

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 17 January 2022

Dear Councillor

Notice of Meeting

Meeting **Audit, Governance and Standards Committee**

Date **Tuesday, 25 January 2022**

Time **9.30 am**

Venue **Council Chamber, Civic Centre, Stone Cross, Rotary Way, Northallerton, DL6 2UU**

Yours sincerely

J. Ives.

Dr Justin Ives
Chief Executive

To:	Councillors	Councillors
	N A Knapton (Chairman)	Mrs B S Fortune
	P Atkin	K G Hardisty
	P Bardon	R W Hudson
	D B Elders (Vice-Chairman)	

Other Members of the Council for information

Press and public are welcome to attend meetings of the Audit, Governance and Standards Committee. Due to current social distancing restrictions, measures have been implemented which limit the number of attendees able to be physically present in the meeting at any one time. Temporary arrangements are in place for members of the press and public to register their attendance no later than 24 hours in advance of the meeting taking place. Spaces are allocated on a first come first served basis. If you arrive at the Civic Centre to attend the meeting and have not registered in advance a space cannot be guaranteed if there are no vacant seats available. Members of the press and public are also able to observe the meeting virtually via Teams. Please click on the link on the website or dial 020 3855 5195 followed by the Conference ID: 100 526 205# For further information please contact Democratic Services on telephone 01609 767015 or email committeeservices@hambleton.gov.uk

Agenda

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1. Minutes
To confirm the minutes of the meeting held on 5 October 2021 (AGS.8 to AGS.14), previously circulated.
2. Apologies for Absence
3. Internal Audit Q2 Progress Report 1 - 14
Report of the Director of Finance (S151 Officer)
Relevant Ward(s): All Wards
4. Update to the Internal Audit Charter 15 - 30
Report of the Director of Finance (s151 Officer)
Relevant Ward(s): All Wards
5. Compliance with CIPFA Financial Management Code 31 - 50
Report of the Director of Finance (s151 Officer)
Relevant Ward(s): All Wards
6. Appointment of External Auditor 51 - 54
Report of the Director of Finance (s151 Officer)
Relevant Ward(s): All Wards
7. Matters of Urgency
Any other business of which not less than 24 hours prior notice, preferably in writing, has been given to the Chief Executive and which the Chairman decides is urgent.

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 25 January 2022

From: Interim Director of Finance (s151 Officer)

Subject: **Internal Audit and Counter Fraud Second Progress Report 2021/22**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Under the Accounts & Audit Regulations 2015, it is a statutory requirement for councils to have effective internal audit that complies with public sector internal audit standards.
- 1.2 The council has formalised its arrangements for internal audit within the Audit Charter. In accordance with these standards and requirements the Head of Internal Audit is required to report to the council on the programme of internal audit work and to highlight any emerging significant risks and/or control issues that they have become aware of.
- 1.3 The purpose of this report is to provide Members with an update on audit work planned and undertaken, and counter fraud activity since the last report to this committee.

2.0 The Report

- 2.1 The internal audit progress report to 17 December 2021 is contained in annex 1. Work is ongoing in five areas and two further pieces of work are being planned. Fieldwork for two audits (Revenues and Benefits, and CIPFA Financial Management Code) is close to completion. There are no specific significant risks and/or significant control issues which we have become aware of, that need to be highlighted to the committee.
- 2.2 Annex 2 contains the counter fraud progress report. It reports on progress against the counter fraud work programme up to 30 November 2021. Details are provided on activity undertaken to promote awareness of fraud, ongoing work with external agencies, and the level of fraud reported to date.

3.0 Link to Council Priorities

3.1 The work of 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.

4.0 Risk Assessment

4.1 There are no risks associated with this report.

5.0 Financial Implications

5.1 There are no financial implications associated with this report.

6.0 Legal Implications

6.1 There are no legal implications associated with the recommendations in the report.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity Issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 That the Committee note the work undertaken by internal audit and the counter fraud team in the year to date.

Noel O'Neill
Interim Director of Finance (s151 Officer)

