The Council has a number of statutory obligations with regard to private water supplies and air quality. The audit reviewed the Councils procedures and controls that ensure:</p> <ul style="list-style-type: none"> • monitoring of supplies complies with statutory obligations • key risks are effectively monitored and managed • processes monitor performance of private water supplies and air quality. 	July 2017	<p>Strengths Where analysis of private water supplies has indicated they are harmful the Council has reacted quickly to help prevent harm to the user of the water supply.</p> <p>Results of work completed are routinely sent to DEFRA and the Drinking Water Inspectorate.</p> <p>Procedures for managing air quality were found to be working effectively.</p> <p>Areas for improvement The Council is failing to comply with the Drinking Water Regulations 2016 by not sampling and analysing the required number of private water supplies.</p> <p>The Council is not completing the mandated number of risk assessments on private water supplies.</p> <p>The Environmental Health risk register does not include all the relevant risks on private water supplies that face the service. For those risks included, the register does not show how the risk is being effectively managed.</p> <p>Current performance of the service is not reviewed by senior management. The Environmental Health service has no formal mechanism to monitor performance. There are</p>	<p>We are to develop the use of IT and the IDOX system to capture all private water supply data. This will help support planned improvements going forward.</p> <p>We have plans for additional training for relevant staff.</p> <p>Options for completing the risk assessments are being assessed. We plan to ensure these are up to date and developing IDOX will enable a planned programme for future risk assessments.</p> <p>A new more appropriate risk appetite is being developed and series of improvements are planned as part of the Councils planned improvements on risk management.</p> <p>New performance indicators and reports are being developed following the approval of the new Council Plan to ensure relevant information is received and reviewed by senior management.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				also no formal KPI's developed for monitoring of private water supplies.	We plan for all improvements to have been made by the end of 2017.
General Network System Controls	No opinion	We reviewed the procedures and controls over the council's Windows network that ensure that access to data is restricted to authorised users. This work included a review of user management processes, password and event logging policies and other access control features, along with remote access by users and also third parties such as suppliers.	June 2017	<p>Strengths During the course of this audit a considerable amount of work was undertaken by the ICT team to ensure compliance with Public Sector Network (PSN) requirements as well as best practice standards. In many cases, weaknesses identified at the start of the audit were resolved before we completed the work.</p> <p>The processes in place that inform password policy, user access (including access by third parties) and user authentication appear to generally provide an acceptable and robust control environment.</p> <p>Areas for improvement Some minor issues were identified regarding the management of non-RDC users' network access.</p>	-

Summary of Key Issues from Risk Management audit previously reported to Committee in April 2017

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
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 highlighted a number of areas where the Council needed to improve risk management arrangements. This resulted in six actions being agreed with managers. The 2016/17 audit focussed on reviewing progress made towards implementing those actions.</p> <p>The work also considered 'the direction of travel' with regards risk management in light of the ongoing transformation and explored how this could be used as a vehicle for change and further improvement within the existing risk management process.</p>	March 2017	<p>Strengths</p> <p>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>Areas for Improvement</p> <p>A number of issues from the previous report have not been fully addressed and risk management arrangements are not fully effective.</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 do not always contain relevant information and are not 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 identified to help the Council make the necessary improvements in risk management arrangements.</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>

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable (was Moderate) 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.

COUNTER FRAUD ACTIVITY 2016/17

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed during the year.

	2016/17
% of investigations completed which resulted in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	53%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£38,642

Caseload figures for the period are:

	As at 31/3/17
Referrals received	70
Referrals rejected ³	15
Number of cases under investigation	22
Waiting to be assigned	25
Number of investigations completed	30

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Council data required by the Cabinet Office for the 2016/17 National Fraud Initiative was gathered in October 2016 and securely transmitted via the NFI web application. Results from the data matching exercise have now been returned. There are 90 recommended matches to investigate covering a range of council services. Work on these matches is now underway.</p> <p>The Council has joined City of York Council, Hambleton, Richmondshire and Selby district councils to undertake data matching exercises to detect cross boundary fraud. Results from a data match looking at single person discounts have been returned and matches are currently being reviewed.</p>

³ All referrals received by Veritau are assessed based on information available, likely quality of evidence that can be obtained and the potential scale of fraud. Where a referral is rejected for investigation the service area is notified and other compliance action may be taken.

Activity	Work completed or in progress
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Council Tax/Non Domestic Rates fraud – The team received 7 Council Tax referrals and 6 business rates referrals for potential fraud in this area over the course of 2016/17. Fraud losses of £19,000 were recorded during the year. There are currently 4 ongoing investigations into Council Tax and Non Domestic Rates fraud. All work in this area over the last financial year was funded through a grant from the Department for Communities and Local Government (DCLG). • Council Tax Support fraud – In 2016/17 the team received 53 referrals for possible fraud. Almost £10,000 of loss to the Council was detected due to fraud. There are currently 11 cases under investigation. • Internal fraud – Three internal fraud referrals were received in 2016/17.
Fraud liaison	<p>On 1 March 2016 the council's remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations.</p> <p>The team dealt with 182 requests on behalf of the council during the last financial year. In addition housing benefit fraud concerns from within the council as well as from members of the public have been referred to the DWP for investigation. These referrals are tracked to ensure that the Council is aware of the results of any DWP investigations. Where financial penalties are recommended by the DWP the circumstances of each case is reviewed and advice is given to the Council to assist decision making.</p>

Activity	Work completed or in progress
Fraud management	<p>In 2016/17 a range of activity was undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • A new counter fraud and corruption policy and associated counter fraud and corruption prosecution policy was introduced. The new policy covers all forms of fraud the Council encounters or may encounter in the future. • A counter fraud strategy covering 2017-19 was developed. The strategy confirms the Council's commitment to tackling fraud and corruption and sets out actions to strengthen the Council's arrangements, in line with recommended practice. • A new anti-money laundering policy was adopted which sets out the council's response to suspected money laundering offences. • A risk assessment considering the threat of fraud against the Council was completed in July. The assessment contained an action plan to help mitigate the risks identified. • As part of the National Fraud Initiative, Council forms were reviewed to ensure that residents and employees were notified of how their data might be used.

VERITAU**INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME****1.0 Background**Ongoing quality assurance arrangements

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

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

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors and audit managers).

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

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

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

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

External assessment

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

2.0 Customer Satisfaction Survey – 2017

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2017. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 149 surveys (2016 – 124) were issued to senior managers in client organisations. 32 surveys were returned representing a response rate of 21% (2016 - 33%). The surveys were sent using Survey Monkey and respondents were asked to identify who they were.

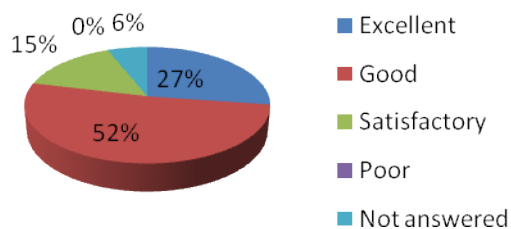
Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

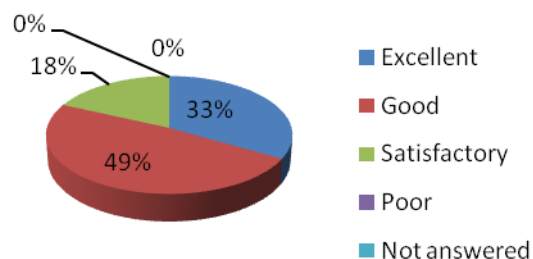
Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

⁴ As defined by the relevant audit charter.

