



OVERVIEW AND SCRUTINY COMMITTEE

Thursday 24 October 2019 at 6.30 pm

Council Chamber, Ryedale House, Malton

Agenda

1 Emergency Evacuation Procedure

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

2 Apologies for absence

3 Minutes of the meeting held on 3 October 2019

(Pages 3 - 6)

4 Urgent Business

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

5 Declarations of Interest

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

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

6 Chair's Announcements

7 First Internal Audit and Counter Fraud Progress Reports 2019/20 (Pages 7 - 22)

8 Update of Internal Audit Charter

(Pages 23 - 38)

- 9 **External Audit Annual Audit Letter** (Pages 39 - 52)
- 10 **External Audit Annual Fee Letter 2019-20** (Pages 53 - 56)
- 11 **Treasury Management Mid-Year Review** (Pages 57 - 70)
- 12 **Update on Risk Management** (Pages 71 - 98)
- 13 **Timetable of Meetings 2020-21** (Pages 99 - 102)
- 14 **O&S Forward Plan** (Pages 103 - 104)
- 15 **Any other business that the Chairman decides is urgent.**

Public Document Pack Agenda Item 3

Overview and Scrutiny Committee

Held at Council Chamber - Ryedale House, Malton, North Yorkshire YO17 7HH
on Thursday 3 October 2019

Present

Councillors Brackstone (Vice-Chairman), Clark (Chairman), Garbutt Moore, Di Keal, Oxley, Raine and Raper

In Attendance

Will Baines, Tony Galloway, Anton Hodge, Jos Holmes, Christine Phillipson, Phillip Spurr and Margaret Wallace

Minutes

33 **Apologies for absence**

Apologies received from Councillor Middleton.

34 **Minutes of the meeting held on 24 July 2019**

Decision
That the minutes of the meeting of the Overview and Scrutiny held on 24 th July 2019 be approved and signed by the Chairman as a correct record.

Voting Record

5 For
0 Against
0 Abstentions

35 **Urgent Business**

There were no items of urgent business.

36 **Declarations of Interest**

There were no declarations of interest.

37 **Chair's Announcements**

The Chairman made the following announcements:

- To work with officers on the work programme for the Overview and Scrutiny Committee to ensure a more even balance of items to be considered across the year.
- All members and interested parties are invited to the drop in climate change awareness event at the Milton Rooms on Saturday 2nd November

2019 from 10:30am to 2pm, with the next Ryedale Environment Forum to follow this at 2:30pm.

38 Customer Complaints and Compliments Q1 2019/20

Considered – Report of the Head of Customer Services (Interim).

Decision

That the report be noted.
That the initial findings of the review of the Customer Complaints and Compliments Procedure be brought back to O&S.

Voting Record

6 For
0 Against
0 Abstentions

39 Implementation of recommendations of the Climate Change Scrutiny Review - Progress Report

Considered – Report of the Programme Director for Economic Development, Business and Partnerships.

Decision

- (i) That the report be noted and thank officers for the work undertaken so far.
- (ii) Request that the LGA call upon the Government to standardise electric vehicle charging points.

Voting Record

6 For
0 Against
0 Abstentions

Following the vote, Councillor Oxley commented that the positive approach from staff in this area was clear to see.

40 Scrutiny review into the motion to Council on Climate Change

Considered – Report of the O & S Task Group.

Decision

That the Committee approve the draft recommendations of the task group, but any changes (made by Officers in consultation with the Chair) must be in line with the conclusions reached by the working party.

Voting Record

7 For

0 Against

0 Abstentions

41 Interim Report on the Scrutiny Review into Equalities

Considered – Report of the O & S Task Group.

The Chair presented the interim report, noting the work underway to address the issues raised, and that these would be explored in more detail as part of the next steps of the task group.

Decision

That the interim report on the next steps be noted.

Voting Record

7 For

0 Against

0 Abstentions

Following the vote, the next meeting of the Equalities scrutiny review task group was arranged for Wednesday 16th October at 6:30pm.

42 Review of Workplan

Considered

Decision

That the work plan be noted.

43 Decisions from other Committees

Considered.

Decision

That the minutes of the Policy & Resources Committee on 26th September 2019 be noted.



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

There being no other business, the meeting closed at 8.10pm.



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	24 October 2019
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	FIRST INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORTS 2019/20
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report provides an update on internal audit and counter fraud work delivered in 2019/20.

2.0 RECOMMENDATION

- 2.1 It is recommended the Committee note the work undertaken by internal audit and the counter fraud team in the year to date.

3.0 REASON FOR RECOMMENDATION

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

4.0 SIGNIFICANT RISKS

- 4.1 The Council will fail to comply with proper practice requirements for internal audit and the Council's Audit Charter if the results of audit work are not considered by an appropriate committee. Overview and Scrutiny Committee is the committee designated with responsibility for receiving internal audit reports at Ryedale District Council.

5.0 POLICY CONTEXT AND CONSULTATION

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

6.0 REPORT DETAILS

- 6.1 Since the last Committee meeting in July 2019 we have completed one internal audit review on Payroll and Personnel to final report stage. One draft report on Data Protection and Information Security has also been issued. For those audits we have yet to start we have provided proposed start dates in this report. There are no significant problems anticipated in delivery of the 2019/20 audit plan. Further information on internal audit progress is included in annex 1.
- 6.2 Counter fraud work has been undertaken in accordance with the approved plan. Annex 2 provides a summary of the work undertaken so far in 2019/20 and outcomes to date.

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 and Climate Change, Crime & Disorder)
None

Anton Hodge **Chief Finance Officer (s151)**

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Background Papers:
2019/20 Internal Audit and Counter Fraud Plans

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Progress Report
Period to 27 September 2019

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

Circulation List: Members of the Overview and Scrutiny Committee
Chief Finance Officer (s151)

Date: 24 October 2019


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 accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan agreed by the Overview and Scrutiny Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of the Committee approved the Internal Audit Plan for 2019/20 at their meeting on the 17 April 2019. This report summarises the progress made to date in delivering the agreed programme of work.
- 3 This is the first Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2019/20.

Internal Audit work completed

- 4 Since the last committee meeting in July 2019 one internal audit report on Payroll and Personnel has been completed. A draft report on Data Protection and Information Security has also been issued.
- 5 For those audits yet to start, proposed start dates are included in appendix A, below. We are on target to deliver the agreed Audit Plan by the end of April 2020. Further information on planned audit work is included in Appendix A.
- 6 Information on the findings from the audit finalised since the last meeting in July is included in Appendix B.

Wider Internal Audit work

- 7 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice, guidance and training to members as required.
 - **Ongoing support to management and officers;** we meet regularly with management to identify emerging issues and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council.
 - **Risk Management;** Veritau provides support and advice on the Council's risk management arrangements and processes.
 - **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

- **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally followed up. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. We have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of our follow up work.

Stuart Cutts
Audit Manager
Veritau Ltd

October 2019

Table of audit assignments to 27 September 2019

Audit	Status	Assurance Level (if Completed) / Planned Start date (if Not Started)	Audit Committee
2019/20			
Strategic Risk Register			
Human Resources	Not started	Quarter 3	
Data Quality – Health and Safety	Not started	Quarter 4	
Revenue and Capital Budgeting	Not started	Quarter 3	
Data Protection and Information Security	Draft report	-	
ICT – key risks and controls	Not started	Quarter 3	
Contract Management and Procurement	Not started	Quarter 4	
Fundamental/Material Systems			
Payroll and Personnel	Not started	Quarter 4	
Terms and Conditions	In Progress	-	
Creditors	Not started	Quarter 4	
Operational / Regularity Audits			
Risk Management	In Progress	-	
Policy Framework	In Progress	-	
Relationships and agreements with other bodies	In Progress	-	
Projects/other			
Assurance Mapping	In Progress	-	
Follow-Ups			
	Ongoing	-	
2018/19			
Payroll and Personnel	Final Report	No opinion	October 2019
Safeguarding	Draft Report	-	

Summary of Key Issues from audits completed to 27 September 2019; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Payroll and Personnel (2018/19)	No opinion	<p>From August 2018, Ryedale District Council's (RDC) Payroll & Human Resources (HR) services have been provided by North Yorkshire County Council (NYCC) as part of collaborative working arrangements.</p> <p>This review of the payroll and personnel systems:</p> <ul style="list-style-type: none"> documented the new Payroll and associated HR processes and procedures, at both authorities assessed the existence and robustness of current key controls highlighted any identified control weaknesses or duplications for resolution by management. <p>This work covered the arrangements as reviewed in January 2019 – April 2019.</p> <p>Work in 2018/19 did not review whether key payroll and HR controls were working in practice. We will test the operation of these key controls as part of work included in the 2019/20 internal audit plan.</p>	August 2019	<p>Strengths Senior officers are aware of outstanding weaknesses and areas requiring further development. A risk register has been produced and an action plan to address outstanding issues was being developed.</p> <p>Standard procedures and guidance notes are in place for staff recruitment. Pre-employment checks are in place at both Councils.</p> <p>There is a segregation of duty for checking the accuracy of alterations made to RDC records. The calculated pay run and corresponding reports are checked for accuracy.</p> <p>Key areas for improvement At the time of the audit fieldwork payroll journals had not been received or inputted into the RDC ledger since the new working arrangements came into effect.</p> <p>There were a lack of robust controls in the process for checking and authorising the monthly pay run at RDC. HR and payroll information could not be easily accessed so the monthly pay run could not be adequately checked.</p> <p>There is no centralised system for storing HR information for RDC. No HR folders were available for Ryedale managers to use as the contents were in the process of being data cleansed and access reviewed for appropriateness.</p>	<p>Journals were received by RDC in April 2019 and the majority of issues have been resolved. A little extra work on building control elements was required and has since been finalised, post audit.</p> <p>Approval of the pay run is now the responsibility of the Deputy Chief Executive. A HR Project Officer for RDC has also recently been appointed. A new model of working will be considered by March 2020, taking into account processes used by other authorities that use NYCC Payroll services.</p> <p>Review of HR files and record management processes is ongoing. There will be a consideration, by March 2020, into procuring a system for records management.</p> <p>A whole HR organisation policy review is required and the HR Project Officer will assist in completing this work. Progress has been made on key policies on a prioritised basis with the aim of bringing first phase of the reviewed policies to the November</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>Documents were also being stored on systems at NYCC so were not easily accessible.</p> <p>HR policies and procedures are out of date and not in line with the new working arrangements.</p> <p>Roles and responsibilities are not clearly understood or documented in the service level agreements.</p> <p>Generic contracts are currently in use for new starters and may not be fit for purpose for specific job roles or service areas.</p>	<p>Policy and Resources Committee</p> <p>Service level agreements are currently under review. Roles and responsibilities for officers working on RDC payroll and HR matters will be clarified.</p> <p>Negotiation on pay and allowances is currently being undertaken with an anticipated implementation date of April 2020.</p> <p>Review of contracts of employment will be undertaken in early 2020 to enable immediate implementation of these thereafter. In the interim, contract documentation is reviewed on an 'as and when basis' to ensure legal compliance.</p>

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Ryedale District Council
Counter Fraud Progress Report
Period to 24 September 2019

Counter Fraud Manager: Jonathan Dodsworth

Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Finance Officer (s151)

Date: 24 October 2019

Background

- 1 Fraud is significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a corporate counter fraud service for Ryedale District Council. A corporate counter fraud service aims to prevent, detect and deter fraud and related criminality affecting an organisation. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

Counter Fraud Performance 2019/20

- 4 Up to 24 September, the counter fraud team achieved £10.4k in savings for the council as a result of investigative work. There are currently 13 ongoing investigations. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 2019/20

The tables below shows the total number of fraud referrals received and summarises the outcomes of investigations completed during the year to date.

