



## **OVERVIEW AND SCRUTINY COMMITTEE**

Thursday 12 April 2012 at 6.30 pm

Council Chamber, Ryedale House, Malton

### **Agenda**

**1 Emergency Evacuation Procedure.**

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

**2 Apologies for absence**

**3 Minutes of the meeting held on the 16 February 2012**

(Pages 1 - 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 Certification of Claim and Returns 2010/11 - Annual Report February 2012**

(Pages 7 - 18)

**7 External Audit Progress Report April 2012**

(Pages 19 - 22)

- 8 **Accounts and Audit Regulation 6 - Review of Effectiveness of Internal Audit**  
(Pages 23 - 34)
- 9 **Scrutiny Reviews Progress Report 'Supporting a Sustainable Community and Voluntary Sector'**  
(Pages 35 - 40)
- 10 **Decisions from other Committees** (Pages 41 - 44)  
Commissioning Board held on 22 March 2012  
Policy and Resources Committee held on 4 April 2012 (to follow).
- 11 **Any other business that the Chairman decides is urgent.**

# Public Document Pack Agenda Item 3

## Overview and Scrutiny Committee

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Held at Council Chamber, Ryedale House, Malton  
on Thursday 16 February 2012

### Present

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Councillors Mrs Shields (Vice-Chairman), Cussons, Raper, Wainwright (Chairman), Ward, Hawkins and Windress

### In Attendance

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Audrey Adnitt, Paul Cresswell, Clare Slater, Alistair Lince (Deloitte), Sarah Anderson (Deloitte), Trevor Anderson, James Ingham (NYAP), Jos Holmes and Gary Housden

### Minutes

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130      **Apologies for absence**

An apology was received from Councillor Arnold.

131      **Minutes of the Meeting held on the 15 December 2011**

The minutes of the meeting of the Overview & Scrutiny Committee held on the 15 December 2011 were presented.

**Resolved**

That the minutes of the meeting of the Overview & Scrutiny Committee held on the 15 December 2011 be approved and signed by the Chairman as a correct record.

132      **Urgent Business**

The Chairman reported that there were no items to be dealt with at the meeting as a matter of urgency by virtue of Section 100(B)(4)(b).

133      **Declarations of Interest**

In accordance with the Member's code of conduct the following declarations of interest were received.

Councillor Ward declared a personal and prejudicial interest in matters relating to the Ryedale Tourism Advisory Board, as she was employed by a company which supplied equipment to the tourism industry. Councillor Ward withdrew from the meeting during the consideration of the Ryedale Tourism Advisory Board Call in.

Councillor Cussons declared a personal interest in relation to Ryedale Tourism Advisory Board as he owned holiday cottages within Ryedale.

**Call in - Ryedale Tourism Advisory Board**

At the last meeting of the Commissioning Board held on the 26 January 2012 consideration had been given to the above item (agenda item 8, recommendation 2.1 (i) a)). A copy of the report presented to the Commissioning Board had been previously circulated. The Commissioning Board had resolved:

- (i) That the following recommendation of the Ryedale Tourism Advisory Board be not endorsed;
  - a) The 'Y Charter' mark be used for businesses engaged in Council funded activities, in addition to other recognised Quality Assurance marks;
- (ii) That the following recommendations of the Ryedale Tourism Advisory Board be endorsed;
  - b) There should be ongoing investment in the development of the [discovernorthyorkshire.co.uk](http://discovernorthyorkshire.co.uk) website, using existing budgets;
  - c) Ryedale District Council commits to the partnership approach established in the VHEY ERDF bid 'Partners for Growth';
- (iii) The timetable for the relocation of Malton TIC be noted.

The Chairman reported that, in accordance with the procedures detailed in the Council's Constitution, the above decision, which had not yet been implemented, had been called in for review by the Committee.

The call in had been initiated by the Chairman of the Overview & Scrutiny Committee as he did not believe that the ramifications of this decision were fully understood by the Committee members. He was of the opinion that the Council had a policy to support, wherever possible, local business, and this decision was contrary to that policy.

**Resolved**

In light of a call in by the Overview & Scrutiny Committee of the decision by the Commissioning Board on the 26 January, agenda item 8, recommendation 2.1 (i) a), the Scrutiny Committee requests that the Commissioning Board consider again their decision not to endorse the Ryedale Tourism Advisory Boards recommendation of the 'Y charter mark' be used for businesses engaged in Council funded activities, in addition to other recognised Quality Assurance marks.

The Scrutiny Committee draws to the attention of the Commissioning Board further information received from Officers around the report and

meeting notes when the matter was considered by the Tourism Advisory Board on the 15 September 2011. This stated that:

*The group discussed the Y Charter and felt that the self certification was not a quality mark, but did provide a necessary minimum standard. Concerns were expressed about a move away from the Visit Britain quality standard, as this could lead to a general drop in quality of provision in Ryedale. However the VB standards were also changing and it would be harder to achieve a gold rating. Smaller establishments will find it hard to afford the schemes.*

*In addition, it was suggested that the Y Charter could be adapted for attractions.*

*It was agreed that the TICs can promote non QA property that does have the Y Charter rating, whilst recognising that this is not a quality mark. This will be taken back to the RDC Commissioning Board as a proposal supported by the TAB.*

Therefore the Scrutiny Committee believe that the Y charter should be endorsed by Ryedale District Council to ensure a cost effective certification scheme which ensures legitimacy of accommodation provider and a standard of service.

135 **Treasury Management Strategy Statement and Annual Investment Strategy 2012/13**

The Corporate Director (s151) submitted a report (previously circulated) in order to consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2012/13.