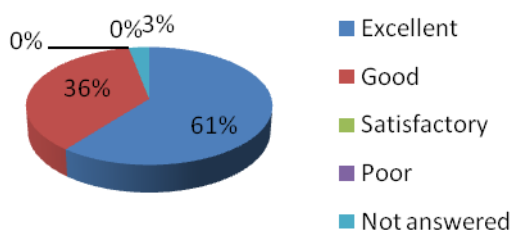
Quality of audit planning / overall coverage



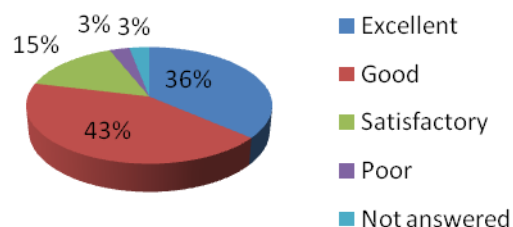
Provision of advice / guidance



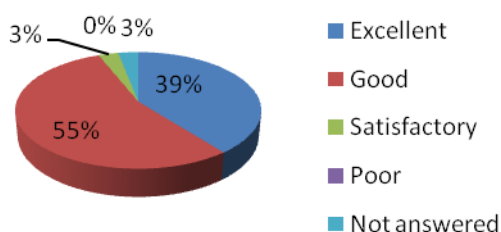
Staff - conduct / professionalism



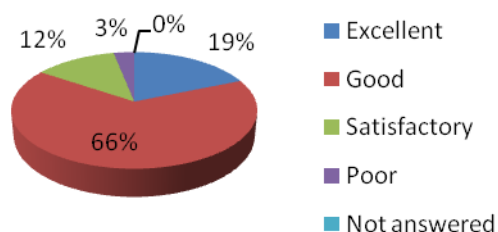
Ability to provide unbiased / objective opinions



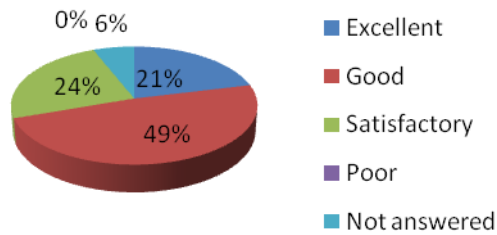
Ability to establish positive rapport with customers



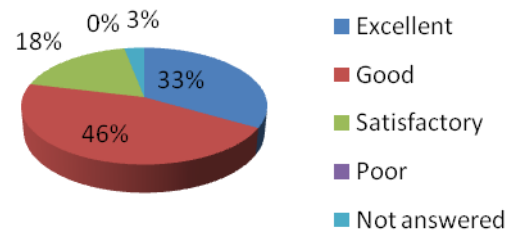
Knowledge of system / service being audited



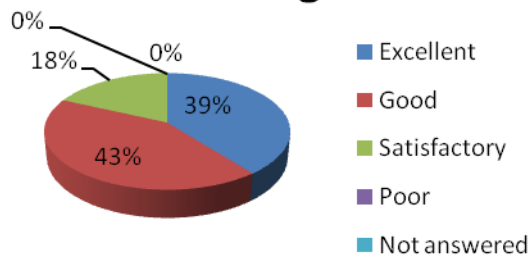
Ability to focus on areas of greatest risk



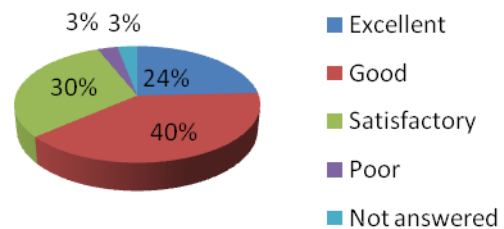
Agreeing scope / objectives of the audit



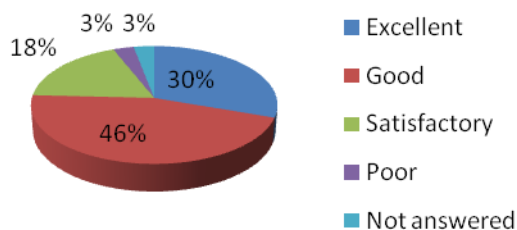
Minimising disruption to the service being audited



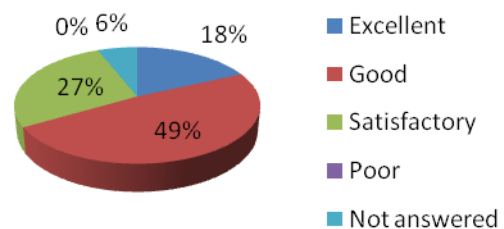
Communicating issues during the audit



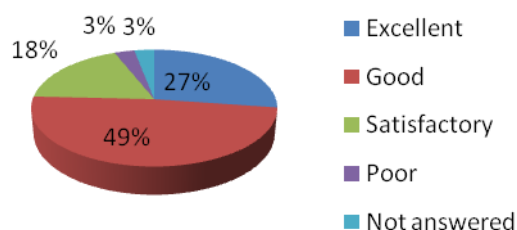
Quality of feedback at end of audit



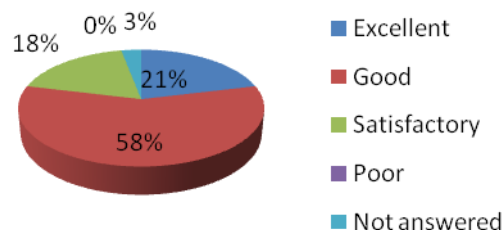
Accuracy / format / length / style of audit report



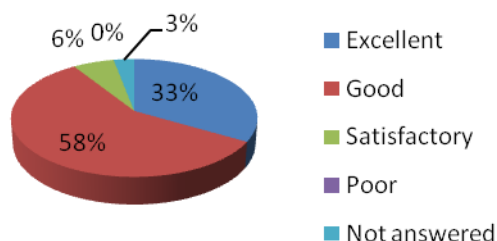
Relevance of audit opinions / conclusions



Agreed actions are constructive / practical



Overall rating for Internal Audit service



The overall ratings in 2017 were:

	2017		2016	
Excellent	11	34%	8	27%
Good	19	60%	19	63%
Satisfactory	2	6%	3	10%
Poor	0	0%	0	0%

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

3.0 Self Assessment Checklist – 2017

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

In most areas the current working practices are considered to be at standard. However, a few areas of non-conformance have been identified. None of the issues identified are however considered to be significant. In addition, in some cases, the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The following areas of non-conformance remain unchanged from last year:

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Reliance may be placed on other sources of assurances where this is considered relevant. However, the Head of Internal Audit will only rely on other sources of assurance if he/she is satisfied with the competency, objectivity and reliability of the assurance provider.

4.0 External Assessment

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

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014. Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to a number of local authorities.

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

The conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

5.0 Improvement Action Plan

Last year's quality assurance process identified the following required improvements:

Change / improvement	Progress to date
The internal peer review highlighted the need for further training to be provided on sampling and testing.	Completed

No specific changes to working practices have been identified in 2017. However, to enhance the overall effectiveness of the service, the following areas are considered to be a priority in 2017/18:

- Further development of in-house technical IT audit expertise
- Implementation of the data analytics strategy (stage 1) and investment in new capabilities
- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work.

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

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

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards. 'Partially conforms' means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. 'Does not conform' means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE (AUDIT)
DATE:	27 JULY 2017
REPORT OF THE:	RESOURCES & ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	ANNUAL GOVERNANCE STATEMENT 2016/17
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 For members to consider the Council's review of its system of internal control and approve the Annual Governance Statement (AGS) as required by the Accounts and Audit Regulations 2015.

2.0 RECOMMENDATION

- 2.1 It is recommended that members approve the Annual Governance Statement for inclusion in the Statement of Accounts.

3.0 REASON FOR RECOMMENDATION

- 3.1 The Accounts and Audit Regulations require councils to approve an Annual Governance Statement. In Ryedale approval of the AGS is the responsibility of the Audit Committee.