	2019/20 (As at 24/09/19)	2019/20 (Target: Full Year)	2018/19 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions).	60%	30%	60%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£10,435	£20,000	£24,659

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Caseload figures for the period are:

	2019/20 (As at 24/09/19)	2018/19 (Full Year)
Carried forward at start of financial year	75	54
Referrals received	17	63
Referrals rejected	10	27
Number of investigations completed	5	15
Active cases and awaiting investigation ¹	77	75

¹ As at 20/9/19 and 31/3/19 respectively.

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative is underway. A range of council data was gathered and sent to the Cabinet Office in October 2018. There have been 572 matches released to date. The matches are currently being reviewed by the counter fraud team.</p> <p>For the first time HMRC data is being matched against NFI council datasets. This has produced a further 104 matches to review.</p>
Fraud detection and investigation	<p>The service continues to use 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 Support fraud – To date the team has received 10 referrals for possible CTS fraud and £3.5k of savings has been identified through fraud investigation in the current financial year. One person has received a warning for an offence in this area. There are currently 4 cases under investigation.• Council Tax fraud – Six referrals for council tax fraud have been received in 2019/20. One person has been given a warning relating to fraud in this area. £5.1k in savings has been identified in this area to date. There are currently 7 cases under investigation.• NNDR fraud – One referral for NNDR fraud has been received to date.• Internal fraud – There has been no reports of internal fraud against the council this year. One investigation that began in 2018/19 concluded in the current financial year.• External fraud – One case is currently under investigation.

Activity	Work completed or in progress
Fraud liaison	<p>The fraud team acts as a single point of contact for the Department for Work and Pensions and is responsible for providing data to support their housing benefit investigations. The team have dealt with 19 requests on behalf of the council in 2019/20.</p> <p>In May 2019, the DWP began new joint working arrangements with councils in the Yorkshire and Humber region. Joint working involves council fraud investigation officers working with DWP counterparts to investigate benefit fraud that affects both organisations. To date there have only been a few joint investigations started and none have yet been completed.</p>
Fraud Management	<p>In 2019/20 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • The counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year. • In May, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2018/19 meeting the council's obligation under the Local Government Transparency Code 2015. • The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in June 2019. The information provided has contributed to a recently released report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it. • In September, the counter fraud team ran a cybercrime awareness week, delivering cybercrime awareness information to council employees through a number of bulletins provided over the course of the week.

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	24 OCTOBER 2019
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	UPDATE OF INTERNAL AUDIT CHARTER
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The report presents proposed changes to the council's internal audit charter.

2.0 RECOMMENDATION(S)

2.1 It is recommended that 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. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting those standards for councils. To comply with the standards the council must have an internal audit charter setting out the purpose, authority and responsibility of internal audit.

6.2 The audit charter was last approved by members in October 2018. In February 2019, CIPFA published updated guidance on the application of the Public Sector Internal Audit Standards (PSIAS) in local government. A number of minor updates to the audit charter are proposed to reflect the latest guidance. A copy of the proposed updated audit charter is included at annex 1 which includes tracked changes showing the revisions. A number of other small drafting changes are reflected in the document.

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 and Climate Change, Crime & Disorder)
None

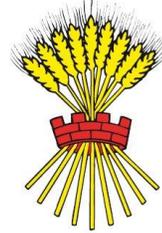
Anton Hodge
Chief Finance Officer (s151)

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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)

RYEDALE
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Ryedale District Council Internal Audit Charter

25-24 October 20182019

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 [Chief Finance Officer \(s151\)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 Strategic Management Board \(LTSMB\)](#) 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. To provide optimum benefit, the council requires that internal audit work in partnership with management to improve the control environment and help the organisation to achieve its objectives.

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.
- 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

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

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*.

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 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.
- 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 s151 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
 - Chief Finance Officer (s151) officer
 - Monitoring Officer
 - other directors and service managers.

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.

- 7.3 The ~~Chief Finance Officer (s151) officer~~ has ~~a statutory specific~~ responsibilities for ensuring that the council has ~~an~~ effective systems of risk management and internal audit in place control. The role includes a responsibility to ensure that the council has put in place arrangements for effective internal audit. In recognition of ~~this, the importance of the relationship between the Chief Financial Officer and internal audit (recognised in the standards)~~ a protocol has been drawn up setting out the relationship between ~~the internal audit and the s151 officer~~. This is included in Appendix 1.
- 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~~their annual opinion on the council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the 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

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

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

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.

- 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 Chief Finance Officer (s151) officer and the Audit Overview and Scrutiny 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 Chief Finance Officer (s151) officer and to Overview and Scrutiny Committee.

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, for the purposes of audit and investigations 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 Chief Finance Officer (-s151) officer and Overview and Scrutiny Committee, for approval.

Relationship between the Chief Finance Officer (s151) Officer and internal audit

- 1 In recognition of the statutory duties of the council's Chief Finance Officer (s151)⁹ officer for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the ~~s151-officer~~CFO and internal audit.
- (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the ~~CFOs151-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 ~~CFO s151-officer~~ (in addition to Overview and Scrutiny Committee).
 - (iii) The ~~CFO 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~~their 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 ~~CFOs151-officer~~.
 - (iv) The HoIA will notify the ~~-CFO s151-officer~~ of any matter that in the HoIA's professional judgement may have implications for the ~~-CFO s151-officer~~ in discharging ~~his/her s151~~their statutory responsibilities.
 - (v) The ~~CFO s151-officer~~ will notify the HoIA of any concerns that ~~he/she~~they 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~~they will make representations to the ~~CFOs151-officer~~, as well as to Overview and Scrutiny Committee.
 - (viii) The HoIA will report to the ~~CFO s151-officer~~ (and the Overview and Scrutiny 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 ~~CFO s151-officer~~ (and the Overview and Scrutiny 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.

⁹ The Chief Finance Officer (s151) is referred to as the CFO in the remainder of this appendix.

- (x) The ~~s151-officer~~CFO 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 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.

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The Annual Audit Letter for Ryedale District Council

Year ended 31 March 2019

August 2019

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Section

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Appendix

- A Reports issued and fees

1. Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Ryedale District Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Overview and Scrutiny Committee as those charged with governance in our Audit Findings (ISA260) Report on 24 July 2019.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £375,000, which was 1.8% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified 'clean' audit opinion on the Council's financial statements on 31 July 2019.
Whole of Government Accounts (WGA)	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. However this work was not required as the Council did not exceed the threshold set by the NAO for such specified procedures.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for weaknesses identified in the Council's arrangements for managing risks effectively and timely reporting on financial performance to members. We therefore qualified our value for money conclusion in our audit report to the Council on 31 July 2019. For further details on Value for Money arrangements and our work concluded, see section 3 of this report, pages 10 and 11.
Certificate	We certified that we have completed the audit of the financial statements of the Council in accordance with the requirements of the Code of Audit Practice on 31 July 2019.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Working with the Council

In our first year of audit at the Council, we believe we have developed professional working relationships with you and your officers and have delivered a number of positive outcomes, including:

- regular liaison with senior officers including the Chief Executive, the s151 Officer, senior finance managers and the Chair of the Overview and Scrutiny Committee to understand the issues facing the Council
- an efficient audit - we delivered an efficient audit with you in June and July and worked well with your finance team
- understanding your operational environment and challenges – through the value for money conclusion work, we provided assurances around your arrangements in place to secure economy, efficiency and effectiveness in use of Council's resources

- Sharing our insight – we provided regular Overview and Scrutiny Committee updates covering best practice. We also contributed to discussions and debates on a variety of committee topics outside of external audit agenda items
- Providing accounts workshops – we provided your finance team with training workshops, focusing on key changes to 2018-19 financial statements and main risk areas for the audit.
- Supporting development – we provided a workshop for members of the Overview and Scrutiny Committee on the roles and responsibilities of audit committees including governance issues, accounting developments and value for money arrangements. The day was an opportunity for members to network with other members across our Yorkshire local authority client base and discuss Audit Committee effectiveness.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

2. Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the financial statements to be £375,000, which is 1.8% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year. The level of materiality was revised to this amount following receipt of the Council's draft 2018-19 financial statements. We reported our updated materiality level in the Audit Findings (ISA260) Report in July 2019.

We also set a lower level of specific materiality of £5,000 for senior officer remuneration.