**Resolved**

- a. That the report be received.
- b. The Treasury Management and Investment Strategies be noted and approved by the Council.
- c. The prudential indicators in the report be approved by the Council.

136 **Safer Ryedale - Progress with delivering the Community Safety Plan 2011/12**

The Head of Economy & Housing submitted a report (previously circulated) in order to:

- a. Inform Members of progress towards the delivery of the 2011/12 Safer Ryedale Action Plan.
- b. Inform Members of priorities for the 2012/13 Safer Ryedale Action Plan

- c. Inform Members of the arrangements being made for the establishment of a Police and Crime Panel for York and North Yorkshire.

**Resolved**

That the report be noted.

137 **2012/13 Internal Audit Plan**

The Corporate Director (s151) submitted a report (previously circulated) in order to present the Internal Audit Plan for 2012/13 from the North Yorkshire Audit Partnership. The plan would be delivered by Veritau North Yorkshire who will be providing Internal Audit from 1 April 2012.

**Resolved**

That the report be received and the plan endorsed.

138 **Annual Governance Statement Action Plan**

The Corporate Director (s151) submitted a report in order to inform members on progress with the actions identified in the 2010-11 Annual Governance Statement Action Plan.

**Resolved**

That the progress made with identified actions in the 2010-11 Annual Governance Statement Action Plan be noted.

139 **Internal Audit Quarter 3 and Report**

The Corporate Director (s151) presented the Interim Internal Audit Report covering the period to January 2012 from the North Yorkshire Audit Partnership.

**Resolved**

That the Interim Internal Audit report which outlined progress against the approved internal audit plan be noted.

140 **Service Risk Register - Planning**

The Head of Planning presented a report (previously circulated) which gave details of the Service Risk register for those services within his remit.

Members reviewed the risk register and it was

**Resolved**

That the report be noted.

141 **Corporate Risk Register**

The Head of Transformation presented the Corporate Risk Register, and gave details of the areas of significant risk, and the procedures in place to mitigate those risks.

**Resolved**

That the report be received.

142 **Customer Complaints Received in Quarter 3 2011/12**

The Customer Services and Benefits Manager submitted a report (previously circulated) in order to inform Members of the number and type of complaints received under the Council's complaint procedure for the period October to December 2011.

**Resolved**

That the report be received.

143 **Scrutiny Reviews Progress Report - Supporting a Sustainable Community and Voluntary Sector**

The Head of Transformation submitted a report (previously circulated) in order to present the progress of the scrutiny review currently being undertaken.

**Resolved**

That the progress be noted.

144 **Decisions from other Committees**

A report (previously circulated) listing the decisions taken by the Commissioning Board on the 26 January 2012 was presented.

Members were reminded that the Policy & Resources Committee meeting scheduled to take place on the 9 February 2012 had been cancelled due to bad weather conditions, and the items for consideration would be heard by Full Council at the meeting on the 8 March 2012.

**Resolved**

That the report be noted.

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

There were no other items of urgent business.

The Chairman declared the meeting closed at 7.45pm.



Ryedale District Council

Certification of claims and returns 2010/11

Annual Report

February 2012

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# 1. Grant claims and returns certified for 2010/11

The following claims and returns have been certified and delivered to the appropriate authorities within the relevant deadlines:

Claim or return	Value of claim/ return	Date received	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Housing and council tax benefit	£14.28m	21/07/11	22/12/11	30/11/11 <i>extended to 23/12/12</i>	Yes	Yes
National non-domestic rates return	£13.76m	24/06/11	15/09/11	23/09/11	Yes	No
Disabled Facilities grant	£200k	29/07/11	30/09/11	31/10/11	No	No

## Notes

- All claims with a project lifetime value of over £125,000 require certification by the auditors.
- The housing and council tax benefit deadline was extended at the request of the Authority.
- Section 2 provides details of adjustments required and the qualification letter issued.
- An analysis of certification fees is shown in Appendix 1 to this report.

## 2. Adjustments and qualification letters issued

The following adjustments have been made prior to certification by the auditors and one qualification letter has been issued.

### Adjustments

- The housing and council tax benefit subsidy claim required some adjustments - total increase £1,113:
  - a) some errors appear to have occurred as a result of the software change-over and non-HRA rent rebate cases with changes of circumstances occurring after the change-over were incorrectly classified in the final claim (9 out of 46 cases); and
  - b) some errors occurred where the overpayments related to council tax cases involving claimant death were incorrectly classified between overpayment types (21 cases).

See section 3 for further commentary on the Housing and council tax benefit subsidy claim.

- The national non-domestic rates return required several adjustments:
  - a) the main adjustment was to correct the calculation of the bad debt provision used in the claim form. The amount was understated by £46,888, meaning that the reported value of the Authority's contribution to the pool was overstated by the same amount; and
  - b) other minor adjustments totalled £16.

## 2. Adjustments and qualification letters issued (continued)

### Qualification letters issued

- A qualification letter was issued this year in respect of the housing and council tax benefit subsidy claim relating to errors that are not able to be adjusted. Adjustments can only be made where 100% of a population has been tested. Where an additional sample of 40 cases is tested, an adjustment cannot be made and instead an extrapolation calculation is included in a qualification letter. From our sample testing we noted two errors relating to a) incorrect rent officer determination renewal date and b) incorrect recording of claimant's earnings. As required by the certification instructions issued by the Audit Commission, a further 40 cases were tested in each area and further similar errors were found – 10 instances of incorrect rent officer determination renewal date and 5 instances of incorrect recording of claimant's earnings. Since more than one error was found, we were unable to confirm that the errors we found were isolated errors, we were therefore required to report all the instances to the Department for Work and Pensions and provide calculations of extrapolated error rates and values for each type of error. The extrapolated values were minimal at £5 and £33.
- The letter also disclosed errors found as a result of follow-up testing based on prior year errors. These errors had no benefit effect and hence no extrapolated error rates or values were included (see section 3).