4.0 SIGNIFICANT RISKS

- 4.1 The Council would not comply with the requirements of the Accounts and Audit Regulations 2015 if it failed to review its system of internal control at least annually, or did not approve and publish an Annual Governance Statement.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 Production of the AGS is a mandatory requirement. Senior Council officers have contributed to the review of controls and preparation of the statement.

REPORT

6.0 REPORT DETAILS

- 6.1 Good governance is important to the proper operation of all organisations, and is

essential for local authorities and other bodies with a responsibility for managing public funds. In recognition of this importance, the Accounts and Audit Regulations require all councils to annually review their systems of control and prepare an annual governance statement setting out their governance arrangements. The statement should include any significant issues relevant to an understanding of the governance framework. The AGS forms part of a Council's Statements of Accounts and is considered by the external auditor during their review of the accounts.

- 6.2 The Leadership Team and other appropriate officers have reviewed the Council's system of controls. In addition, comments, evidence, and feedback from a number of internal and external sources have been considered in compiling the statement. The attached AGS (See Annex A) has been prepared in accordance with proper practice.

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 & Enabling Services Lead Officer (s151)

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Telephone No: 01653 600666(392)
E-Mail Address: peter.johnson@ryedale.gov.uk

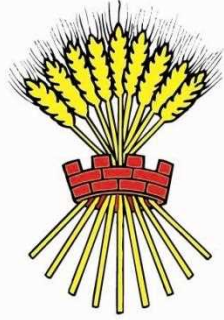
Background Papers:

Cipfa/Solace – Delivering Good Governance in Local Government Framework 2016
The Accounts and Audit (England) Regulations 2015

Background Papers are available for inspection at:

Ryedale House
Contact Peter Johnson

RYEDALE
DISTRICT
COUNCIL



Annual Governance Statement

2016/17

Scope of Responsibility

Ryedale District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

RYEDALE
DISTRICT
COUNCIL



This statement explains how Ryedale has complied with the code and also how we meet the requirements of the Accounts and Audit (England) Regulations 2016, which requires all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on going process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Ryedale District Council for the year ended 31 March 2017 and up to the date of approval of the annual statement of accounts.

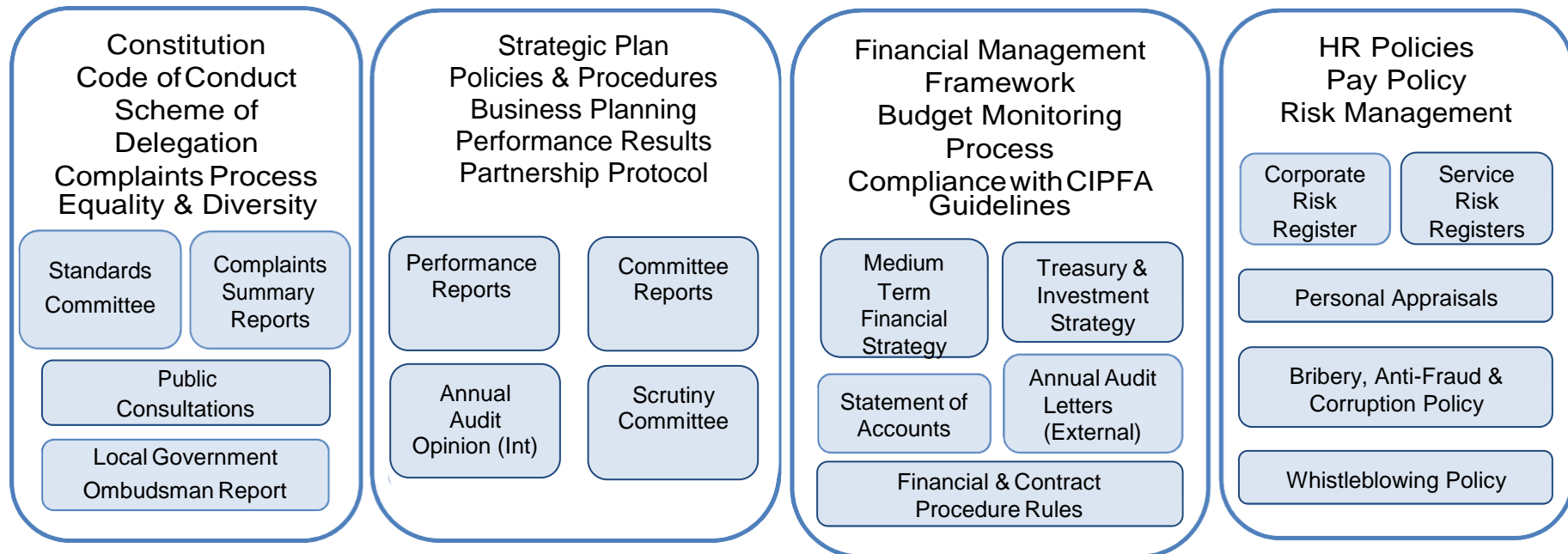
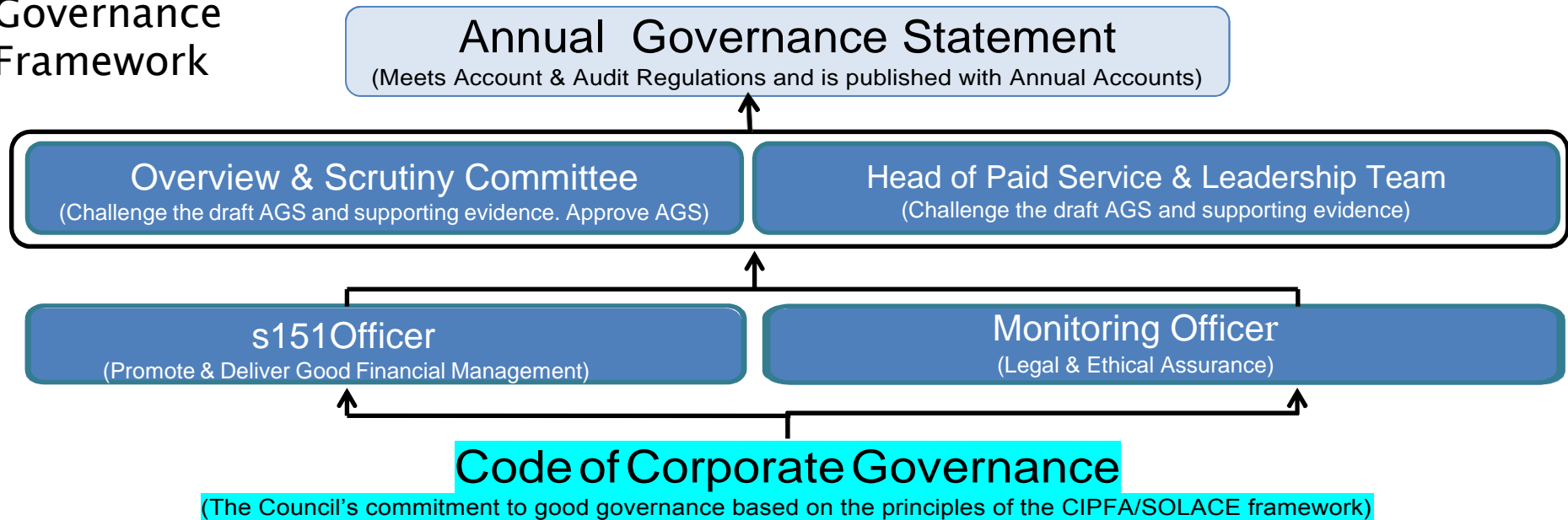
The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Leadership Team which comprises the Head of Paid Service, Lead Officers and the Council Solicitor.

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives.

The Governance Framework

Governance Framework



Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of the Leadership Team who have responsibility for the development and maintenance of the governance environment;
- the Annual Internal Audit Assurance opinion, as provided by Veritau North Yorkshire;
- comments made by the external auditors and other review agencies and inspectorates;
- and the Overview & Scrutiny Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2016/17.