We set a lower threshold of £19,000, above which we reported errors to the Overview and Scrutiny Committee in our Audit Findings (ISA260) Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed
- the significant accounting estimates made by management are reasonable
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements, the narrative report and the annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's operational activities and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management over-ride of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any significant changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any significant issues in respect of management override of controls.</p>

Audit of the Financial Statements

Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c14m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert discussed with the valuer the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested revaluations made during the year to see if they had been accounted correctly in line with applicable accounting guidance and input correctly into the Council's asset register assessed how management have confirmed assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019 evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>Our audit work identified some amendments to the original land and buildings figures reported in the draft accounts in relation to revaluation and impairments.</p> <p>These amendments were updated in the final audited version of the accounts. There was no impact on the Council's useable reserves arising from these adjustments.</p> <p>As part of our Audit Findings (ISA260) report presented to the Overview and Scrutiny Committee in July 2019, we agreed a recommendation to address our findings.</p> <p>No other significant issues were identified from our work.</p>

Audit of the Financial Statements

Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
<p>Valuation of the pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided to the actuary to estimate the liabilities • tested the consistency of the pension fund assets and liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuary • performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • requested the council to obtain updated reports from its actuary to take into account the impact on the Council's pension numbers as a result of the McCloud judgement. We assessed the updated actuary report to understand the overall impact to the pension fund liability of the Council • obtained assurances from the auditor of North Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>The Council requested updated reports from its actuary to take into account the impact on the Council's pension numbers as a result of the McCloud judgement.</p> <p>The revised report resulted in an increase in the Council's pension fund liability of £436k, which was adjusted in the final accounts approved in July 2019. This adjustment did not impact on the Council's level of useable reserves.</p> <p>Our audit work did not identify any other significant issues.</p>

Audit of the Financial Statements

Audit opinion

We issued an unqualified 'clean' opinion on the Council's financial statements on 31 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Overview and Scrutiny Committee on 24 July 2019.

Annual Governance Statement and Narrative Report

We were required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.

However, in line with previous years, this work was not required as the Council did not exceed the threshold set by the NAO for such specified procedures.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Ryedale District Council in accordance with the requirements of the Code of Audit Practice on 31 July 2019.

3. Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risk we identified and the work we performed are set out overleaf. We identified one risk in our Audit Plan presented to the Overview and Scrutiny Committee in January 2019.

As part of our Audit Findings (ISA260) report presented to the Overview and Scrutiny Committee in July 2019, we agreed one recommendation to address our findings. This was in relation to the continued need to strengthen and embed governance, risk management and financial monitoring arrangements to support informed decision making at the Council.

Overall Value for Money conclusion

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we were satisfied that, in all significant respects, the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

In considering the Council's arrangements for securing efficiency, economy and effectiveness in its use of resources we identified the following matters:

- For the first nine months of 2018-19, there were weaknesses in the Council arrangements for identifying, prioritising and recording risks in a strategic risk register, determining what actions should be taken to mitigate risks and providing members with timely reporting on risk management. The Council took action during the year to address these weaknesses and reported its updated Strategic Risk Register to the Overview and Scrutiny Committee in January 2019.
- Members have not been provided with adequate financial information throughout 2018-19. In May 2018 the Council's £2 million underspend against its £6.2 million budget for 2017-18 was reported to members for the first time. The Council took action during the year to address this issue, reporting in-year 2018-19 financial performance to members in October 2018.

Our work identified that following the new senior management team's arrival in early 2018-19, they had taken steps to enhance the Council's risk management and financial monitoring arrangements. However, these arrangements were not sufficiently embedded during 2018-19 as a whole.

We considered our findings warranted an 'except for' VFM qualification opinion under the guidance issued by the NAO.

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
<p>Embedding governance, risk management and financial monitoring arrangements to support informed decision making</p> <p>In 2017-18, the Council's Annual Governance Statement (AGS) highlighted that improvements were required to the Council's risk management arrangements. We are aware that Internal Audit's review of risk management in both 2016-17 and 2017-18 resulted in an assessment of 'limited assurance' for the Council's arrangements in this area and that significant improvements were required.</p> <p>In our discussions with officers and planning work up to January 2019, we have noted the previous issues with regard to monitoring, oversight and communicating and reporting of risk management and related issues. We are also aware of internal audit's previous findings in this area.</p> <p>The Council acknowledged that identifying, mitigating, prioritising, and timely reporting to Members of its significant risks are an important factor in its governance environment.</p> <p>The Council also acknowledged that enhancements to its risk management and reporting arrangements are required and this is a key area that requires improvement at the Council.</p> <p>We therefore considered this as a significant VFM risk for the Council in 2018-19.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> • reviewed health checks reports commissioned and produced by the Council • Reviewed the Council's latest Corporate Risk Register • discussed key governance and risk management arrangements with the senior management • reviewed key financial and operational documents including the final outturn report for 2018-19 <p>Our focus in this area was around arrangements in place to embed risk management and monitoring arrangements to secure economy, efficiency and effectiveness in Council's use of resources.</p>	<p>Our initial work during the risk assessment stage highlighted there were gaps in Council's risk management arrangements around identification, prioritisation, registration in a strategic risk register, action taken to mitigate the risks and timely reporting to the Council and relevant Committees including Overview and Scrutiny Committee.</p> <p>In addition, we considered the adequacy of the Council's in-year financial reporting to Members. We understand that no in-year financial reporting was performed in 2017-18 with the resulting £2m underspend against the £6.2m budget in 2017-18 coming as a surprise to many Members and stakeholders.</p> <p>Our subsequent work indicated the Chief Executive and the Chief Finance Officer, both newly appointed in 2018-19, recognised the need to enhance the Council's governance arrangements and started to take action to improve risk management and financial monitoring arrangements .</p> <p>As part of this process, the Council conducted meetings with relevant stakeholders such as senior officers, Members and Internal Audit before revising and updating the Council's Strategic Risk Register to make it more relevant to the Council's key challenges and priorities.</p> <p>During 2018-19, the Chief Executive commissioned number of 'health checks' and carried out a 'root cause analysis' to understand the underlying issues facing the Council and how those could be prioritised and actioned and how progress against the challenges could be monitored. Health checks were carried out in a number of areas including Customer Services, HR and workforce, Projects and Health and Safety.</p> <p>The health check reviews identified some gaps in assurances available to support informed decision making, key risks and challenges to the successful delivery of the Council's objectives. A lack of a formal framework to register, action, monitor and timely report such risks was noted.</p> <p>As a result, a new updated Strategic Risk Register was formulated from the outcomes of these health checks. This was reported to the Audit and Scrutiny Committee in January 2019. In addition, the Council produced an in year financial monitoring report, reported to Members in end of May 2019 – which highlighted the Council was projected an underspend of £1.4m on its £6.1m 2018-19 budget.</p> <p>Both of these developments, on risk management and financial monitoring, are a positive step forward for the Council and are to be commended for the work done in 2018-19. However, given that both were only implemented during the second half of 2018-19 and we are required to review the arrangements in place for the full April 2018 to March 2019 period, we cannot state that they were embedded and operating for the full 2018-19 period. As such, we issued a qualified 'except for' VFM conclusion as proper arrangements were not in place for the full year.</p> <p>Our continuing discussions with senior management indicates embedding risk management and financial monitoring arrangements are key priorities to support informed decision making in 2019-20 and beyond. We will continue to monitor developments in this areas as part of our 2019-20 audit planning.</p> <p>We concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for, in relation to informed decision making VFM criteria.</p> <p>Our work identified that risk management and governance arrangements were not sufficiently embedded during 2018-19 and as such resulted in a 'qualified 'except for' conclusion as set out in our audit opinion issued in July 2019. For more information around our basis for qualified conclusion, see page 10.</p>

Appendix A: Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	January 2019
Interim Audit Findings	June 2019
Audit Findings (ISA260) Report	July 2019
Annual Audit Letter	August 2019

Fees

	Planned £	Actual fees £	2017-18 fees £ (KPMG)
Statutory audit	32,206	TBC – see table on right	41,826
Total fees	32,206	TBC	41,826

Fees for other services	Fees £
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Audit related services:

- Housing Benefit Certification 11,484

Non-audit services:

- Chief Finance Officer Insights and Place Analytics subscription (2019-20) 3,500*

*Non- audit services

We have agreed one non-audit related service since the year end 31 March 2019. This relates to Chief Finance Officer Insights and Place Analytics subscription for 2019-20. Though this service relates to 2019-20, for transparency we have disclosed this on the basis of reporting all agreed non-audit fees as at the date of this Annual Audit Letter. None of the services provided are subject to contingent fees. We have not provided any other services in 2017-18 prior to our appointment as external auditors to the Council on 1 April 2018.

Audit fee variation: As outlined in our Audit Plan, the 2018-19 scale fee published by PSAA of £32,206 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional audit work. We noted this expectation in our ISA260 Report in July and our interim findings in June. The areas of additional work and resulting fee implications are set out in the following table.

Area	Reason	Fee proposed £
Value for Money Conclusion work & additional audit testing as a result of interim audit findings	Our initial risk assessment identified one significant risk (see page 10) which we performed additional work to inform our VFM conclusion (no significant VFM risks were identified in the prior year by our predecessor). As a result of our interim audit findings which we reported to Overview and Scrutiny Committee in June, we reduced the materiality level and increased our audit procedures in June and July. This resulted additional testing.	7,000
McCloud: Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	1,500
Pensions: IAS 19 audit work	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,500
Land and Building Valuation: work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on land and buildings valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,500
Total		11,500

The proposed fee variations are subject to PSAA approval.

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Anton Hodge
Chief Finance Officer (s151)
Ryedale District Council
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YO17 7HH

Grant Thornton UK LLP
No1 Whitehall Riverside
Leeds
LS1 4BN

23 April 2019

Dear Anton

Planned audit fee for 2019-20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted-in local government bodies from 2018-19.

For opted-in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019-20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018-19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019-20 has been set by PSAA at £32,206 which is the same as in 2018-19

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019-20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019-20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	8,052
December 2019	8,052
March 2020	8,052
June 2020	8,050
Total	32,206

Outline audit timetable

We will undertake our audit planning and interim audit procedures from October 2019 to February 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2020. Our work on the whole of government accounts return will be completed in July 2020 subject to availability of NAO guidance.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	October 2019 - February 2020	Audit Plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Phase of work	Timing	Outputs	Comments
Final accounts audit	June – July 2020	Audit Findings (ISA260) Report to those charged with governance	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	October 2019 – July 2020	Audit Findings (Report to those charged with governance)	As above.
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed in July 2020.
Annual Audit Letter	By end of August 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019-20 are expected to be:

Role	Name	Phone Number	E-mail
Engagement Lead	Gareth Mills	0113 200 2535	Gareth.Mills@uk.gt.com
Engagement Manager	Thilina De Zoysa	0113 200 1589	Thilina.De.Zoysa@uk.gt.com
Engagement In-Charge	Greg Charnley	0113 200 2558	Greg.F.Charnley@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Sarah Howard, our Head of Public Sector Assurance, via sarah.howard@uk.gt.com.