### 3. Commentary on housing and council tax benefit claim

In February 2011, the benefits software was changed from Civica to Northgate. All data was migrated successfully although there were some discrepancies in the classification of migrated cases when a change of circumstance occurred after migration. All such cases were amended prior to final submission of the claim.

The software change-over meant that, in many instances, auditor testing had to be performed twice or in two parts (once for each software system) and therefore the work took longer this year. Understandably, benefits staff were working hard to catch up with the backlog of claims and other tasks which had been delayed while the systems were changed over and therefore had less time to work with us and answer queries. For this reason an extension was sought and the claim was submitted on 22 December 2011.

#### **Certification approach**

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2011 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Authority benefits staff in June 2011;
- The “system parameters” specified by the National Audit Office (ie this year’s benefit rates and allowances) were agreed to those in use at the Authority on both Civica and Northgate. This work was performed at a preliminary stage in early June 2011;
- Electronic workbooks supplied by the Audit Commission were used to test a standard sample of 20 cases for each of the three relevant benefit types (non-HRA rent rebates, rent allowances and council tax benefit) for the Authority. This year the number of cases tested for non-HRA rent rebates was reduced to 10 as a result of the small population for this type of benefit; and
- A review of the Civica and Northgate software controls was performed.

# 3. Commentary on housing and council tax benefit claim (continued)

## Summary of findings

- Our initial testing of 50 cases identified nine errors (2009/10: two errors) – two in the area of council tax, one in rent allowances and six in non-HRA rent rebates.
- The council tax errors were a) incorrect classification of the overpayment resulting from claimant death and b) incorrect recording of claimant earnings. A sub-population of all claims where the claimant had died were reviewed and an adjustment made for 21 incorrect cases (see section 2). A further sample of 40 cases with earnings were reviewed and a further 5 instances of incorrect recording found. Since more than one error was found, we were unable to confirm that the errors we found were isolated and we were therefore required to report all the instances to the Department for Work and Pensions and provide calculations of the extrapolated error rate and value which was £5 (see section 2).
- The rent allowance error was the use of an incorrect rent officer determination renewal date. A further sample of 40 cases with rent officer determination renewals were reviewed and a further 10 instances of incorrect renewal date found. Since more than one error was found, we were unable to confirm that the errors we found were isolated and we were therefore required to report all the instances to the Department for Work and Pensions and provide calculations of the extrapolated error rate and value which was £33 (see section 2).
- The non-HRA rent rebate errors appear to have occurred as a result of the software change-over where cases with changes of circumstances occurring after the change-over were incorrectly classified as a different type of benefit in the final claim. Since this benefit type has a small population, all cases were reviewed and the claim adjusted for all errors found (see section 2).
- There were two errors noted in the prior year claim with respect to incorrect tax credit income recording in rent allowance cases. Although no errors were found in this area in the initial testing this year, we are required, by the certification instructions issued by the Audit Commission, to assume this is still a risk area this year and carry out tests on a further 40 cases. Four errors were noted in this area and have been reported to the Department for Work and Pensions.

### 3. Commentary on housing and council tax benefit claim (continued)

#### **Looking forward - 2011/12**

At the time of writing this report, there have been no changes announced by the Audit Commission. However, there are usually some minor amendments to the certification instructions each year and we will keep you informed of any significant changes that are announced in the future.

We anticipate next year's work to return to previously experienced low levels of errors and minimal additional testing, now that the new benefits software is in place and all migration issues have been dealt with.



## 4. Observations and recommendations arising from our certification work

### Housing and council tax benefit claim

- There were quite a few errors found in cases this year in comparison to prior years. Whilst some were created by the system change-over, some were human error and are likely to have arisen as a result of the pressure on resources due to changing systems. In general, we expect errors to reduce to the historical low level experienced in prior years once the new system is bedded in. It is however worth noting that care needs to be taken in the case of claimant death, with respect to overpayment classification, and rent officer determination renewal dates.

### National non-domestic rates return

- This year there was one significant adjustment required as a result of an incorrect formula used on one of the supporting papers for the bad debt provision. There were also some minor adjustments required in the current and prior year return. We continue to recommend that the file supporting this return is reviewed by an independent manager within the Authority to ensure all return entries are correct, prior to submission to the auditors for certification.

## 5. Closing remarks

This report has been discussed and agreed with the Corporate Director (S151) of the Authority. A copy of the report will be presented at the meeting of Overview and Scrutiny on 12 April 2012.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the certification work. We recognise the value of your co-operation and support.



### **Deloitte LLP**

Chartered Accountants

20 February 2012

*The matters raised in this report are only those that came to our attention during our certification work and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the certification methodologies as they are derived solely from the Audit Commission.*

*This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.*

# Appendix 1: Analysis of certification fees

Claim or return	2011 £'000	2010 £'000
Housing and council tax benefit	26.5	13.5
National non-domestic rates return	4.9	4.9
Disabled Facilities grant	1.2	1.2
<b>Total</b>	<b>32.6</b>	<b>19.6</b>

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**Ryedale District Council**

**External Audit Progress Report**

**April 2012**

# Summary of activity

We are pleased to present our progress report to the Overview and Scrutiny Committee. This summarises the activities that we have completed in the last quarter.

## Summary of activities

### Audit of financial statements

Our audit planning visit occurred in the week commencing 12 March and our IT visit was carried out in the week commencing 26 March 2012.

Our report on the audit plan will be presented at the July meeting.