In accordance with section 3.7 of the Code of Practice on Local Authority Accounting for 2016/17, Ryedale's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the CFO in Local Government* (2010).

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2016/17 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support.

The Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.

Other key officers have also been consulted for their views on the standards of governance within the Council – specifically the

Statutory Finance Officer,
Monitoring Officer, and
Head of Internal Audit -
Veritau

The Performance Management Framework has operated effectively during the year. Monitoring information on key areas of performance has been provided to the Leadership Team for review and action. Performance management outputs have also been reviewed by the Overview & Scrutiny and Policy & Resources Committee.

In 2016/17 the Council responded to 17 stage 1 and 12 stage 2 formal customer complaints, with an average response time of 3.91 days (the service standard is 5 days).

Review of Effectiveness

The Overview and Scrutiny (O&S) Committee process has provided challenge and has monitored the Council's policies and performance on an ongoing basis. Lead Members have also kept issues under review during meetings with managers. During 2016/17 the Members of O&S have worked together, adopting a non-political approach, developing and using their knowledge and expertise, and that of others to the best effect. An evidence-based approach to the O&S work has been instrumental in achieving good results. There have been contributions, and input, from a range of stakeholders, including public and voluntary sector organisations, the public, officers and Members of the Council. Highlights have included:

Scrutiny

Treasury Management
Statement of Accounts
Complaints
Council Plan and Performance

Task Groups On

Fuel Poverty
Flood Management
Review of Assets
Management and timing of
Committee meetings

Other Work

Attendance at Policy Committees
Review of membership of
outside bodies

Monitoring Reports from Key Partnerships and other External Bodies including:

Safer Ryedale
Everyone Active
Ombudsman

Updates on Key Projects

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. Work during 2016/17 on the Towards 2020 transformation programme delivered financial savings of circa £900 towards the 2017/18 budget. Transformation work in 2017/18 is focusing on Streetscene services and Assets. In addition officers have acted on feedback from Internal and External audit; and fed back customer complaints to the appropriate Operational Managers to improve service delivery.

The Council has in place regular reporting arrangements on the financial affairs of the Council. The budget for 2016/17 was agreed by Full Council in February 2016 and financial performance was reported on a regular basis to Members.

Review of Effectiveness

In June 2014 Veritau underwent an external examination against the Public Sector Internal Audit Standards (PSIAS) and received the top rating.

Based on the assurance work undertaken by Internal Audit, the Head of Internal Audit (Veritau) has provided an opinion on the adequacy of the control environment which concluded that this gave Reasonable Assurance. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute. Areas in which controls were below the required standard are reported initially to the relevant Manager who ensures prompt corrective action is taken, and ultimately to the Overview & Scrutiny Committee who monitor progress with improvements via follow up reports from Internal Audit.

All key systems were audited in 2016/17 and a total of 19 audit reports were provided to management and the O&S Committee. This included an audit of the Council's Risk Management arrangements the findings of which were addressed and reported to the O&S Committee.

In September 2016 the Council's external auditor (KPMG) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection letter. KPMG also provided an unqualified opinion of the Council's arrangements to secure Value For Money.

Ryedale had a Corporate Peer Challenge during 2016/17, officers have produced a draft action plan to address the findings and a Member working group has been established to review the findings and the action plan and make recommendations to Council.

In the 2015/16 Annual Governance Statement, five key issues were identified. One of the issues has been completed, 2 are ongoing and will rollover into 2016/17 and 2 still have some of the agreed actions outstanding, these will be addressed in 2017/18.

Significant Governance Issues

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, 5 issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2017/18 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to monitoring by the Overview and Scrutiny Committee.

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT POSITION & COMMENTS
Brought Forward	Risk of compromise and weaknesses in operational systems as a consequence of continuing reductions in staffing as Government funding cuts made.	Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls. Internal audit will be included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc.	Resources & Enabling Services Lead Officer (s151).	Ongoing	The T2020 transition process to the new operating model will include an assessment of whether controls within operational systems are working adequately. Internal Audit have been and will continue to be involved in the T2020 process.
2015/16 and 2016/17	The audit opinion of the control environment for the management of risk is weak.	That the Corporate approach to risk is applied consistently across the council for management of corporate, service, project and partnership risk.	Deputy Chief Executive	September 2017	Good progress made following the implementation of the browser version of Covalent. Training undertaken for all managers. 11th November Reviewed the corporate risk register. Risks have been scored and mitigating actions added. Management to review the corporate risk reporting and review risks on a monthly basis Service risk registers will be developed as part of the transition to the new operating model
2015/16 and 2016/17	The audit opinion of the Internal control environment for the Payroll process remains weak. In the financial years 2015-16 and 2016-17	In addition to the agreed audit actions, improved joint working is planned between staff involved in Payroll and Finance to improve a number of procedures for the payroll process This will include regular	Resources & Enabling Services Lead Officer and HR Manager.	September 2017	Reconciliation processes have been improved and are carried out on a regular basis. The roll out of employee self service has

	there has been effort made to improve the control environment and whilst progress has been made it is not enough to improve the overall opinion.	meetings of key staff responsible for the implementation of recommendations with the s151 Officer to ensure progress made continues in the new financial year.			<p>commenced and use will increase from August 2017 with a view to rollout fully by October 2017. Finalisation of the Service Level Agreement will follow shortly after roll out.</p> <p>Payroll and Finance functions have been integrated into one section under the new operating model from April 2017.</p>
Brought Forward	On-going and future changes to the Council's financial framework including several changes to national and local funding regimes will increase the financial pressure on the Council and risk profile. These changes arise from continued downward pressure on government funding of Councils as confirmed in the indicative long term financial settlement	<p>The agreed Medium Term Financial Strategy of the Council reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years.</p> <p>The s151 Officer considers the risk as part of the closure of accounts including the need to make appropriate provisions and reserves at the year-end.</p>	Resources and Enabling Services Lead Officer	Ongoing	<p>The Medium Term Financial Strategy approved by Members in February 2017 has been revised to reflect anticipated changes to the retained business rates scheme and the financial consequences of the location of the Waste Transfer Station.</p> <p>The 2015/16 Statement of Accounts, including a statement on the adequacy of reserves made by the s151 officer, were approved by the P&R Committee in September 2016</p>
2016/17	The Corporate Peer Challenge findings recommended a review of Governance arrangements	<p>The areas highlighted were:</p> <ul style="list-style-type: none"> -Political Leadership succession planning -Member development -Involvement of Members in priority setting 	Members	Ongoing	A Member working group has been established to address the findings

Approval of the
Annual
Governance
Statement

Through the action referred to on the previous page, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. These steps will identify improvements that are needed and we will monitor their implementation and operation as part of our next annual review.

Signed:

Date: 21 September 2017

Councillor Luke Ives
Chairman of Policy and Resources Committee

Signed:

Date: 21 September 2017

Head of Paid Service



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	27 JULY 2017
REPORT OF THE:	RESOURCES AND ENABLING SERVICES LEAD OFFICER PETER JOHNSON
TITLE OF REPORT:	RISK MANAGEMENT STRATEGY REVIEW
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with a revised Risk Management Strategy.

2.0 RECOMMENDATION

- 2.1 It is recommended that :
- That the report is received;
 - That the revised Risk Management Strategy 2017-2022 is approved.

3.0 REASON FOR RECOMMENDATION

- 3.1 Risk identification and management is an integral element of organisational management to secure the achievement of the Council's corporate objectives. Risk Management should also form a key part of any budget making decisions, other decisions made by Committee and the management of service delivery, projects and partnerships.