Yours sincerely

Gareth D Mills

Gareth Mills
Engagement Lead
For Grant Thornton UK LLP

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OVERVIEW AND SCRUTINY COMMITTEE

**RYEDALE
DISTRICT
COUNCIL**



REPORT TO: **AUDIT, OVERVIEW & SCRUTINY COMMITTEE**

DATE: **24 OCTOBER 2019**

REPORT OF THE: **CHIEF FINANCE OFFICER (s151)**
 ANTON HODGE

TITLE OF REPORT: **TREASURY MANAGEMENT MID-YEAR REVIEW**

WARDS AFFECTED: **ALL**

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To report on the treasury management activities to date for the financial year 2019/20 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code).

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Members receive this report; and
- (ii) The mid-year performance of the in-house managed funds to date is noted.
- (iii) Members note the update regarding NYCC Treasury services and sweeping

3.0 REASON FOR RECOMMENDATIONS

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

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the management of the Authority's cash flows, its banking and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The Authority has adopted the Code and complies with its requirements
- 5.2 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 5.3 The second major function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide towards whether the Council has a borrowing need, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses.
- 5.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice and covers the following:
- An economic update for the first six months of 2019/20;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the Council's investment portfolio for 2019/20;
 - A review of compliance with Treasury and Prudential Limits for 2019/20.

6.0 POLICY CONTEXT

- 6.1 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.

7.0 CONSULTATION

- 7.1 The Council uses the services of Link Asset Services (Link) to provide treasury management information and advice.

8.0 REPORT DETAILS

- 8.1 The Council's treasury advisors Link Asset Services – Treasury Solutions summarised the key points associated with economic activity in Q2 2019/20 up to 30 September 2019:
- Boris Johnson replaced Theresa May as Prime Minister;
 - GDP fell by 0.2% q/q in Q2, but rose at the start of Q3;
 - The fundamentals that determine consumer spending remained healthy;
 - Inflation fell below the Bank of England's 2% target;

- There was a widespread fall in investors' global interest rate expectations;
- The MPC kept Bank Rate on hold at 0.75%, but struck a more dovish tone.

A more detailed economic commentary on developments during Q2 2019/20 is included in **Appendix C**.

8.2 The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the fog of Brexit might clear and there is some degree of certainty of what the UK will be heading into. ***The above forecast, and other comments in this report, are based on a central assumption that there will be some form of muddle through agreement on a reasonable form of Brexit.*** Bank Rate forecasts will have to change if this assumption does not materialise e.g. a no deal Brexit on 31 October could well prompt the MPC to do an immediate cut of 0.5% in Bank Rate back to 0.25%. All other forecasts for investment and borrowing rates would also have to change.

Treasury Management Strategy Statement and Annual Investment Strategy Update.

8.3 The Treasury Management Strategy (TMSS) for 2019/20 was approved by this Council on 21 February 2019. There are no policy changes to the TMSS, the details in this report update the position in the light of the updated economic position and budgetary changes already approved. Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity
- Yield

8.4 The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term (maximum loan period of 12

months) and only invest with highly credit rated financial institutions, using Link's suggested creditworthiness approach, including sovereign rating and credit default swap (CDS) overlay information provided by Link.

- 8.5 Investments during the first six months of the year have been in line with the strategy and there have been no deviations from the strategy.
- 8.6 As outlined above, there is still some uncertainty and volatility in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 21 February 2019 is still fit for purpose in the current economic climate.

Investment Portfolio 2019/20

- 8.7 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 8.8 As set out earlier in the report, although we have experienced some improvements in investment returns compared with recent years, current uncertainties in the financial markets mean they have now levelled out at just below 1%.
- 8.9 The Council's investment position at the beginning of the financial year was as follows:

Type of Institution	Investments (£)
UK Clearing Banks	4,750,142
Foreign Banks	3,000,000
Building Societies	3,000,000
Local Authorities	11,500,000
Total	22,250,142

- 8.10 A full list of investments held as at 30 September 2019, compared to Sectors counterparty list and changes to Fitch, Moodys and S&P's credit ratings during the first six months of 2019/20 is shown in annex B and summarised below:

Type of Institution	Investments (£)
UK Clearing Banks	11,878,635
Foreign Banks	8,000,000
Building Societies	-
Local Authorities	9,000,000
Total	28,878,635

- 8.11 The average level of funds available for investment purposes in the first six months of 2019/20 was £22.090m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and the progress of the capital programme.

- 8.12 The table below compares the investment portfolio yield for the first six months of the year against a benchmark of the average 7 day LIBID rate of 0.57%.

	Average Investment (£)	Average Gross Rate of Return	Net Rate of Return	Benchmark Return	Interest Earned (£)
Cash Equivalents	416,237	0.65%	n/a	n/a	13,564
Fixed Term Deposits	21,674,529	0.98%	n/a	0.57%	106,496

- 8.13 The Council's budgeted investment return for 2019/20 is £198k and performance during the financial year to 30 September 2019 is £120k, **which is on target to out-perform the budget by £19.5k**

- 8.14 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Compliance with Treasury and Prudential Limits

- 8.15 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement (TMSS).

- 8.16 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in annex A.

- 8.17 The level of borrowing is £1.56m, full details can be found at annex B. Repayments have been made in line with the loan repayment schedule. In order to fulfil the funding requirements of the current Capital Programme it is unlikely any additional borrowing will be undertaken, with any anticipated capital expenditure funded from reserves.

9.0 TREASURY MANAGEMENT FUNCTION & SWEEPING ARRANGEMENTS

- 9.1 Included within the service level agreement with North Yorkshire County Council (NYCC) for the provision of s151 Officer and Finance services, there is provision for treasury management support.

- 9.2 Reporting and monitoring processes are currently in place, and options are currently being explored to see if there is merit in incorporating Ryedale into the pooled investment fund operated by NYCC. NYCC provides an investment pool where its own cash balances and those of several other public sector organisations are merged together to form a combined investment pool. Such an arrangement achieves economies of scale in terms of overall better interest returns together with the efficiencies resulting from not having to administer individual authority investment operations

- 9.3 Discussions are currently underway between the Authorities' respective banks and progress will be reported back in due course. Prior to implementing such

arrangements, RDC will also be asked to formally adopt the Investment strategy of NYCC, which will require approval of Policy & Resources committee. This Strategy will include looking at the possibility of alternative investments such as Credit Unions.

10.0 IMPLICATIONS

10.1 The following implications have been identified:

- a) Financial
The results of the investment strategy affects the revenue budget. The investment income return to 30 September 2019 was £120k, which is £15k in excess of the profiled budget. The cost of borrowing affects the revenue account, forecast interest costs for the year are £55k, which is £2k below budget.
- b) Legal
There are no additional legal implications within this report.
- c) Other
None to report, although in any further report to Committee and Council on the Investment Strategy (as noted in 9.3), any proposals which may impact on Equalities, Staffing, Planning, Health & Safety, Climate Change, Environmental, Crime & Disorder will be assessed.

Anton Hodge Chief Finance Officer (s151)

Author: Michelle Oates, Senior Accountant
Telephone No: 01653 600666
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Background Papers:

None

Background Papers are available for inspection at:

N/a

PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2018/19 Actual	2019/20 Original	2019/20 YTD
Capital Expenditure	£0.842m	£0.791m	£0.332m
Net borrowing requirement	-£20.42m	£-16.01m	-£28.00m
Capital Financing Requirement as at 30 Sept (incl. leases)	£1.82m	£1.702m	£1.702m
Annual change in Capital Financing Requirement	-£0.23m	-£0.118m	-£0.118m

Treasury Management Indicators

	2018/19 Actual	2019/20 Original	2019/20 Actual
Authorised Limit for external debt - borrowing			
other long term liabilities	£1.592m	£10.0m	£1.553m
Total	£0.240m	£ 1.0m	£0.113m
	£1.832m	£11.0m	£1.666m
Operational Boundary for external debt - borrowing			
other long term liabilities	£1.592m	£5.0m	£1.553m
Total	£0.240m	£0.4m	£0.113m
	£1.832m	£5.4m	£1.666m
External debt	£1.832m	£1.66m	£1.666m
Upper limit for fixed interest rate exposure			
Net principal re fixed rate investments	100%	100%	100%
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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Investment Portfolio at 30 September 2019

Institution	Amount £	Investment Duration	Sovereign Rating
Lloyds Bank	8,878,635	On-Call	AA
Broxtowe Borough Council	1,000,000	12 Months	AAA
Aberdeen City Council	2,000,000	9 Months	AAA
Lloyds Bank PLC	1,000,000	12 Months	AA
Lancashire County Council	1,000,000	12 Months	AAA
Goldman Sacs International Bank	1,000,000	6 Months	AA
Goldman Sacs International Bank	1,000,000	6 Months	AA
Lloyds Bank PLC	400,000	12 Months	AA
Santander	500,000	6 Months	AA
DBS Bank Ltd	1,000,000	9 Months	AAA
Santander	1,000,000	6 Months	AA
DBS Bank Ltd	1,000,000	6 Months	AAA
Santander	1,500,000	6 Months	AA
Lloyds Bank PLC	600,000	12 Months	AA
Borough of Broxbourne Council	3,000,000	12 Months	AAA
Suffolk County Council	2,000,000	12 Months	AAA
Goldman Sacs International Bank	1,000,000	6 Months	AA
Lloyds Bank PLC	1,000,000	12 Months	AA
	28,878,635		

Fitch, Moody's and S & P's Sovereignty Rating for the UK is AA.
All the above borrowers met the required credit rating at the time of investment.

Borrowing Schedule as at 30 September 2019

Lender	Principal Outstanding	Type	Interest Rate	Maturity
PWLB	£1.00m	Maturity	3.69%	50 years
PWLB	£0.56m	EIP	2.99%	19 years

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Economic Update

UK. After only tepid annual **economic growth** of 1.4% in 2018, growth in quarter 1 was unexpectedly strong at 0.5%. However, this was boosted by stock building ahead of the original March Brexit deadline so quarter 2 was expected to be slightly negative and duly came in at -0.2% q/q, +1.3% y/y.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a no deal exit, it is likely that Bank Rate would be cut in order to support growth. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.9% in June before edging back to 3.8% in July, (excluding bonuses). Growth in employment fell to only 31,000 in the three months to July, well below the 2018 average, while the unemployment rate remained at 3.8 percent, its lowest rate since 1975.