## Other matters

### Demise of Audit Commission

All audit work currently performed by the Audit Commission is being outsourced to private audit firms for 2012/13 onwards. This does not include our appointment as auditors to Ryedale District Council.

The results of the outsourcing exercise have been published and are as follows:

- Grant Thornton won 4 contracts;
- KPMG won 3 contracts – including Humberside & Yorkshire;
- E&Y won 2 contracts; and
- DA Partnership won 1 contract – North East and North Yorkshire

All contracts are for 5 years meaning that all contracts, including ours, will terminate after 2016/17.

We do not expect pre-existing appointments with firms, including our appointment, to be affected but as the Commission is required to consult on appointment of auditors that process is now in progress and our continuing appointment for 2012/13 will not be formally confirmed until August 2012.

### Audit fees 2012/13

No further communication has been received regarding fees for 2012/13. The final scale fees are expected to be published in April 2012 when the outsourcing exercise is complete.

The Commission has said that they “are now confident they can go significantly further” than the 10% initial reduction offered. Press coverage has alluded to 40% savings to be made to audit fees in the next 5 years.

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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>12 APRIL 2012</b>
<b>REPORT OF THE:</b>	<b>CORPORATE DIRECTOR (s151) PAUL CRESSWELL</b>
<b>TITLE OF REPORT:</b>	<b>ACCOUNTS AND AUDIT REGULATION 6 - REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

1.1 This report presents the Annual Review of the Effectiveness of Internal Audit from the North Yorkshire Audit Partnership for approval.

### **2.0 RECOMMENDATION**

2.1 It is recommended that the attached report for 2011/12 is approved.

### **3.0 REASON FOR RECOMMENDATION**

3.1 To ensure that the Council to meet its statutory requirements.

### **4.0 SIGNIFICANT RISKS**

4.1 There are no significant risks.

## **REPORT**

### **5.0 BACKGROUND AND INTRODUCTION**

5.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function.

5.2 The amendment in SI 2006/564, (further amended by SI 2011/817) introduced a new requirement to undertake an annual review of the effectiveness of the system of Internal Audit on an annual basis. The amendment to Regulation 6 is as follows:

6(3) the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit.

6(4) the findings of the review ... shall be considered, as part of the consideration of the system of internal control ... by the (relevant) committee ...”

- 5.3 The latest amendment SI2011/817 has, inter alia, simply removed the words “the system of” so the requirement is now to review “...the effectiveness of its internal audit.”
- 5.4 It was agreed that this committee should act as an Audit Committee for the Council and, therefore would be the body to receive these reports.
- 5.5 This report presents the Review of Effectiveness of Internal Audit Report for the period 1 April 2011 to 31 March 2012 from the North Yorkshire Audit Partnership.

## **6.0 POLICY CONTEXT**

- 6.1 This report supports the Council’s requirement to comply with all legislation. It also supports the Corporate Strategic Objective to know our communities and meet their needs.

## **7.0 CONSULTATION**

- 7.1 The review requires that the Council reviews its system of Internal Audit. Primarily this is the service provided by the North Yorkshire Audit Partnership to the Council.
- 7.2 To reach an assessment of the effectiveness the Partnership has undertaken a survey of the principal client recipients of Internal Audit, the Chief Executive, Strategic Directors, and Heads of Service.

## **8.0 REPORT DETAILS**

- 8.1 The Report, detailed in annex A, sets out the methodology applied and the results of the work. At present there is only limited guidance. This will evolve as will the opinion from the Council’s external auditors who will consider this report as part of their work examining the validity of the Council’s AGS (Annual Governance Statement).
- 8.2 This report highlights progress with issues identified in the self-assessment undertaken last year and matters that the review survey identifies. It forms an important part of the overall control framework, and is a component of the Annual Governance Statement.
- 8.3 The self-assessment undertaken indicates that the service provided by the Partnership meets all the aspects of the CIPFA code. As with any such review there will always be areas that could be improved and this is no different. These have been outlined in the self-assessment.
- 8.4 The results of the survey of principal clients indicate an overall assessment of effectiveness scoring 94% (100% 2010/11; 99% 2009/10; 97% 2008/09; 93% 2007/08; 98% 2006/07) at the median or above.
- 8.5 Previously the identified weaker area is the involvement of internal audit with ‘new and developing projects’. Clearly this is an area where internal audit are now being invited to participate.
- 8.6 A second area, and perhaps of some concern is the view expressed by one respondent that the audits did not give a better understanding of control systems and risks in their service areas. This has been taken up with the respondent concerned

and as a general point for the Partnership to improve the quality of the audit and associated reports issued.

- 8.7 The annual Internal Audit report to the committee in June will complete the review, as it will include the key performance indicators. This allows the pendulum to come full circle bringing internal audit, its clients, and the Overview & Scrutiny Committee (Audit) closer together in a virtuous circle.
- 8.8 Overall the report provides an assurance that the internal audit service provided through the partnership does, indeed, meet the criteria for an effective system of internal audit. It is not a 'carte blanche' but a balanced judgement.

## **9.0 IMPLICATIONS**

- 9.1 The following implications have been identified:
- a) Financial  
There are no financial implications.
  - b) Legal  
The only implication is that the review is a mandatory requirement.
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None.