4.0 SIGNIFICANT RISKS

- 4.1 The strategy defines both the process behind risk management and the appetite of the Council to risk.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 The Risk Management Strategy was last reviewed by Members in 2016.
- 5.2 The primary objectives of the strategy are to:-
- Further develop risk management and raise its profile across the Council.
 - Integrate risk management further into the organisational culture of service planning, project planning and managing performance.

- Further embed risk management through the ownership and management of risk as part of all decision-making processes, both at officer and member level.
- Manage risk in accordance with best practice.
- Create effective processes that will allow the council to produce risk management assurance statements annually.

6.0 POLICY CONTEXT

- 6.1 Risk management is essential to ensuring the delivery of the Council Plan and also maintaining effective governance arrangements. The arrangements for external audit are risk based.

7.0 CONSULTATION

- 7.1 The Risk Management Strategy is developed and managed by the Council's Management Team. All service areas are therefore involved in its development through the Corporate Planning Framework.

8.0 REPORT DETAILS

- 8.1 The risk management arrangements for the Council were reviewed by Veritau in 2016/17. The purpose of this review was to follow up on the agreed actions from the previous years report and to determine the direction of travel with regards risk management in light of the ongoing transformation of the Council and explore how this could be used as a vehicle for change and further improvement within the existing risk management process.
- 8.2 The audit report included a twelve point action plan. Seven of the actions have been addressed and it is anticipated that the remainder of the actions will be addressed within the revised timescale (September 2017).
- 8.3 The main changes to the strategy are designed to give clarity on:
- the councils appetite for risk, as a basis for understanding the level of mitigation required when dealing with the different categories of risk highlighted in the strategy; and
 - Risk Culture and how this will be addressed within the organisation.

9.0 IMPLICATIONS

- 9.1 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 & Enabling Services Lead Officer

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Background Papers:
Council Plan
Annual Governance Statement
Risk Management Follow Up Audit 2016-17

Background Papers are available for inspection at:
Covalent
www.ryedale.gov.uk

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RISK MANAGEMENT STRATEGY

2017-22

Revised July 2017

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1. Introduction

Approach and objectives

Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation.

Ryedale District Council (RDC) recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes across the organisation. RDC is committed to ensuring robust risk management arrangements are in place and operating effectively at all times. The Resources & Enabling Services Lead will champion risk management, providing a management lead and ensuring that appropriate arrangements are maintained but the day to day management of risk sits with all Lead Officers and Risk Owners.

Specific arrangements

RDC will establish clear roles, responsibilities and reporting lines for risk management and ensure a systematic way of:

- Identifying risk and risk owners
- Assessing risks in terms of likelihood and severity
- Assessing the need for mitigating actions
- Recording risks
- Regularly monitoring and reporting upon risk

Risk and risk management

“Risk is most commonly held to mean “hazard” and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. It is the combination of likelihood and impact, including perceived importance.

Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard, and builds confidence to innovate.”

-HM Treasury

Taking risks is an inevitable part of most organisations. Attention needs to be focused on managing the risks to which the organisation is exposed. High

performing organisations consistently demonstrate strengths in leadership, financial management, performance management and risk management.

Risk Management can be defined as the culture, processes and structures that are key to the effective management of potential opportunities or threats to an organisation in achieving its objectives and delivering services. Risk Management is not about being risk averse, it is about being risk aware. It is about understanding and evaluating risks whether they are an opportunity or a threat and making informed decisions about how those threats are then managed in order to maximise the efficiency of its services.

The benefits gained in managing risk are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved compliance and most importantly improved customer service delivery.

2. Risk Management at Ryedale District Council

RDC strives for excellent management of risk in order to maintain good governance, meet its audit requirements and to sufficiently protect itself against the risks that arise in carrying out its functions. RDC's operations mean it is exposed to risks including health and safety, loss of money or funding, reputational risks in relation to delivery of projects and objectives and potential legal action. Various groups identify, assess, monitor and review the risks that RDC faces including:

The **Health and Safety Committee** meets quarterly to ensure health and safety systems are operating effectively.

The **Leadership Team** review the Corporate Risk Register periodically and Lead Officer led **Service Delivery Teams** will discuss the Service Risk Registers throughout the business year.

The **Audit Committee** provides a Member overview of the audit and risk arrangements in place.

Programme Boards will review project risks.

The challenge is to implement risk management without significantly increasing workloads. This is achieved by making risk management part of existing processes rather than treating it as a separate function.

The objectives of the strategy are to:-

- Further develop risk management and raise its profile across the Council;
- Integrate risk management further into the organisational culture, service planning and performance aspects of the organisation;

- Embed risk management through the ownership and management of risk as part of all decision-making processes, both at officer and member level.
- Manage risk in accordance with best practice;
- Create effective processes that will allow the council to produce risk management assurance statements annually.

The objectives will be achieved by:-

Action	Responsible
Maintaining an up to date Risk Strategy	Resources & Enabling Services Lead
Providing practical guidance to staff and Members	Lead Officers
Including risk management issues within Service Delivery Plans and Project Plans	Lead Officers
Including risk management assessments in Committee reports;	Lead Officers
Including risk management within financial procedure rules;	Resources & Enabling Services Lead
Allocating specific responsibilities for risk to officers throughout the organisation	Resources & Enabling Services Lead
Review of risk management arrangements as part of the review of internal controls	Veritau
Maintaining contingency plans in areas where there is potential for risk to the Council's business capability	Lead Officers
Providing risk management awareness training for members and officers	Corporate services
Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council	Resources & Enabling Services Lead
Challenging the status of risks within the Corporate Risk Register	Audit Committee
Maintaining the Corporate Risk Register	Lead Officers

A number of issues have been borne in mind when setting this strategy:-

- The relative size of the authority.
- The current planning process/performance frameworks that have already been adopted.
- The need to ensure integration between service-based risk management and corporate risk management.

This strategy demonstrates how Ryedale District Council is meeting its responsibility to manage risks using a structured and focused approach.

The Strategy has critical links to the following areas:-

- Our Strategic Aims.
- Our Corporate Governance Arrangements.
- Our Community Focus.
- Our Organisational Structures and Processes.
- Our Standards of Conduct.
- Our Service delivery arrangements.
- Our Medium Term Financial Strategy.
- Our Annual Governance Statement (AGS).

3. Why do we need a Risk Management Strategy?

There are three main reasons why risk management is undertaken and a strategy is put in place to ensure that it is embedded within the Council's decision-making framework:-

- Risk management is about identifying those issues that will prevent Ryedale District Council from being successful in achieving its corporate and service-based objectives, as well as successful involvement in partnerships and projects. If these issues are successfully managed then Ryedale District Council is more likely to achieve its objectives.
- Risk Management is good management and should be incorporated in all decision-making of the Authority. Risk management is also about identifying risk-based opportunities.
- Risk management is also an essential part of the Annual Governance Statement (AGS), which the Council has to produce annually. The AGS comments on the Council's position in relation to risk management, corporate governance and internal control. The strategy underpins the approach to risk management at Ryedale.

4. What are the benefits of risk management?

- Increases likelihood of achieving objectives by identifying the barriers to achievement - improved strategic management.
- Become less risk averse in innovation (because you understand) and hence more innovative.
- Improve business planning through a risk based decision making process.
- Improved operational management.
- Improved financial management.
- Improved customer service.
- Enhance performance - feeds into performance management framework.
- Focus on doing what matters to make a difference. Demonstrable improvement.
- Better governance - and demonstration of it to stakeholders

5. Risk Culture

Risk culture is a term describing the values, beliefs, knowledge and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation or of teams or groups within an organisation.

“Risk culture” refines the concept of organisational culture to focus particularly on the collective ability to manage risk, but the wider organisational culture itself is an active backdrop determining, and itself influenced by, risk culture.