As for **CPI inflation** itself, this fell to 1.7% in August and is likely to remain close to 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

The rise in wage inflation and fall in CPI inflation is good news for **consumers** as their spending power is improving in this scenario as the difference between the two figures is now around 2.1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government is now led by a new Prime Minister in Boris Johnson, who has spoken strongly of being adamant that the UK will leave the EU on 31 October, even if there is no deal. However, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up. All eyes are now on whether a deal can be agreed by 31 October based on new proposals being put to the EU.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but growth fell back to 2.0% in quarter 2. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. After the Fed increased rates by 0.25% in December 2018 to between 2.25% and 2.50%, it has taken decisive action to reverse monetary policy by cutting rates by 0.25% in each of July and September in order to counter the downturn in the outlook for US and world growth. There are expectations that it could cut again in December.

EUROZONE. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

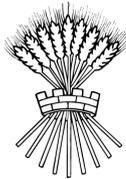
CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not currently appear to be having a significant impact on growth. Major progress still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN. has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already

occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	24 OCTOBER 2019
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	UPDATE ON RISK MANAGEMENT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The This report provides an update on work to revise and review the Council's Risk Management Strategy and Risk Register, attached (Appendix 2) shows the latest draft of the Risk Register. The main content of this report (section 6) includes details which will form part of the Council's Risk Strategy. This is the half-yearly update to the Committee.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that the Committee notes the contents of this report and comments on the format and details of the Corporate Risk Register (Appendix 2).

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 This report provides an update on work to revise and review the Council's Risk Management Strategy and Risk Register, following concerns raised by an Internal Audit report earlier this year. The Annual Governance Statement, agreed by the Committee, highlighted Risk Management as a key improvement issue for the 2018-19 financial year.

4.0 SIGNIFICANT RISKS

- 4.1 The risk of not managing corporate risks are as identified in the Register

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The Authority has a duty to manage Risk

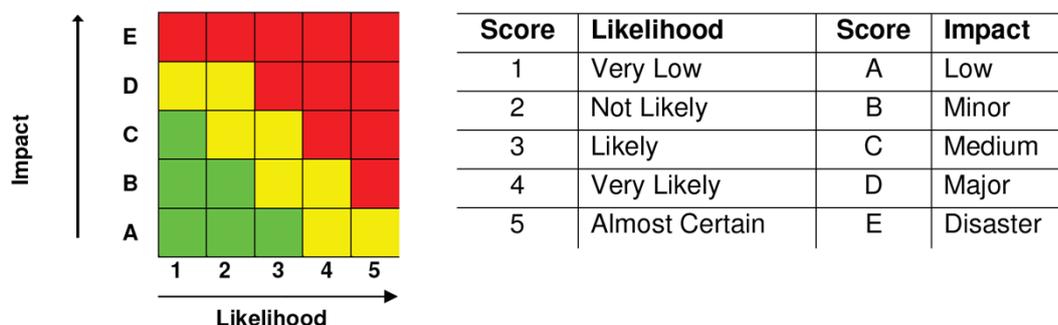
6.0 BACKGROUND AND INTRODUCTION

Introduction

- 6.1 A revised approach to managing risk has been adopted in recent months. This had led to an overhaul of the Corporate Risk Register and also further development of Service Risk Registers. Advice and Guidance has been provided by Veritau and in some cases by North Yorkshire County Council.
- 6.2 This work has been recognised and endorsed by members who see it as an important part of the Council's improvement strategy. As part of that, an update on Risk Management, including the Corporate Risk Register, will be presented to Audit Committee twice a year.
- 6.3 The updating of the Corporate Risk Register over the past year has demonstrated the Council's improvement journey, showing how risks are being managed and generally downgraded over that period. However Risk Management is an ongoing process and the papers presented here will continue to be updated.
- 6.4 Appendix 1 is an extract from the report to the Committee in February and sets out some of the key issues in the management of risk. It is included here as a reminder of our approach to risk.

Corporate Risk Register (Appendix 2)

- 6.5 The Corporate Risk Register is a live document and Members are requested to review this and feed back any comments to officers
- 6.6 To assist with this, Members are reminded that the current scoring matrix is defined as below:



7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
As set out in Risk Register
- b) Legal
Failure to manage risk can result in legal action and costs
- c) Other (Climate Change, Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
Failure to manage risk can result in legal action and costs

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Background Papers:

Reports to Overview and Scrutiny 22 Nov 2018, 14 February 2019, 24 July 2019
Annual Governance Statement 2018-19, 2019-20

APPENDIX 1

Background Information supporting the Council's Risk Management

Risk Management can be defined as:

“All of the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them and monitoring and reviewing them.”

It is therefore an essential part of effective and efficient management and planning. As a strategic tool, risk management identifies those issues that will act as a barrier to the Council achieving its objectives and also helps to identify opportunities to achieve objectives. This sentiment will be echoed in the Council's Risk Management Strategy which recognises both the downside and upside of risk. Management of risk is a continuous process which involves addressing the full spectrum of risks facing the Council and managing their combined impact as an interrelated risk portfolio.

There are different classifications of risk. These risks may be recorded in risk registers at different levels in the organisation. It is intended that the Council will use four classifications for its risk types, as follows:

Risk Classification	Detail	Risk Register
Strategic	Risks concerning medium to long terms goals and objectives of the Council.	<i>The Corporate Risk Register (CRR)</i>
Operational	Risk involved with specific operational activities of the Council.	<i>Service Based Risk Registers (SBRR)</i>
Project	Risks emerging from project and programme activities of the Council.	<i>Project Risk Registers</i>

A risk register is a risk management tool. It acts as a central repository for all risks that have been identified. At Ryedale District Council, the performance management system (Pentana) serves as the risk register and is used to record the risk management process for its identified risks.

For each risk, the following information will be required:

- An appropriate risk title, which should be clear, succinct and understandable
- A risk description which includes a starting descriptor such as: “Reduction of...”, “Loss of...”, “Disruption to...”, “Inability to...”, “Increase in...” etc. and describes what the risk event would look like to the Council.
- A completed risk profile which will include:
 - Causes – the circumstance(s) that could lead up to the event

- Controls/Mitigation – the risk response measures already in place which reduce the likelihood and/or the impact of the risk occurring or reduce its impact should the risk occur
 - Consequences – what the effect(s) on the organisation would be if the risk materialises
- Each risk must have a risk owner. The risk owner should be someone who understands the risk (including its causes and consequences) and is responsible for the area of the organisation from which the risk arises. The risk owner is responsible for the ongoing monitoring and, where necessary, treatment of the risk and for escalating potential issues.

RISK ANALYSIS

The current system of measurement used in Ryedale District Council echoes that which is generally widely used for analysing risk, although as we review the strategy, we may amend that as appropriate.

Each risk has two elements: the probability of the event occurring (likelihood) and the consequence if it does occur (impact). The aim of risk analysis is to estimate the likelihood and impact of the risk on three different levels.

The first level is the **ORIGINAL RISK** (also known as the ‘gross risk’ or the ‘inherent risk’). This is an estimation of the impact and likelihood of the risk before the effects of any controls¹ that have been put in place are taken into account. The significance of this score is that it provides clear indication as to whether or not the risk has the potential to have a disastrous impact on the Council. Equally importantly, if not more so, is that the score enables an assessment of the importance of the controls acting on the risk.

The second level is the **CURRENT RISK** (known as the ‘net risk’ or the ‘residual risk’). This is the analysis of the impact and likelihood of the risk occurring with all the controls and mitigating actions in place. It is the assessment of the risk at the time the risk analysis was undertaken.

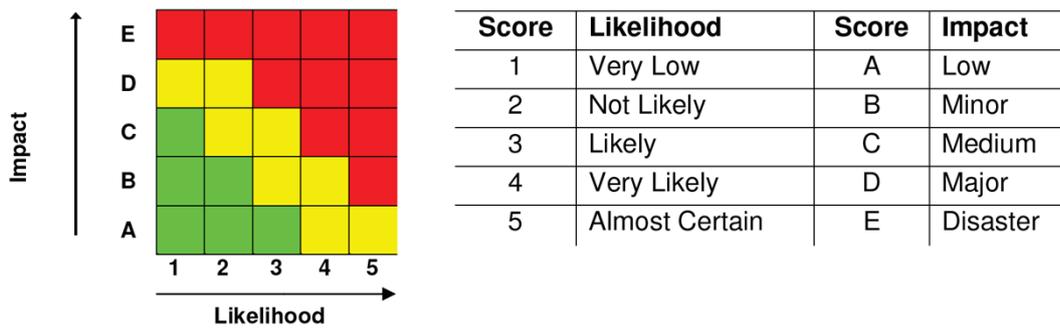
The third level is the **TARGET RISK**. This is a score which reflects the analysis of the impact and likelihood of the risk when all desired controls are fully implemented and are operational. Wherever possible, the target risk score should be set at or below the risk appetite for the risk being analysed. However, the nature of the risk might mean that this not possible. In these circumstances the risk should be managed to a level that is as low as reasonably practical.

RISK SCORES

The final risk scores are currently calculated by using a 5x5 matrix which means that there are 5 levels of likelihood (very low, not likely, likely, very likely and almost certain) and 5 levels of impact (low, minor, medium, major and disaster). The intersection of the likelihood and impact of a specific risk on the matrix will decide its score and, in turn, the requirements for its management. This is shown below.

Table 1: Current Risk Matrix for Ryedale District Council

¹ A control is any preventative (i.e. help to reduce the likelihood of the event) or mitigating (i.e. help to reduce the impact of the consequences of the event) measure that is put in place to reduce the likelihood and/or impact of the risk.



The current guidance identifies that for the purposes of managing its risks the Council has a further classification system. Risks are therefore categorised as one of high, medium or low with each category requiring a different level of monitoring or management. The categories are mapped out on the matrix (Table 1) as colours: **Red** is high; **Amber** is medium and **Green** is low.

For example:

A risk which is classed as having a major impact (D) and is very likely to occur (4) would have an overall risk score of D4 and would be classed as **high risk**. Constant monitoring and an action plan on Pentana would be required for the management of this risk.

A risk which is classed as having a minor impact (B) and is not likely to occur (2) would have an overall risk score of B2 and would be classed as **low risk**. It would not be necessary for an action plan to be in place for this risk but it would be monitored regularly to ensure that the original risk analysis remains unchanged.