**Paul Cresswell**  
**Corporate Director (s151)**

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### **Background Papers:**

SI 2011/817 Amendment to the A&A regulations issued 21/3/2011

### **Background Papers are available for inspection at:**

With the Head of Partnership or at [www.legislation.gov.uk/uksi/2011/817/made/data.pdf](http://www.legislation.gov.uk/uksi/2011/817/made/data.pdf)

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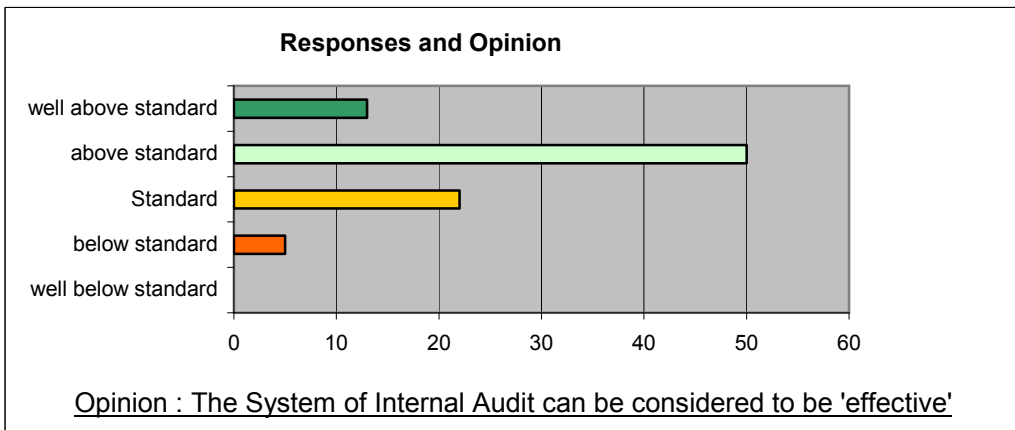


Independent Assurance

# Internal Audit Report



## Ryedale District Council Accounts & Audit regulation 6 Review of the Effectiveness of Internal Audit April 2012



Auditor : James Ingham CPFA

Circulation list: Members Overview & Scrutiny Committee  
Chief Executive  
Corporate Director (s151)

## CONFIDENTIAL

### SUBJECT: REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2011/12

#### 1. Introduction

- 1.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of Internal Control and to provide an adequate and effective Internal Audit function.
- 1.2 The regulations were added to with the issue of circular SI 2006/564, as further amended by circular SI 2011/81. This required, inter alia, that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee.
- 1.3 It has been established that the Overview & Scrutiny Committee of the Council receive reports on the Annual Governance Statement (AGS), and associated matters. Therefore it is the appropriate committee to receive, consider, review, and approve the report on the Review of Effectiveness of Internal Audit.

#### 2. Background and Issues

- 2.1 Internal audit at the Council is provided through the North Yorkshire Audit Partnership (NYAP).
- 2.2 The Partnership team comprises of the Head of Partnership, with Audit Managers, and audit staff.
- 2.3 The Partnership works principally with the Corporate Director (s151) and in 2010/11 provided a planned audit service to the Council. The Internal Audit plan comprised 265 days.
- 2.4 The Partnership works to the Cipfa Code of Practice for Internal Audit in Local Government (the CoP). The code has been reviewed and revised with the latest version issued in December 2006.
- 2.5 Cipfa have issued a guide to the "Role of the Head of IA" and they have issued further guidance for the application of the guide to Local Government. We have undertaken a preliminary self-assessment against the principles contained therein, and initial consideration of the results suggests that the Partnership is effectively fulfilling the role.
- 2.6 The code defines internal audit as: -

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

*The control environment is defined as comprising the systems of governance, risk management, and internal control.*

- 2.7 The code sets out 11 standards for internal audit.
- 2.8 Of the 11 standards one is Performance and effectiveness. The remaining 10 relate to audit management, audit process, and audit relationships within the organisation.
  - a) Audit Mgt Independence; Ethics; Staffing Training & CPD;
  - b) Audit Process Scope; Audit Strategy & Planning; Undertaking audit work; Due Professional Care; Reporting

c) Audit Relationships Audit Committees; Relationships;

- 2.9 The code does try to define an effective internal audit, as being one which should 'aspire to' the following: -
- understand the whole organisation, its needs and objectives;
  - understand its position in respect to the organisation's other sources of assurance and plan its work accordingly;
  - be seen as a catalyst for change at the heart of the organisation;
  - add value and assist the organisation in achieving its objectives;
  - be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact;
  - be innovative and challenging;
  - help to shape the ethics and standards of the organisation;
  - ensure the right resources are available – recognising that the skills mix, capacity, specialisms and qualifications/experience requirements all change constantly;
  - share best practice with other auditors;
  - seek opportunities for joint working with other organisations' auditors.
- 2.10 An assessment of the position of the Partnership internal audit in respect of these aspirational effectiveness criteria is set out in Appendix 2.
- 2.11 With this background the issue is to determine what a Review of Effectiveness (RoE) is, and how it should be undertaken.
- 2.12 Guidance has been issued by the CLG that is non-prescriptive. It therefore leaves councils to determine their own methodology. As the review has to be reported to the council (normally the Audit committee or equivalent) the scrutiny will be there and through the external auditor's review of the AGS.
- 2.13 It is neither practicable nor possible to use the annual external auditor's opinion in their audit letter though their tri-ennial review would probably be sufficient.
- 2.14 The RoE review is annual, and the regulation does not specify a fiscal year. Therefore the review has been undertaken between Feb and March to avoid adding further to the year-end maelstrom of tasks.
- 2.15 Cipfa have now prepared some guidance to practitioners through the Audit Panel and this has been considered in the preparation for and the execution of the review.
- 2.16 This review has focused on the Internal Audit function rather than take a much wider view that is espoused by some, defining "Internal Audit" to include the overall control framework, and the Audit Committee itself.
- 2.17 It is considered that this wider definition more properly falls within the range of the AGS.
- 2.18 The general consensus is that until custom and practices have evolved further then a practical way of exercising this RoE is to undertake a self-assessment against the Cipfa code, and to undertake a survey of Directors and Heads of Service to determine their opinion of the effectiveness of the system of internal audit.
- 2.19 For the 2011/12 review the three-strand approach already established has continued. Firstly to review the self-assessment undertaken, and primarily to consider what action has been taken to resolve the points arising, which were endorsed by the Overview & Scrutiny committee. Secondly re-perform the survey to see if there has been any material change in opinion over the intervening period and thirdly to note the performance of the internal audit team, in 2011/12 as reported to the committee.
- 2.20 The self-assessment completed highlighted specific areas where there could be improvement which were: -
- Encouraging greater inclusion of internal audit with new and developing projects.