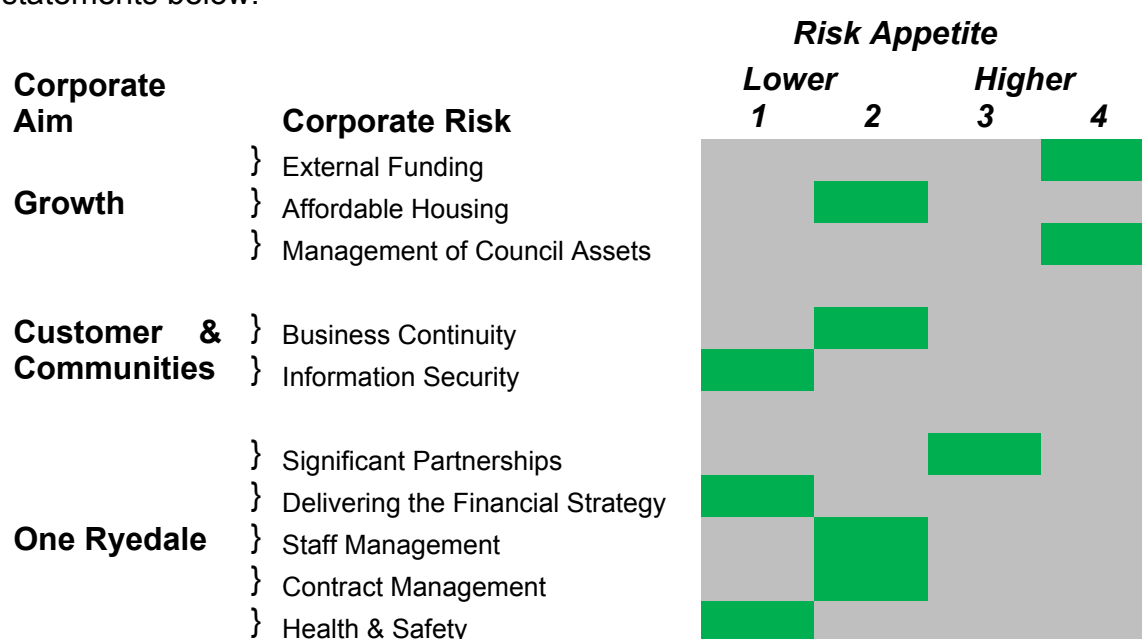
The Council will seek to influence the risk culture of the organisation through ongoing communication, training and appraisals.

6. Risk Appetite Statement

Risk appetite is the level of risk RDC is prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Our approach is to minimise exposure to compliance and reputational risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our corporate aims and risks as illustrated in the diagram and statements below.



The Council categorises its risk appetite into the following areas:

Compliance & Regulation – RDC recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

Operational/Service Delivery – RDC accepts a moderate to high level of risk arising from the nature of the Authority's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

Financial – RDC aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria:

- RDC is required to set a balanced overall revenue budget by February every year and Lead Officers must then contain net expenditure within approved service totals;
- An appropriate level of unallocated general reserves; and
- Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.

Reputational – It is regarded as essential that RDC preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities to avoid damage to that reputation through adverse publicity.

Strategic Transformational Change – The environment RDC works in is continually changing through both its internal operations and the services it provides. Change projects provide RDC with an opportunity to establish benefits for the longer term. RDC recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

Housing and Economic Development – RDC has a continuing obligation to invest in the development of the area. To continue to be progressive and innovative in the work performed RDC is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

People and Culture – RDC recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making RDC a fulfilling and supportive place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure RDC is continually improving.

7. Risk Management Process Overview

RDC follows a four-step approach to managing the risk it is exposed to (Annex 1). Firstly it **identifies** the risk, related to the appropriate department.

Then the risk is **assessed** in terms of the likelihood of the event actually occurring and the impact that such an event would have on RDC achieving its objectives.

Steps then must be taken to mitigate this risk- what can actually be done to stop this risk occurring or limiting the impact of the risk. This **treatment** needs then to be **monitored** and periodically **reviewed**. This process is repeated as the risks changes over time.



Figure 1: Diagram of the Risk Management Process

“Each public sector organisation's internal control systems should include embedded arrangements for identifying, assessing and managing risks. Risk management should be closely linked to the **business planning process**. Each organisation's governing body should make a considered choice about its desired risk profile, taking account of its legal obligations policy decisions, its business objectives, and public expectations of what it should deliver. This can mean that different organisations take very different approaches to similar risks.” -Scottish Government

Using Covalent, RDC divides the risks into two categories or *registers* (Figure 2). These are:

- Corporate Risk Register – contains the main on-going or long term risks to RDC on an organisation wide basis. These risks are owned and managed by the Head of Paid Service, Deputy Chief Executive and the Lead Officers.
- Service Risk Register – contains risks specific to the processes and actions for each department and team within RDC or a specific project or partnership arrangement. These risks should be managed by departmental managers, Lead Officers or designated project managers and could be time limited or on-going. Within each departmental risk registers there are subsections for Service Delivery, Projects and Partnerships

Figure 2: Risk Registers



The use of Covalent allows the principal of management by exception by clearly defining roles, actions and timescales. This is embedded in the management of risks.

Each department is recommended to have a manageable set of risks typically containing no more than ten (and ideally less than five) risks at any one time. This allows the manager to keep a focus on the top risks.

8. Annual review of Risk Management Strategy

Management Team will annually review the Council's Risk Management Strategy in light of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the strategy. Any

amendments will be recommended by Management Team for approval by Members.

Annex 1

Risk Management Methodology

Implementing the strategy involves identifying, analysing, managing and monitoring risks

Stage 1 – Identification, analysis, profiling and prioritisation of risks

Identifying the risks

There are different methods to identify risks. Workshops should be held by SMT and within service units encouraging officers to share their concerns, problems and potential risks that they foresee.

It is also recommended that a review of published information such as service plans, strategies, financial accounts, media mentions, inspectorate and audit reports are a useful source of information.

When identifying risks it is suggested that the categories highlighted in the risk appetite section be used. They will act as a prompt and as a trigger for officers involved in the process. They will ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

Analysis, Risk Profiling and prioritisation

Following identification, the risks need to be entered into the Risk Register on Covalent and evaluated. Management will look at the risks identified and decide their ranking according to the likelihood of the risk occurring and its impact, if it did occur. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

Although the risk profile produces a priority for addressing each risk determining the group's appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management.

The risk profile used by Ryedale and key is shown below:-

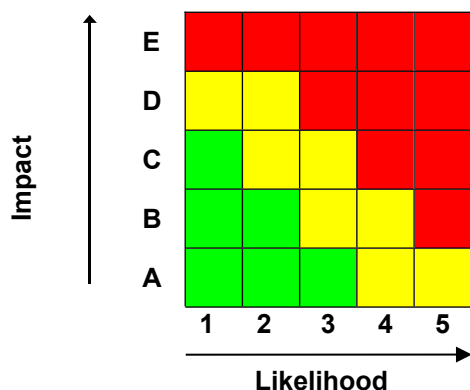
Current Risk

New Assessment | No assessment scheduled

Impact	Very Low	Low	Medium	High
Very High	Yellow	Yellow	Red	Red
Medium	Green	Yellow	Yellow	Red
Low	Green	Green	Green	Yellow
Very Low	Green	Green	Green	Green

Likelihood

Impact: C Medium
Likelihood: 1 Very Low
Review Date: 24 September 2010
Risk Score: 3
Assessment: ICL1 Noticeable



Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaste

Using Covalent to manage and monitor risk allows the risks to be linked to projects, service delivery plan actions and performance indicators.

Risks are categorised as:

High 

Medium 

Low 

Risks falling within the medium and high categories require mitigating action. If these are existing service delivery plan actions they should be linked to the risk on Covalent. Alternatively, a new action should be set up in the service delivery plan and linked to the risk. The progress in delivering these actions can then be monitored using Covalent.