This is illustrated below:

Colour	Assessment	Required Action
	High (treat)	Constant monitoring, an action plan and measures to be put in place to reduce risk exposure
	Medium (treat)	Frequent monitoring, an action plan and measures to be put in place to reduce risk exposure
	Low (tolerate)	Regular monitoring

Appendices 2 and 3 can be referred to when analysing a risk to establish if the score that has been given falls within or outside of the Council's stated risk appetite for that particular type of risk. The requirement for the monitoring and/or management of the risk is then established by referring to the management expected actions as set out

above. This is not an exact science but it is useful to be able to score risks within the context of the organisation's stated risk appetite and tolerance levels (i.e. the acceptable level of variation relative to achievement of a specific objective) so that they are scored appropriately.

In reviewing the strategy and guidance and in developing the Risk Register, we are considering whether this is too prescriptive and whether in fact all risk should be identified with relevant mitigations. The outcome of that could be that

- all risks will be subject to regular monitoring, as identified in the mitigations, and
- the existence, or otherwise, of an action plan will itself be defined within the mitigations

RISK REPORTING AND MONITORING

Risk reporting and monitoring should be part of 'business as usual' for Council departments. However, there are occasions when risks are required to be formally noted. The table below shows the suggested level of monitoring and reporting arrangements. This should be used for guidance only as any risk has the potential to occur at any time. It is important that emerging events that have the potential to trigger any risks are escalated to the attention of the appropriate senior officer.

Risk Level	MONITORING			REPORTING	
	Responsible	Audience	Frequency	Audience	Frequency
Corporate	SMB ²	SMB	Monthly (initially)	Overview & Scrutiny	Bi-annually July/ December
Service	Service Lead or equivalent	Service Lead	Quarterly	SMB	Quarterly By exception
Projects	Project Manager	Programme Board	As per project demands	SMB	By exception

EMBEDDING RISK MANAGEMENT

For risk management to be an effective and meaningful management tool it needs to be an integral part of key management processes and day-to-day working. This is a

² Strategic Management Board

key objective of the Council's Risk Management Strategy. As such, identifying risks and the monitoring of associated actions should be considered as part of a number of the Council's significant business processes, including:

- **Budget Planning and monitoring.**
Budget monitoring is about the organisation delivering against each of the constituent elements of the budget, not just the bottom line. Monitoring against budget and accurate forecasting ensures that resources are applied and can be managed in accordance with corporate priorities.
- **Contract Management**
All significant risks associated with all stages of contract management are identified and kept under review.
- **Corporate Decision Making**
Significant risks which are associated with policy or action to be taken when making key decisions are included in appropriate committee reports.
- **Health and Safety**
The Council has a specific risk assessment policy to be followed in relation to health and safety risks.
- **Information Governance**
A Data Protection Impact Assessment (DPIA) is a risk management exercise carried out to assess the risks to individuals' interests associated with the use of their information. The Personal Privacy Policy stipulates when a DPIA should be conducted and who is responsible for the process. The Council's wider Information Governance Policy suite outlines roles, responsibilities and accountabilities in relation to data protection more generally.
- **Organisational Structure and Processes**
The management team set the tone for the risk processes and risk appetite within the organisation. Risk management flows down the organisation through senior officers while control activities flow upwards from the operational functions. Both of these directions of travel help to maintain the Council's risk management framework.
- **Partnership Working**
Partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the aims and objectives of individual partnerships.
- **Procurement**
Contract Standing Orders include the requirement that all risks and actions associated with a purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Service Planning**
Service planning sets out specific actions and targets that a service needs to achieve, not just to help deliver good services, but to continuously improve. Service specific risks are identified and monitored throughout via Service Based Risk Registers. These will be produced by 30 April 2019.

- **Performance Management**
Performance management is similar in process, approach, purpose and scope to risk management. It involves ongoing and periodic monitoring, communication and review to ultimately ensure that the strategic objectives of the Council are met. The information generated through the performance management process at both the corporate and service level should be considered when scoring and updating risks so that only the most up-to-date information is used. If properly integrated, a synergism exists between the two processes to the benefit of the organisation.

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RYEDALE DISTRICT COUNCIL: CORPORATE RISK REGISTER – OCTOBER 2019

CRR01: Health and Safety		Risk Owner: Tony Galloway	Risk Score
Description Failure to comply with and embed health and safety policy and procedures in the council		Causes Outdated policies and procedures Policies and procedures not fit for purpose Lack of understanding, buy in and consistency across the Council Inadequate recording Lack of proactive actions Weak action planning Lack of support capacity Lack of adequate training Subcontractors and commissioned organisations	Original 5E
Consequences Resulting in injuries, fatalities, claims Reputational damage Impact on service delivery Risk of prosecution and financial penalties for the organisation LGO criticism/decisions Prosecution and personal liability of senior officers	Proactive Controls Quarterly Corporate Health , Safety and Wellbeing Group Monthly Streetscene operations meetings Weekly CCTV Monitoring (vehicles) and feedback to crews Partial Annual and Induction Training e.g. Streetscene Additional capacity sourced and implemented overseen by Health and Safety lead so that all high and medium risk activity is addressed within timescales Service has incorporated Service Risk Registers Training - all staff must complete mandatory training with managers completing IOSH training 6 June 2019. Monitored by SMB with intervention programme in place in Waste	Reactive Controls Accident reporting procedure Action Plan	Current 3C

CRR01: Health and Safety	Risk Owner: Tony Galloway	Risk Score
	<p>and Environmental Services to address any non-compliance Communications roll out across staffing and employee groups Review of commissioned and third party arrangements and obligations New Policy agreed by P&R in July 2019</p>	
<p>Mitigating Actions Delivery of Action Plan within timescales following Health Check Targeted intervention programme in place in Waste and Environmental Services to address training Health and Safety Audit of facilities and key areas of work carried out. Needs an update in here about what's been done post agreement of the policy re actions this year – annual plan key milestones</p>		<p>Target 2B</p>

CRR02: Resilience and Capacity		Risk Owner: Andrew Ellis		Risk Score
Description Lack of resilience or capacity to achieve strategic and/or operational objectives		Causes Lack of staffing resource to support delivery against strategic and operational objectives Lack of staff development to support succession planning, retention and successful delivery Inadequate budget to fund an appropriate staffing structure Poor reputation as an employer Failure to recruit, particularly in specialist areas where the market is highly competitive Lack of or inadequate workforce strategy		Original 5D
Consequences Customer and local resident detriment Service failure Special measures if statutory or legislative expectations are unmet Poor customer satisfaction, leading to complaints and requests for compensation Low staff morale Poor productivity among staff Increasing sickness levels Higher staff turnover LGO decisions Damage to reputation Staff wellbeing suffers Legal action Financial penalties Failure to meet legislative requirements, election and electoral register responsibilities	Proactive Controls New HR partnership involvement in recruitment to address current 'gaps' Recently introduced Learning Zone for all employees to access Job evaluation process Financial monitoring and reporting - including a new approach to budget strategy development and oversight Regular SMB/staff communications and drop in sessions taking place to ensure that the pulse of the organisation is taken and responded to Refreshed approach to recruitment Graduate trainees being recruited Shared HR service ensures that organisational development and the employee journey is increasing focused upon Elections Risk Register Completion of HR and OD healthcheck to	Reactive Controls Outsourcing to specialist agencies where there is a need to ensure that statutory, legislative or important service need is met e.g. legal advice, dog breeder accreditation Agency staff Re-prioritisation of service delivery Turn the service off if practical - this course of action has been taken when extreme staff shortages have occurred (e.g. street sweeping so that bin collections occurred) Overtime Budget strategy development, financial monitoring and reporting includes a strong focus on workforce related issues Service planning to incorporate Service Risk Registers CX and Head of HR have reviewed the actions required to address historical	Current 3C	

CRR02: Resilience and Capacity	Risk Owner: Andrew Ellis		Risk Score
	<p>assess the temperature of the organisation Training - all staff are to complete mandatory training by set date; managers will undertake enhanced training by set date and annual audits plan Recruitment to key leadership positions and areas of risk in place to drive forward quality and standards and an appropriate structure and capacity in their areas of responsibility Shared services being put in place to support organisational resilience where this represents best value and ensures that a focus can be maintained on both short and longer term objectives Health checks being completed in core areas of the business to ensure that key areas of effective organisations are fit for purpose (IT, customer service, programmes and projects, strategy and performance, information governance, democratic services, legal services) and any findings will inform future structures – e.g. LGA Communications Healthcheck People and Culture Strategy developed and roll out occurring Monthly staff briefings/engagement Organisational development programme initiated which includes the establishment of a pool of staff who are supporting the development of the organisation in areas such as staff recognition</p>	<p>bullying allegations relating to staff and have reported back to members and have rolled out zero tolerance action</p>	

CRR02: Resilience and Capacity	Risk Owner: Andrew Ellis	Risk Score
<p>Mitigating Actions</p> <p>Appraisal process to be refreshed and revised to ensure that there is a focus on issues such as performance against strategic and operational goals and a training, learning and development plan linked to professional and personal goals</p> <p>Implementation of Action Plans following HR and OD healthcheck within agreed timescales</p> <p>Training and development programme in place so that managers support and fulfil their responsibilities to employees</p> <p>Review of reporting and performance monitoring to take place - this will include the Corporate Management Board and Overview and Scrutiny</p> <p>Communications roll out across staffing and employee groups</p> <p>Review of commissioned and third party arrangements and obligations</p> <p>A draft corporate/ strategic plan is in development for the new administrative term which will shape staffing structures, use of resources and training programmes</p> <p>Review of Legal support</p> <p>Review of procurement support</p> <p>Review of policies and procedures to ensure they are fit for purpose</p>		<p>Target</p> <p>2B</p>

CRR03: Strategic Planning	Risk Owner: Stacey Burlet	Risk Score
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CRR03: Strategic Planning		Risk Owner: Stacey Bulet		Risk Score
Description Failure to establish, review or deliver against a strategic / corporate Council Plan so that the long-term aspirations and ambitions of Ryedale are achieved		Causes Lack of or inadequate political direction Existing Council Plan lacks SMART targets linked to long term objectives Unrealistic political expectations relating to timescales, capacity or remit New administration term requires revisit of the Council Plan to ensure that it meets their strategic objectives Capacity and skills of the workforce are lacking or are inadequate to support the review and development of a strategic approach Misalignment of resources/priorities Lack of dialogue and negotiation between parties to ensure that strategic objectives have adequate focus Lack of strategic advice from senior officers		Original 5D
Consequences Lack of clear direction against strategic ambitions Failure to achieve long term improvements for local residents and businesses Reputational damage Resources not aligned to priorities/misuse of resources Loss of opportunities (e.g. financial - business rates) Lack of accountability Poor customer and stakeholder satisfaction Low staff morale Lack of progress against Ryedale's social and economic aspirations	Proactive Controls Corporate Plan in development Performance management to be reviewed to align with the Corporate Plan once agreed Strategy and performance health check commissioned	Reactive Controls Member engagement (managing expectations) Performance management indicators reviewed so that red and amber risks are investigated and addressed where possible, with appropriate elected member scrutiny as an interim measure	Current 3C	