~ *This has been an issue in all the surveys undertaken to date. There are some signs of an increasing acceptance that Internal Audit can play a valuable role with new projects and a gradual increase in the invitations to participate.*

- 2.21 The results of the survey are attached as Appendix 1. They indicate that overall there is a high level of satisfaction and by logical extension, effectiveness. One area that has a low 'score' is the involvement of internal audit with 'new and developing projects'. Clearly this is an area where internal audit need to be invited to participate. It is hoped that the heads of service and project managers agree to consider this in future.
- 2.22 A second area, and perhaps of some concern is the view expressed by one respondent that the audits did not give a better understanding of control systems and risks in their service areas. This has been taken up with the respondent concerned and as a general point for the Partnership to improve the quality of the audit and associated reports issued.
- 2.23 The results largely correspond with the analysis of the self-assessment.
- 2.24 Reports are submitted regularly to the Overview & Scrutiny committee setting out the performance of the Partnership in providing the internal audit service and reporting progress against the audit plan.

### **3. Consultation**

- 3.1 Views have been sought from Deloitte & Co. the Council's appointed external auditors, who will, through their review of the AGS will also take this RoE review into account. However, as they will undertake that role, there is, understandably reluctance on their part to give definite guidance or opinion.
- 3.2 Opinions have also been sought within the North Yorkshire Chief Internal Auditors Group and the current collective view is not consensual. This is no doubt because established custom has yet to evolve for this required review.

### **4. Assessment and Conclusion**

- 4.1 The review provides an overall opinion and assurance that the System of Internal Audit as defined above can be considered as effective.
- 4.2 Issues identified last year in the self assessment have been taken into consideration and will be actively pursued in this year.
- 4.3 Performance, must be judged as satisfactory.
- 4.4 The results of the survey indicate an overall assessment of effectiveness scoring 94% at the median or above for the assessment ~ (100% 2010/11; 99% 2009/10; 97% 2008/09; 93% 2007/08; 98% 2006/07).
- 4.5 It does, however, point up some weak areas, though not significant, to do with the relevance of IA, did it 'add value or assurance'; looking at risk areas adequately; and the 'involvement of Internal Audit with new and developing projects'. This is consistent with results at other councils, notably at District level.



# Ryedale District Council 2011/12

[10 survey forms sent out, 9 responses]

1. Did we involve you sufficiently in setting the internal audit plan?
2. Was the Internal Audit (IA) approach professional, in terms of making arrangements, undertaking the audit, and working with your staff?
3. Was the audit report format in a style that you found clear, and easy to understand?
4. Did the audits and their reports raise concerns over control systems clearly and concisely?
5. Were the audits relevant and add assurance or value?
6. Did the audits give you a better knowledge and understanding of control systems and risk in your service areas?
7. Do you consider that the audits looked at your risk areas adequately?
8. Do you consider that we were sufficiently involved with your new and developing projects?
9. Has the contribution of IA given you enough assurance for the Annual Governance Statement?
10. In your considered opinion, has IA been 'effective'?

D       $\longrightarrow$       C

	1	3	3	2
		2	5	2
		2	5	2
		2	5	2
	1	2	5	1
	1	2	4	2
	1	1	6	1
	1	3	5	
		3	6	
		2	6	1
	5	22	50	13
	6	24	56	14

Totals

Percentages

Figures in brackets are prior year results:-  
(2010/11; 2009/10; 2008/09; 2007/08; 2006/07)

70%
(96;86; 73; 74; 75)
94%
(100; 99; 97; 93; 98)

## CIPFA CoP –Characteristics of Effectiveness that an effective Internal Audit should aspire to:-

<b>Characteristic of 'effectiveness'</b>	<b>Evidence of achievement</b>	<b>Areas for development</b>
Understand the whole organisation, its needs and objectives.	The audit plan demonstrates how audit work will provide assurance in relation to the authority's Activities (and so indirectly to the objectives).  Individual audit assignments identify risks to the achievement of those activities (and so indirectly to the objectives of the Council).	Take greater account of the Council's Strategic Programme when formulating the annual audit plan.
Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly.	Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.	Monitor and improve the IA governance and assurance arrangements where there are joint service delivery arrangements, e.g. payroll.
Be seen as a catalyst for change at the heart of the organisation.	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.  Supportive role of audit for individual projects may be catalyst for change.	Selling the message of the benefits of IA involvement to line management. Controls assurance and the AGS / assurance statement. Identified need to extend the role of IA in new and developing projects.
Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work.	Identified need to extend the role of IA in new and developing projects.
Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	When identifying risks and in formulating the plan changes on the national agenda are considered.  The Partnership maintains awareness of new developments in the services it audits, risk management and corporate governance.	The Partnership should maintain awareness of new developments in the services it audits, risk management and corporate governance.
Be innovative and challenging	Internal audit has taken a positive approach to its reporting arrangements by focusing on risks, and using a brief, illustrative report style.  The report format has been reviewed; and the format and audit opinion descriptors were re-defined for 2011/12.	
Help to shape the ethics and standards of the organisation.	Currently involved in working to develop shared services.	Involvement by IA in the review of policies