Covalent has an on-line help resource which can be viewed at this location:

<http://support.covalentcpm.com/webhelp/index.html?riskcentral.htm>

When prioritising risks, those located in the top, right hand side box are the first priority or the most important risks to be managed. The risk scores can then guide the next level of priorities.

Stage 2 - Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either through mitigation planning (managing down the likelihood), contingency planning (managing the impact) or a mixture of both. Relatively few risks have to be avoided or transferred, although there will be a greater tendency to transfer (insure) risks that have a high impact, but a low likelihood. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/KPIs.

These actions should not be seen as a separate initiative but should be incorporated into the business planning process and included and linked to service delivery plans on Covalent.

Stage 3 Management of risks

Reports are generated from Covalent to present to Members. Covalent can also be accessed on-line by senior management, members and auditors.

Elected Members

Members have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management.

They may also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, Strategy and process.

Members are ultimately responsible for risk management because the risks threaten the achievement of policy objectives.

Leadership Team

The Leadership Team are pivotal to the Risk Management process as they set the risk appetite for the organisation through the projects, initiatives and cross cutting activities that they endorse and champion.

Officer Risk Champion/Internal Audit

The Officer Risk Champion is responsible for the implementation of the integrated framework, Strategy and process on behalf of the Council and its Management Team. The champion is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

Programmes, Projects & Performance Team

The Team will support the development of risk management within the Council, developing the risk management process and integration through Covalent, and working with officers and members to monitor actions against identified risks.

The team will also lead on the development and management of the Corporate Risk Register, Significant Partnerships Register, Risk associated with Projects and will prepare the Annual Report of Risk Management and revision of the Risk Strategy.

Supporting Services

Other support functions, e.g. finance, human resources, health and safety, legal, IT, will also have a role in providing support and advice.

Lead Officers

Lead Officers are responsible for managing their Service Risks, Partnership Risks (when they are the lead officer for the partnership) and Project Risk and ensuring that risk activity and targets are achieved and updated on a timely basis.

Partners

Ryedale District Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships /

shared services to be undertaken, however, it is essential that accountabilities are adequately determined and that Ryedale District Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the authority. It is **not** possible to outsource the risk management process.

Internal Audit (VERITAU)

Veritau provides independent assurance on the effectiveness of controls within the Council. In order to do this, the annual audit plan is designed to review key risks, as identified within the corporate risk register.

As part of the production and presentation of the annual Head of Internal Audit Opinion to the Overview and Scrutiny committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of low assurance and associated actions required.

The Importance of an Integrated Approach

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into Strategy and operations Risk Management must continue to be integrated and play a key role in the decision making process in the future



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE (AUDIT)
DATE:	27 JULY 2017
REPORT OF THE:	RESOURCES & ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	REVISED LOCAL CODE OF CORPORATE GOVERNANCE
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To present the updated Local Code of Corporate Governance for review and approval.

2.0 RECOMMENDATION

- 2.1 Members recommend to Council approval of the updated Local Code of Corporate Governance

3.0 REASON FOR RECOMMENDATION

- 3.1 In 2016 CIPFA revised their framework and guidance (Delivering Good Governance in Local Government) and therefore the opportunity has been taken to review the Council's code and align it with the new guidance.

4.0 SIGNIFICANT RISKS

- 4.1 The Council would not comply with the requirements of the revised framework.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The Council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement. The best practice guidance is recognised as the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016).

REPORT

6.0 REPORT DETAILS

- 6.1 The current Code of Corporate Governance was adopted by Full Council in ???. The code was consistent with the framework and guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) at that time.
- 6.2 As one would expect in a framework dealing with 'good governance' there is a lot of correlation between the content of the old CIPFA framework and the new framework. The main changes are the positioning of sustainable, social and environmental outcomes as a key focus of governance processes and structures. CIPFA consider the focus on sustainability and the links between governance and public financial management are crucial in these times of austerity and underpin the need for local authorities to focus on long term solutions. The framework is guidance to local authorities which they may adapt as they consider fit.
- 6.3 Under the new framework there are seven core principles (A-G) each with a number of sub-principles. Although the wording of the principles has been revised there is a lot of commonality between the sub-principles.

Local Code of Governance

- 6.4 The updated Local Code of Corporate Governance is based upon the CIPFA/SOLACE publication entitled "Delivering Good Governance in Local Government: Framework 2016 Edition."
- 6.5 The Code is based on seven core principles:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - B. Ensuring openness and comprehensive stakeholder engagement;
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - D. Determining the interventions necessary to optimize the achievement of the intended outcomes;
 - E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
 - F. Managing risks and performance through robust internal control and strong public financial management; and
 - G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 6.5 The updated Local Code of Corporate Governance is attached at Appendix A.

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

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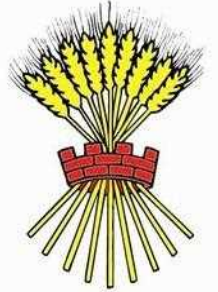
Background Papers:
Cipfa/Solace – Delivering Good Governance in Local Government Framework 2016

Background Papers are available for inspection at:
Ryedale House
Contact Peter Johnson

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Code of Corporate Governance

RYEDALE
DISTRICT
COUNCIL



2017

Introduction

Corporate Governance is the framework used to direct, manage and monitor an organisation to ensure it meets its aims and to enable it to relate to its external environment. It comprises the systems and processes, and cultures and values, by which such bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities. Good governance encourages better informed and longer-term decision making as well as the efficient use of resources, and is characterised by robust scrutiny, which places importance on improving performance and tackling corruption.

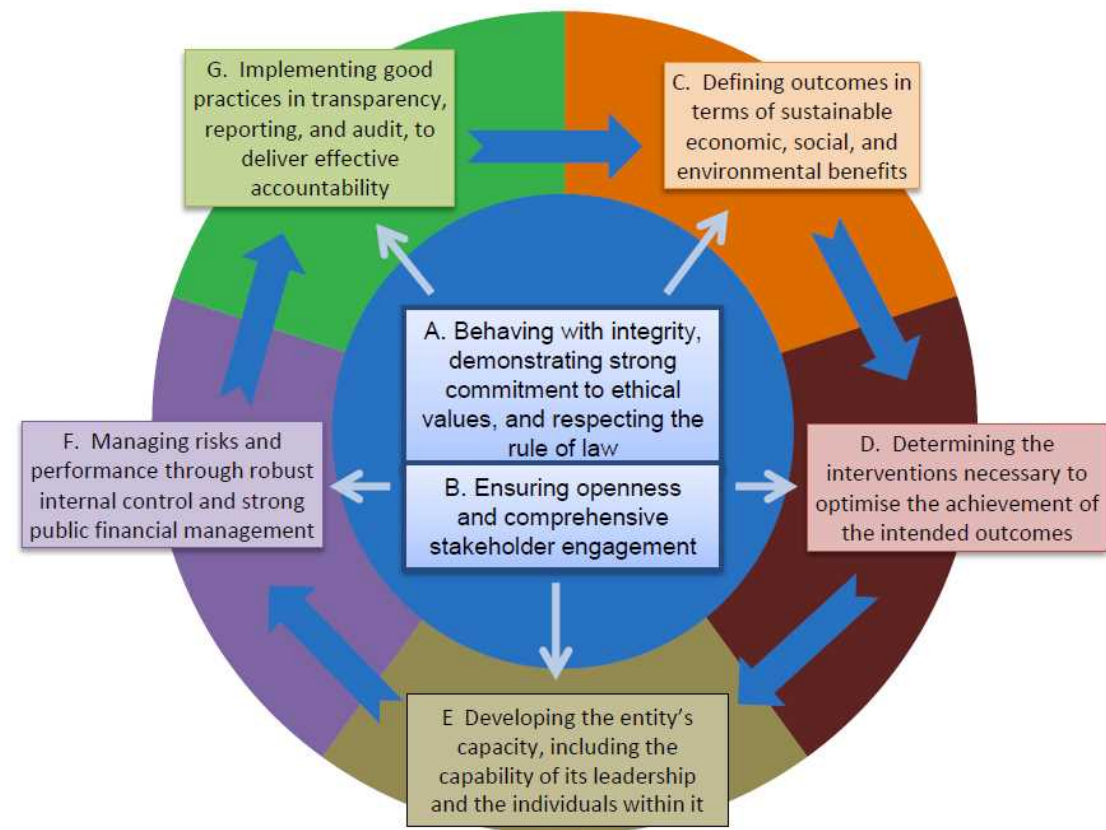
A revised framework was developed by the CIPFA/SOLACE Joint Working Group on Good Governance in Local Government in 2015 and the group's conclusions are set out in *Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016*. The revised framework emphasises the importance of considering the longer term and the links between governance and public financial management - all key considerations for local authorities in today's climate.