APPENDIX 1

CRR03: Strategic Planning	Risk Owner: Stacey Bulet	Risk Score
<p>Mitigating Actions</p> <p>Review of Corporate Plan - A draft corporate/ strategic plan is in development to set the direction for any remaining administrative term – with sessions planned for Elected Member engagement following decisions at Committee and Council</p> <p>Strategy and performance management health check has been completed and a revised approach to this area will be put in place in line with proposed timescales - this will include a focus on strategic indicators and a new approach to strategy and service planning</p>		<p>Target</p> <p>1A</p>

CRR04: Leadership		Risk Owner: Stacey Bulet	Risk Score
Description Poor or inadequate leadership (both political and officer) resulting in sub-optimal performance and/or failure to achieve Council priorities		Causes No political leader or lead political voice Lack of officer resources due to vacant posts including at the level of DCX Lack of formal Management Board to determine officer guidance and advice on corporate and strategic matters Inadequate training and development programmes for member and senior officer development Inability of senior officers to focus on core work areas due to capacity issues Lack of clarity or confidence in strategic direction Decision processes ineffective	Original 5D
Consequences Lack of direction and strategic objectives Poor leadership performance Low staff morale and motivation Poor reputation with stakeholders, communities and partners Missed opportunities Recruitment of DCX will ensure that key areas of the business are fit for purpose in terms of quality and standards and their focus on longer term goals	Proactive Controls Elected Member Briefings Reasonable levels of delegation Member development and induction strengthened to cover areas such as equalities, safeguarding, communications/media CEX communications and staff drop ins Monthly staff briefings Regular updates to relevant committees to focus on key areas of development e.g. peer review challenge Standards/Monitoring Officer DMO appointed Group Leaders engagement regarding standards and officer –member relationships Officer training on working effectively with Elected Members Communicated processes for elected Member complaints Shared services and collaboration	Reactive Controls Deputising Goodwill Group Leader consultation on requests and enquiries that require an immediate answer Committee Chair consultation on delegated decisions where required Leader engagement on external matters requiring an immediate response	Current 4C

CRR04: Leadership	Risk Owner: Stacey Bulet		Risk Score
	<p>Plans developed to support the new administration/coalition to articulate this within the new Corporate Plan Leadership Development Programme underway 1-2-1s with Council Leader New Forward Planning system in place for Committees to support Chairs Zero tolerance of bullying rolled out</p>		
<p>Mitigating Actions Policy and Resources Committee will receive regular updates on next steps to determine how officers and members tackle key areas of development Further training for officers and elected members will take place on officer-member relationships</p>			<p>Target 2B</p>

CRR05: Financial Management		Risk Owner: Anton Hodge		Risk Score
Description Failure to have adequate financial management within the Council		Causes Lack of data or poor system output Finance staff capacity Political/management perception Lack of informed decision making Lack of confidence, engagement, experience and awareness within managers across the council		Original 5E
Consequences Over or underspend Lack of investment Damage to reputation Qualified audits Lack of awareness of resources, leading to impact on performance (spending in 'wrong' areas) Possible external intervention Weak long term planning	Proactive Controls Budget monitoring and reporting Root and branch reviews External support Financial Performance Reports Budget Managers' access to Pentana Financial Strategy Capital Plan Treasury management Report to committees Review and update reports on financial performance More member involvement and transparency in Financial Strategy and Capital Plan	Reactive Controls Budget monitoring and reporting, including capital Continuous cycle of Root and branch reviews Review of Audit arrangements to ensure correct focus on areas of risk Prioritisation of funding/use of reserves Review of commissioned and third party arrangements and obligations	Current 3C	
Mitigating Actions Additional External support where appropriate Deliver training/agree expectations of role of budget managers Use of Benchmarking – including financial and service performance Refreshed Financial Strategy – due at Council in October				Target 2B

CRR06: Information Governance		Risk Owner: Anton Hodge	Risk Score
Description Ineffective data governance arrangements lead to unacceptable levels of unauthorised disclosure of personal and sensitive data, poor quality or delayed responses to FOI requests, and inability to locate key data upon which the Council relies, resulting in loss of reputation and poor decision-making		Causes Lack of staff and expertise Lack of staff development Governance not embedded in organisational culture Information governance arrangements not in place for shared services Simple mistakes	Original 5E
Consequences Service user detriment Service failure Special measures Poor customer and/or staff satisfaction Staff turnover LGO decisions Damage to reputation Staff wellbeing suffers Legal action Financial penalties	Proactive Controls Training, policies in place, regular CIGG meetings, access to expert advice, monitoring systems and audits, information asset register, DPIA template in place Continue to emphasise personal responsibility of staff for all information and consider disciplinary action against breaches Continue to review information asset registers Ensure individual data sharing arrangements are completed for each activity Ensure Data Protection risks are managed to comply with GDPR Separate Information Governance Risk Register Online mandatory training to be completed by 30 April 2019	Reactive Controls Breach process in place, FOI review process in place, lessons learnt considered, CIGG reviews	Current 3C
Mitigating Actions Ensure individual data sharing arrangements are completed for each activity Ensure Data Protection risks are managed to comply with GDPR - specifically around contracts and other service agreements Continue communications to staff			Target 3C

CRR07: ICT		Risk Owner: Tony Galloway		Risk Score
Description Failure to provide effective ICT systems and software, to support operational efficiency		Causes Lack of adequate targeted investment in ICT Lack of staff and affordable specialist expertise Inadequate engagement on ICT improvement from service areas Silo-thinking and insufficient governance around IT decision-making		Original 5E
Consequences Unable to transform services Poor customer satisfaction Negative impact on Disaster Recovery Inability to deliver services efficiently and effectively Elected member and staff complaints	Proactive Controls Annual Cabinet Office Healthcheck on infrastructure Working with NYCC on improvement and development plans Implementation of updated versions of core service system Engagement with Heads of Service on IT requirements linked to annual service plans Investment planning linked to organisational strategy and Council Plan Disaster Recover - working with NYCC and Business Continuity Workshops with managers Healthcheck commissioned and completed in late 2018	Reactive Controls Review of Service Desk log to identify issue trends Annual ICT user survey to inform future development and investment	Current 3C	
Mitigating Actions Revisit of all IT projects to be initiated as part of the development of the overall corporate programme the Deputy Chief Executive has commissioned commencing in February 2019 Action Plan follow up after Healthcheck to meet timescales				Target 2B

CRR08: Contracts and Procurement		Risk Owner: Tony Galloway		Risk Score
Description Failure to ensure that effective procurement and contract management is carried out across the Council		Causes Lack of awareness and ownership across the Council Outdated policies and procedures		Original 5D
Consequences Inability to deliver Value for Money Risk of breaking procurement law and regulation Financial penalties Less effective contracts/contract management Missed opportunities	Proactive Controls Contracts Register Quarterly update and review Wider Partnership arrangements Senior Commissioning Officer/Gateway Process	Reactive Controls Review of expired contracts Retrospective permissions applied for	Current 3C	
Mitigating Actions Review contract procedure rules Ensure all staff with authority for procurement and contracts are appropriately trained and are aware of their responsibilities Draw up new Procurement and Contract Management Strategy (taking into account healthcheck) and Action Plan to ensure that Value of Money is a key requirement and that relevant staff take a commercial approach to purchasing. This will also encompass a detailed spend analysis to identify and deliver savings. Networking with relevant groups and other local authorities to ensure we are aware of important developments and to share and learn from good practice and review shared agreements Regular reporting on performance Review of shared service arrangements to ensure they are fit for purpose, including Internal Audit reports				Target 2B

CRR09: Horizon Scanning		Risk Owner: Tony Galloway		Risk Score
Description Failure to plan for and understand economic and social changes and government tends and initiatives		Causes Lack of senior officer capacity Lack of business support Poor networking		Original 5C
Consequences Unable to cope with reduced (or increased) funding Not able to lobby appropriately Delays in implementing new requirements Costs arising from lack of pre-agreements and agreed policy/process e.g. potential supplier costs of Brexit Missed opportunities	Proactive Controls Membership of expert bodies to receive regular updates and guidance new legislation e.g. LARAC (New Resources and Waste Strategy) and attendance at seminars, workshops and professional development; Attendance of various NY and Yorkshire-wide meetings i.e. Leaders, Chief Executives Group, York and NY Waste Management Partnership, various specialist professional meetings i.e. Environmental Health, Housing, Planning; District Council Network participation	Reactive Controls Briefing papers for Strategic Management Board and Elected Members on immediate and urgent issues relating to longer term strategy	Current 4C	
Mitigating Actions Continue to lobby central government and other funding agencies to promote maximisation of income to the Council DCX to review who has responsibility to keep abreast of developments in their area and/or affecting service and financial performance of RDC CPD to be fully embedded in RDC Networking with relevant groups and other local authorities to ensure we are aware of important developments and to share and learn from good practice Briefing notes prior to strategic meetings				Target 2B

CRR10: BREXIT		Risk Owner: Phillip Spurr		Risk Score
Description Sub-optimal arrangements regarding BREXIT		Causes No-deal BREXIT or other arrangements that impair the work of the Council Potential delivery of a parliamentary election at short notice		Original 5D
Consequences Recruitment difficulties Data protection / sharing Price uncertainty and supply chain difficulties, price pressures from contractors, increased demands on services from customers and businesses; and adverse impacts upon the local economy and infrastructure and environmental standards. Staff capacity to deliver services in the event of redeployment/fuel shortage. Issues around staff capacity and availability of venues associated with delivering an election at short notice Civil unrest	Proactive Controls Guidance on how to prepare for Brexit issued on specific areas such as trade and procurement, and funding programmes by the Government; Guidance issued for Local Government Preparedness at https://www.gov.uk/guidance/local-government-brexit-preparedness ; NYLRF; Corporate Brexit Readiness Action Plan adopted to ensure the Council and wider Ryedale communities, businesses and residents are prepared. Progress on actions being monitored and reported to Strategic Management Board. Update of Business Continuity Plans to take into account Brexit related issues, including fuel/staff shortages or redeployment. Workforce - no change in employment law; Intranet page for staff set up 'Get Ready for Brexit' signposting information regarding the EU Settlement scheme. LEP guarantee of continued funding agreed for projects before Brexit including rural	Reactive Controls Leader's checklist from the Secretary of State for Housing, Communities and Local Government assessed	Current 4D	