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
Ensure the right resources are available – recognising that the skills mix, capacity, specialism and qualifications/experience requirements all change constantly.	Arrangements are in place to review the future need for external specialist input on IT audit.	May need to consider an audit needs analysis and be aware of any difference between ideal and cost driven resources.
Share best practice with other auditors.	NYCIA and benchmarking groups. Team briefings. Personal links with auditors elsewhere.	We are now developing some joint training seminars.
Seek opportunities for joint working with other organisation's auditors.	Always a consideration. NYAP exists, and the current NYAP Partnership Agreement runs to 31 <sup>st</sup> March 2012. From 1 <sup>st</sup> April the Internal Audit service will be provided by Veritau North Yorkshire. Joint working now includes 5 of the 7 NY Districts, leaving only the Harrogate and Craven, the other two district councils.	Bringing Harrogate & Craven DCs into the company.

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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>12 APRIL 2012</b>
<b>REPORT OF THE:</b>	<b>HEAD OF TRANSFORMATION CLARE SLATER</b>
<b>TITLE OF REPORT:</b>	<b>SCRUTINY REVIEWS PROGRESS REPORT – 'SUPPORTING A SUSTAINABLE COMMUNITY AND VOLUNTARY SECTOR'</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

1.1 To present the progress of the scrutiny review currently being undertaken.

### **2.0 RECOMMENDATION**

2.1 That members note the progress made with the current scrutiny review

### **3.0 SIGNIFICANT RISKS**

3.1 No significant risks have been identified at this point but this will be reviewed as the review progresses.

### **4.0 BACKGROUND AND INTRODUCTION**

4.1 The Overview and Scrutiny Committee has commissioned a scrutiny review of the Council's role in supporting a sustainable voluntary and community sector.

4.2 The terms of reference for the review were agreed at the previous meeting of the Committee and these will be reviewed periodically throughout the period of the review. (Attached at Annex A)

### **5.0 CONSULTATION**

5.1 Engagement of the voluntary and community sector, partners other funding bodies and parish councils is being planned as part of the review to be undertaken.

## 6.0 REPORT DETAILS

- 6.1 The aim of the review is to make recommendations to the policy committees of the Council on the options available to Council for ensuring it utilises any of its resources in the most efficient, effective and economical way to support a sustainable voluntary and community sector.
- 6.2 The second meeting of the task group took place on 7 March 2012. The initial results of the audit of Council support for the VCS were discussed at the meeting. The following action points were agreed:
- That a high level budget analysis be undertaken of the non financial support provided by the Council and identified in the audit
  - A detailed analysis be undertaken of the profile of the funding support offered through grants to regularly funded organisations and assessment of the impact of this funding and the matching funding it attracts
  - The key areas for more in depth study in relation to the impact of the support provided by the Council were identified as the grants to regularly funded organisations, and the grant awarded for the provision of sports facilities.
- 6.3 Due to unforeseen circumstances a number of changes have had to be made to the schedule of meetings for the review as follows:

Date	Tasks
Mon 23 January 2012	Inaugural meeting of the VCS Review Task Group
Weds 7 March 2012	Present initial findings of Audit of support provided by the Council to the VCS. Identify key areas to study the impact of the support provided.
Mon 2 April 2012	Present the audit report and assessment of impact of major grants to regularly funded organisations
Thurs 26 April 2012	RVA to present profile of VCS in Ryedale. Plan engagement activity with VCS organisations and partners in Ryedale, include session with parishes in May
Tues 19 June 2012	Hold the engagement event at RDC, undertake any visits and meet with partners and funding bodies
Thurs 19 July 2012	Present the findings of the engagement activities
Thurs 16 August 2012	First Draft of report and Recommendations
Thurs 13 Sept 2012	Draft Report and recommendations agreed by task group
Thurs 4 October 2012	O and S Committee meeting consider draft report and recommendations

**Clare Slater**  
**Head of Transformation**

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**Background Papers:**

A Plain English Guide to the Localism Act:

<http://www.communities.gov.uk/publications/localgovernment/localismplainenglishupdate>

Statutory Best Value Guidance

<http://www.communities.gov.uk/documents/localgovernment/pdf/1976926.pdf>

National Council for Voluntary Organisations:

- [‘NCVO New Best Practice Guide’](#)

Community Development Foundation :

- [‘Structures for community development in local authorities’](#)
- [‘the role of the community sector within localism’ evidence to select committee](#)

Action with Communities in Rural England :

- [‘Making the most of Community Led Planning \(a best practice guide for local authorities\)’](#)

**Background Papers available for inspection at:**

Online see links above or in the Transformation Team Office – Ryedale House

## Appendix A – Revised Terms of Reference for the Scrutiny Review of the Councils Role in supporting a sustainable voluntary and community sector