The diagram on the right illustrates how the various principles for good governance in the public sector relate to each other.

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Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

The Council strives to meet the highest level of corporate governance to help ensure it meets its objectives. Members and Senior Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and stewardship of the resources at its disposal. This Code of Corporate Governance describes what the Council will do to meet each of the key principles of good governance.

Each year the Council undertakes a review of its corporate governance arrangements, and at the end of each year produces an Annual Governance Statement which outlines the effectiveness of the Code of Governance and its application, suggesting areas for improvement and recommendations as appropriate.



Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

We will: Behave with Integrity.

We will do this by:

- ⇒ Ensuring Members and Officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation
- ⇒ Ensuring Members take the lead in establishing specific operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the *Seven Principles of Public Life* (the Nolan Principles)
- ⇒ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions
- ⇒ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating efficiently

We will: Demonstrate strong commitment to ethical values.

We will do this by:

- ⇒ Seeking to establish, monitor and maintain the organisation's ethical standards and performance
- ⇒ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation
- ⇒ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
- ⇒ Ensuring that external providers of service on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

We will: Respect the rule of law

We will do this by:

- ⇒ Ensuring Members and Officers demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations
- ⇒ Creating the conditions to ensure that the statutory officers, other key post holders and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- ⇒ Striving to optimise the use of the full powers available for the benefits of its citizens, communities and other stake holders
- ⇒ Dealing with breaches of legal and regulatory provisions effectively
- ⇒ Ensuring corruption and misuse of power are dealt with effectively

Principle B - Ensuring openness and comprehensive stakeholder engagement

Local Government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

We will: Be Open

We will do this by:

- ⇒ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
- ⇒ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reason for keeping the decision confidential should be provided
- ⇒ Providing clear reasoning and evidence for decisions in both the public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear
- ⇒ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action

We will: Engage comprehensively with institutional stakeholders

We will do this by:

- ⇒ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes are achieved successfully and sustainably
- ⇒ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- ⇒ Ensuring that partnerships are based on: Trust; A shared commitment to Change; A Culture that promotes and Accepts Challenge Amongst Partners; and that the added value of partnership working is explicit

We will: Engage with individual citizens and service users effectively

We will do this by:

- ⇒ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- ⇒ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- ⇒ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future use
- ⇒ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- ⇒ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- ⇒ Taking account of the impact on future generations of tax payers and service users

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government's responsibilities means that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

We will: Define Outcomes

We will do this by:

- ⇒ Having a clear vision, which is in an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions
- ⇒ Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer
- ⇒ Delivering defined outcomes on a sustainable basis within the resources that will be available
- ⇒ Identifying and managing risks to the achievement of outcomes
- ⇒ Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available

We will: Provide sustainable economic, social and environmental benefits

We will do this by:

- ⇒ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision
- ⇒ Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short term factors such as the political cycle or financial constraints
- ⇒ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade offs
- ⇒ Ensuring fair access to services

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. The Council needs robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

We will: Determine Interventions

We will do this by:

- ⇒ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided
- ⇒ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands with limited resources available including people, skills, land and assets and bearing in mind future impacts.

We will: Optimise achievement of intended outcomes

We will do this by:

- ⇒ Ensuring the medium term revenue forecast integrates and balances service priorities, affordability and other resource constraints
- ⇒ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term
- ⇒ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage
- ⇒ Ensuring the achievement of 'social value' through service planning and commissioning.

We will: Plan Interventions

We will do this by:

- ⇒ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
- ⇒ Engaging with external and internal stakeholders in determining how services and other courses of action should be planned and delivered
- ⇒ Considering and monitoring risks facing each partner when working collaboratively, including shared risks
- ⇒ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances
- ⇒ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured
- ⇒ Ensuring capacity exists to generate the information required to review service quality regularly
- ⇒ Preparing budgets in accordance with objectives, strategies and the medium term revenue forecast
- ⇒ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local Government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as providing training to develop the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

We will: Develop the entity's capacity

We will do this by:

- ⇒ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
- ⇒ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently
- ⇒ Recognising the benefits of partnerships and collaborative working where added value can be achieved
- ⇒ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

We will: Develop the capability of the entity's leadership and other individuals

We will do this by:

- ⇒ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
- ⇒ Ensuring that Members and the Head of Paid Service have clearly defined and distinctive leadership roles within a structure whereby the Head of Paid Service leads in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.

We will: Develop the capability of the entity's leadership and other individuals

We will do this by:

- ⇒ Developing the capabilities of Members and Senior Management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
 - Ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
 - Identifying training needs to ensure Members and Senior Officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
 - Ensuring personal, organisational and system wide development through shared learning, including lessons learned from governance weaknesses both internal and external
- ⇒ Ensuring that there are structures in place to encourage public participation
- ⇒ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- ⇒ Holding staff to account through regular performance reviews which take account of training or development needs
- ⇒ Ensuring arrangements are in place to maintain health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

Principle F - Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

We will: Manage risk

We will do this by:

- ⇒ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- ⇒ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- ⇒ Ensuring that responsibilities for managing individual risks are clearly allocated

We will: Have strong public financial management

We will do this by:

- ⇒ Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance
- ⇒ Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

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We will: Manage performance

We will do this by:

- ⇒ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review
- ⇒ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook
- ⇒ Ensuring an effective scrutiny or oversight function is in place which encourages effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making
- ⇒ Providing Members and Senior Management with regular reports on service delivery plans and on progress towards outcome achievement
- ⇒ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).

We will: Have robust internal controls

We will do this by:

- ⇒ Aligning the risk management strategy and policies on internal control with achieving objectives
- ⇒ Evaluating and monitoring risk management and internal control on a regular basis
- ⇒ Ensuring effective counter fraud and anti corruption arrangements are in place
- ⇒ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- ⇒ Ensuring an audit committee which is independent of the executive and accountable to the governing body:
 - Provides a further source of assurance regarding the authority's arrangements for managing risk and maintaining an effective control environment
 - And its recommendations are listened to and acted upon.

We will: Manage Data

We will do this by:

- ⇒ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- ⇒ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- ⇒ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

Principle G - Implementing Good Practices in transparency, reporting and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

We will: Implement good practice in transparency

We will do this by:

- ⇒ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
- ⇒ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny whilst not being too onerous to provide and for users to understand.

We will: Implement good practices in reporting

We will do this by:

- ⇒ Reporting at least annually on performance, value for money and stewardship of resources
- ⇒ Ensuring Members and Senior Management own the results
- ⇒ Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the Annual Governance Statement)
- ⇒ Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate
- ⇒ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.

We will: Provide assurance and effective accountability

We will do this by:

- ⇒ Ensuring that recommendations for corrective action made by internal and external audit are acted upon
- ⇒ Ensuring an effective internal audit service with direct access to Members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon
- ⇒ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations
- ⇒ Gaining assurance on risks associated with delivering services through third parties and this is evidenced in the annual governance statement
- ⇒ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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