CRR10: BREXIT	Risk Owner: Phillip Spurr	Risk Score
	<p>development; domestic legislation to preserve EU law in relation to farm payment to be put in place. Further guidance available at GrowYorkshire website; participation in regular strategic and tactical teleconferences as part of NYLRF and weekly returns by exception on status of RDC to NYLRF and Regional Lead CX at Leeds CC for submission to MHCLG</p> <p>State Aid - current approvals for state aid will continue to apply and such acceptances by the European Commission will remain valid and will be transposed into UK law.</p> <p>Data Protection Survey completed as requested by MHCLG.</p> <p>Detailed contingency planning undertaken for delivery of election at short notice, including project planning, system set up and liaison with contractors</p> <p>Procurement – Many of the processes and procedures will remain the same The requirement for fair, open and transparent competition will remain so no favoured nations and use of ‘local’ may not be widened. Yortender website ready to switch to new site immediately after Brexit day. No large procurement exercises scheduled</p>	

CRR10: BREXIT	Risk Owner: Phillip Spurr	Risk Score
	<p>before 2020.</p> <p>Integrated Communities Action Plan in place.</p>	
<p>Mitigating Actions</p> <p>Work as part of North Yorkshire Local Resilience Forum to ensure that civil contingencies issues are identified, evaluated and appropriate planning undertaken.</p> <p>Take part in engagements arranged by and with the DExEU and MHCLG, regional post Brexit England Commission roadshow, review impact on the Council and report regularly on this to Strategic Management Board.</p> <p>Guidance on Brexit – continue to receive notification on emerging guidance on areas affecting Local Government, review impact on the Council and report regularly on this to Management Board</p> <p>Report on an ongoing basis to central government on impacts</p> <p>Arrange Brexit shift cover among leadership team, including out of hours availability, for response / reaction</p> <p>Workforce: Monitor the potential impact on recruitment in particular and put together an appropriate action plan if required</p> <p>Ensure guaranteed future funding is received for projects, together with structural and investment funds</p> <p>Implement Corporate Brexit Readiness Action Plan</p> <p>As part of the budget setting process, consider the need for a reserve to be set up to cover any one off Brexit-related expenditure.</p> <p>Continue to ensure that key messages/information from Government are publicised both internally and externally.</p>		<p>Target</p> <p>4C</p>

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PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	24 OCTOBER 2019
REPORT OF THE:	DEMOCRATIC SERVICES MANAGER SIMON COPLEY
TITLE OF REPORT:	TIMETABLE OF MEETINGS 2020-2021 – INITIAL DRAFT FOR COMMENT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report presents the initial draft timetable of meetings for 2020-2021 for comment.

2.0 RECOMMENDATION

2.1 That the Overview and Scrutiny Committee provide feedback and comments on the initial draft timetable of meetings for 2020-2021, attached as Annex A of the report.

3.0 REASON FOR RECOMMENDATION

3.1 To provide input and views at an early stage on the proposed scheduling of Overview and Scrutiny Committee meetings.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks relating to this recommendation.

4.2 Resourcing implications will need to be carefully assessed should consideration be given to increasing the number of meetings. In addition to Full Council and committee meetings, there are currently five working parties of Policy and Resources Committee established or proposed, and three Overview and Scrutiny Task Groups. Careful planning will be needed around resourcing of working parties and task groups going forward. Notwithstanding the forthcoming restructure of Corporate Governance and Finance, Democratic Services staff also need to deal with elections and voter registration, including any possible snap elections, and other areas of work such as reviews of the Constitution and Member allowances. Other officers who may be involved in preparing reports, providing advice and attending meetings will also be dealing many other areas of work.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 A timetable of meetings is agreed and published for each municipal year. This is an essential part of making the Council's decision making process open and accessible to all interested parties. Senior and relevant officers have been consulted on the draft timetable of meetings for 2020-2021.

REPORT

6.0 REPORT DETAILS

- 6.1 The initial draft timetable of meetings, attached as Annex A of the report, has been based on the meeting cycle used in 2019-20.
- 6.2 Mondays have been kept free of meetings as this is when the majority of parish and town councils meet. Also no meetings have been scheduled to coincide with Maundy Thursday (1 April 2021) and the Ryedale Show (28 July 2020).
- 6.3 Feedback and comments are sought on the initial draft timetable in relation to the proposed dates for Overview and Scrutiny Committee meetings.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
The costs of meetings within the Council are built into existing budgets.
 - b) Legal
None.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)
An equality impact assessment was carried out three years ago when start times to meetings were reviewed. As no changes are proposed to the number of meetings, the climate change impact will be unchanged from previous years. Implications relating to staffing resources are detailed in the paragraph 4.2 of the report.

8.0 NEXT STEPS

- 8.1 Once consultation on the initial draft timetable of meetings has taken place, a final draft will be brought to Overview and Scrutiny Committee and Planning Committee in January 2020 for any final comment, before going to Policy and Resources Committee for recommendation on to Full Council in February 2020. Once the timetable has been approved it will be published on the Council's website using the Modern.gov committee management system.

Simon Copley
Democratic Services Manager

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Background Papers: None.



TIMETABLE OF MEETINGS MAY 2020 TO MAY 2021

COMMITTEE	MAY 2020	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	JAN 2021	FEB	MAR	APR	MAY	Day
Council	14*	25			3	8		3		18 & 25**		1	20*	Thurs
Policy & Resources		4	30		24		12			4	18			Thurs
Overview & Scrutiny (Including Audit)		11	29 (Wed)			1 & 22	19		21	11	25	22		Thurs
Planning Committee and Licensing Committee		9	7	4	2 (Wed) & 29	27	24	15	19	16	16	13	11	Tues (6pm)
Parish Liaison Meeting		17			16			9			3			Wed (7pm)
Member Development					9	14	11	2	13***		10	7		Wed

All meetings start at 6.30pm unless otherwise indicated.

NOTES

- * Annual Council at 3 pm
 - ** Reserve date for business not transacted on 18 February 2021
 - *** Budget Briefing
- Working Parties and Sub-Committees will meet as business requires
The Constitution Working Party must meet at least once a year

Scheduled Elections

North Yorkshire County Council Election	-	Thursday 6 May 2021
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Bank Holidays

Spring Bank Holiday	-	Monday 25 May 2020
Late Summer Bank Holiday	-	Monday 31 August 2020
Christmas Bank Holiday	-	Friday 25 & Monday 28 December 2020
New Year's Day Holiday	-	Friday 1 January 2021
Council Offices closed	-	Friday 25 December 2020 to Sunday 3 January 2021 inclusive
Easter	-	Friday 2 April and Monday 5 2021
May Day	-	Monday 3 May 2021

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O&S Work Plan

Date of Meeting	Committee	OS/Au	Service Area	Report Title
November				
21-Nov-19	Overview and Scrutiny Committee	OS	Democratic Services	Review of Workplan
21-Nov-19	Overview and Scrutiny Committee	OS	Deputy Chief Executive	Performance Report Q2
21-Nov-19	Overview and Scrutiny Committee	OS	Customer Services	Customer Complaints and Compliments Q2 2019-20
21-Nov-19	Overview and Scrutiny Committee	OS	Customer Services	Safer Ryedale Progress Update
21-Nov-19	Overview and Scrutiny Committee	OS	Democratic Services	Scrutiny Reviews Progress Report
21-Nov-19	Overview and Scrutiny Committee	OS	Legal Services	Standards Complaints Overview and Annual Report
December				
January				
23-Jan-20	Overview and Scrutiny Committee	OS	Democratic Services	Review of Workplan
23-Jan-20	Overview and Scrutiny Committee	Au	Financial Services	Grant Thornton Certification of Grant Claim - Annual Report
23-Jan-20	Overview and Scrutiny Committee	Au	Financial Services	Grant Thornton Audit Plan
23-Jan-20	Overview and Scrutiny Committee	Au	Financial Services	Grant Thornton Technical Update
23-Jan-20	Overview and Scrutiny Committee	Au	Financial Services	Internal Audit Progress Report
23-Jan-20	Overview and Scrutiny Committee	Au	Financial Services	Internal Audit Plan - Consultation
23-Jan-20	Overview and Scrutiny Committee	Au	Financial Services	Treasury Management and Investment Strategy

Date of Meeting	Committee	OS/Au	Service Area	Report Title
February				
13-Feb-20	Overview and Scrutiny Committee	OS	Deputy Chief Executive	Performance Report Q3
13-Feb-20	Overview and Scrutiny Committee	OS	Customer Services	Customer Complaints and Compliments Q3 2019/20
13-Feb-20	Overview and Scrutiny Committee	OS	Legal Services	Report on the use of RIPA Powers by the District Council
13-Feb-20	Overview and Scrutiny Committee	OS	Democratic Services	Scrutiny Review Progress Report
13-Feb-20	Overview and Scrutiny Committee	OS	Democratic Services	Review of Workplan
March				
26-Mar-20	Overview and Scrutiny Committee	OS	Democratic Services	Review of Workplan
26-Mar-20	Overview and Scrutiny Committee	OS	Customer Services	Safer Ryedale progress with Delivering the Community Safety Plan
26-Mar-20	Overview and Scrutiny Committee	OS	Democratic Services	Scrutiny Review Progress Report
April				
23-Apr-20	Overview and Scrutiny Committee	OS	Democratic Services	Review of Workplan
23-Apr-20	Overview and Scrutiny Committee	Au	Financial Services	Internal Audit and Counter Fraud Progress Report 2019/20
23-Apr-20	Overview and Scrutiny Committee	Au	Financial Services	Internal Audit, Counter Fraud and Information Governance Plans 2020-21
23-Apr-20	Overview and Scrutiny Committee	Au	Financial Services	Grant Thornton Audit Progress Report and Sector Guidance
23-Apr-20	Overview and Scrutiny Committee	OS	Delivery & Frontline Services	Implementation of Recommendations of the Climate Change Scrutiny Review