<p><b>Aim of the Review</b></p>	<p>The aim of the review is to make recommendations to the policy committees of the Council on the options available to Council for ensuring it utilises any of its resources in the most efficient, effective and economical way to support a sustainable voluntary and community sector.</p> <p>The review will try to answer the following questions:</p> <ul style="list-style-type: none"> <li>• What is the current profile of the VCS in Ryedale?</li> <li>• How sustainable is the sector in Ryedale and what is the role of the Council in this?</li> <li>• How does the Council commission or procure work from the VCS, how is this funded, what is expected and what is the impact of this work?</li> <li>• What expectations are there of the VCS in the current policy and funding environment and how can these best be met whilst delivering value for money for both the Council and the communities of Ryedale?</li> <li>• Is there potential to increase the co-ordination of funding to the VCS both within the Council and with external partners?</li> <li>• Can savings be made from the financial support provided or value added through pooling resources?</li> <li>• Are there any grants that are not cost effective to administer or receive?</li> <li>• Are there barriers to RDC working with the VCS and vice versa, VCS working with the Council?</li> </ul>
<p><b>Why has this review been selected?</b></p>	<p>Changes being implemented by the government towards the achievement of ‘The Big Society’ agenda are placing increasing emphasis on the role of voluntary sector and community organisations. Members felt that the Council needed to review its policies and those of partners and the government in relation to these organisations.</p>
<p><b>Who will carry out the review?</b></p>	<p>The review will be carried out by a task group including:</p> <ul style="list-style-type: none"> <li>• A minimum of 2 members of the O and S committee (but open to all members of O and S)</li> <li>• The Head of Transformation</li> <li>• The Economic and Community Services Manager</li> <li>• Support will be provided by members of the Transformation Team</li> </ul>
<p><b>How the review will be carried out?</b></p>	<p>The task group will consider the impact of the Localism Act and Big Society policy agenda on the Voluntary and Community sector and also review the Councils policies in relation to the sector.</p> <p>Consideration would be made of existing data and evidence, national research on the impact of recent policy decisions made by the government on the VCS and any local research undertaken.</p> <p>This could include:</p> <ul style="list-style-type: none"> <li>• Reviews undertaken previously by the Council</li> <li>• Reviews undertaken by other local authorities</li> <li>• Government policy and the impact of reviews of funding</li> </ul>



	<p>arrangements</p> <ul style="list-style-type: none"> <li>• Research undertaken by organisations representing the interests of the VCS</li> </ul> <p>The task group will also liaise with representatives from the VCS in Ryedale.</p>
<b>What are the expected outputs?</b>	It is expected that the task group will produce a report, summarising the evidence they have gathered and containing specific recommendations for the Council and other partner organisations as appropriate.
<b>What outcomes are anticipated?</b>	<ul style="list-style-type: none"> <li>• To influence criteria for future funding schemes</li> <li>• To influence assessment criteria for applications and evaluation of grant applications and schemes</li> <li>• To establish ongoing dialogue with the VCS in Ryedale</li> <li>• Identify options for future community development support in Ryedale</li> </ul>
<b>Timescale</b>	It is anticipated that the group will conclude the review In October 2012. Progress reports will be submitted to the committee throughout the review.

CS version 2 – revisions post 15.12.11 O&S and Task Group Meeting 23.1.12

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**Ryedale District Council – Decisions taken by the Commissioning Board on Thursday, 22 March 2012**

Agenda Item No	Topic	Decision
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1	Apologies for Absence	Apologies for absence were received from Councillor Mrs Denniss (with Councillor Mrs Goodrick substituting) and from Councillor Clark.
2	Minutes of Meeting held on 26 January 2012 and 1 March 2012	<p style="text-align: center;"><b>Resolved</b></p> <p>(i) That the minutes of the meeting of the Commissioning Board held on 26 January 2012 be approved and signed by the chairman as a correct record;</p> <p>(ii) That the minutes of the meeting of the Commissioning Board held on 1 March 2012 be approved, with an amendment to include Councillor Mrs Goodrick on the attendance list, as substitute for Councillor Hope, and signed by the chairman as a correct record.</p>
3	Declarations of Interest	There were no declarations of interest.
4	Urgent Business	There were no items of urgent business.

**PART A - Items dealt with under delegated powers or matters determined by the Board**

5	Ryedale Economic Action Plan - Consultation Draft	<p style="text-align: center;"><b>Resolved</b></p> <p>(i) the draft Ryedale Economic Action Plan be approved for consultation; and</p> <p>(ii) the comments received and appropriate amendments be considered as part of finalising the Ryedale Economic Action Plan at a future meeting of Commissioning Board.</p>
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**PART B Items - Matters to be referred to Council**

6	Protocol for Use of Affordable Housing Commuted Sums	<b>Resolved</b>
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Ryedale District Council – Decisions taken by the Commissioning Board on Thursday, 22 March 2012

Agenda Item No	Topic	Decision
		<p>That Council is recommended to approve:</p> <ul style="list-style-type: none"> <li>(i) Members note the procedure for collection of commuted sums in appropriate circumstances and the sums negotiated;</li> <li>(ii) Members endorse the proposed Affordable Housing Commuted Sum Protocol for utilisation of commuted sums (as set out in para 7.1), with the addition of the following words to the end of the third bullet point of the protocol: <i>“...the elderly or those with care needs.”</i></li> <li>(iii) that an annual report be considered by the Commissioning Board to monitor expenditure of commuted sums.</li> </ul>
7	Economy and Housing Joint Commissioning Group - Revisions to Private Sector Housing Grants	<p><b>Resolved</b></p> <p>That Council is recommended to approve that:</p> <ul style="list-style-type: none"> <li>(i) Subject to availability of funding, that total spending on private sector housing grants be maintained;</li> <li>(ii) The grants and loans provided be revised in accordance with paragraph 8.3 of this report;</li> <li>(iii) A review of the impact of these changes be undertaken by the Commissioning Board one year after implementation; and</li> <li>(iv) A wider review of private sector housing grants be undertaken every five years to ensure continued effectiveness of the Council’s investment in this area.</li> </ul>
8	Any other business that the Chairman decides is urgent	As there were no items of urgent business, the meeting closed at 7.45pm.

**Ryedale District Council – Decisions taken by the Commissioning Board on Thursday, 22 March 2012**

<b>Agenda Item No</b>	<b>Topic</b>	<b>Decision</b>
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Implementation Date: 10 April 2012

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