Background papers: None

Author ref: SC/DC

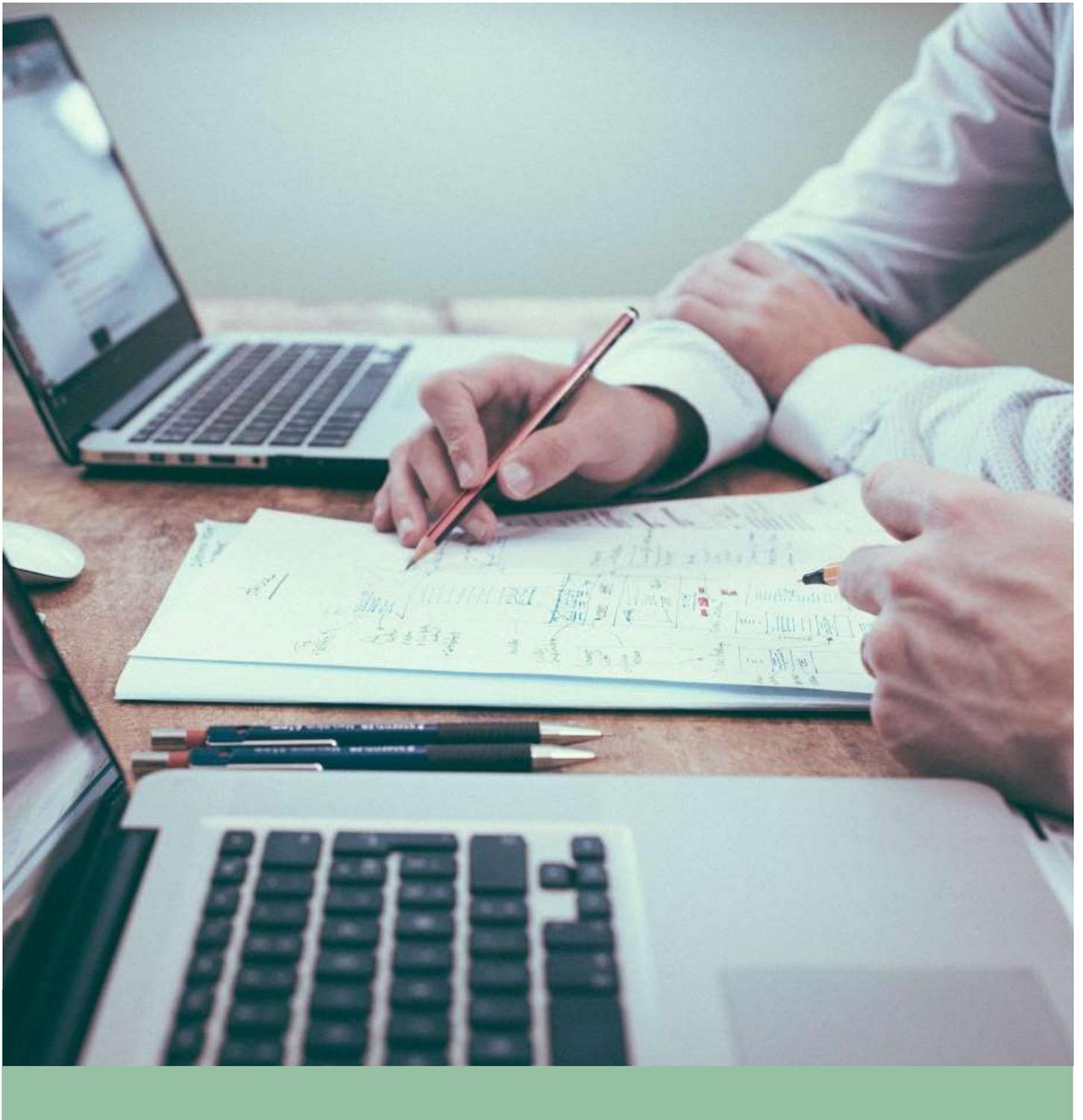
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Daniel Clubb, Corporate Fraud Manager
The Veritau Group
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INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 25 January 2022

Annex 1





BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Council's Audit Charter. In accordance with the PSIAS, the Head of Internal Audit is required to report progress to the committee on the programme of internal work to support the annual internal audit opinion, and to highlight any emerging significant risks and/or control issues we have become aware of.
- 2 The proposed 2021/22 areas of work for internal audit, and the approach to flexible audit planning, were summarised in the Internal Audit Plan, which was agreed by members in March 2021.
- 3 It is important that audit resources are used effectively and continue to focus on those areas which add the most value. The plan and our work is designed to be flexible so that as new risks are identified or priorities change the audit programme can be updated.
- 4 The purpose of this report is to update the committee on internal audit activity between 1 April 2021 and 17 December 2022.



INTERNAL AUDIT PROGRESS

- 5 Work is ongoing in a number of areas. We are in the latter stages of fieldwork for the revenues and benefits and the CIPFA Financial Management Code audits. We expect to be able to fully report the findings from this work within the next progress report in March 2022.
- 6 We have had regular discussions with the s151 officer to help target and focus ongoing and future work. We agreed to complete work on the CIPFA Financial Management Code in November and December 2021 to help support the review of council arrangements being done in that area by the s151 officer. We will next be attending Management Board in January 2022 to help to inform the focus of work for the first half of 2022.
- 7 There are no specific areas of emerging significant risks and/or significant control issues which we have become aware of, that we need to highlight to the committee.
- 8 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A. The work programme showing current priorities for internal audit work is included at appendix B. Appendix C lists our current definitions for action priorities and overall assurance levels.



FOLLOW-UP OF AGREED ACTIONS

- 9 Responsibility to resolve issues and implement agreed actions lies with management. Public Sector Internal Audit Standards (PSIAS) require internal auditors to have a follow up process to monitor action taken to address issues identified as part of internal audit work.
- 10 It is important that agreed actions to address previously reported findings and internal control matters are regularly and formally followed up. This helps to provide assurance to Management and Members that control weaknesses have been properly addressed, and also provides assurance for our overall Head of Internal Audit Opinion.
- 11 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 to members as a result of our follow up work.

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Revenues and Benefits	In progress
CIPFA Financial Management Code	In progress
Cyber Risk Management	In progress
Payroll	In progress
Sundry Debtors and Debt Recovery	In progress
Risk Management	Planning
Creditors	Planning

Final reports issued

Audit	Reported to Committee	Opinion
Creditors	July 2021	Reasonable Assurance
Microsoft Office 365	July 2021	No opinion (project support)
Commercial and Economic Developments	July 2021	Substantial Assurance
Depot Security, Policies and Training	July 2021	No opinion (follow up work)
Leisure Centres	October 2021	Substantial Assurance
Health and Safety Management	October 2021	Reasonable Assurance
Lifeguard Training	October 2021	Reasonable Assurance

Other work completed in 2021/22

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Certification of the Local Authority Compliance and Enforcement Grant
- Regular discussion with management, including ongoing discussions linked to local government reorganisation
- Ongoing review of key documentation and meetings/minutes to help inform our future work and provide assurance/insight for our 2021/22 opinion.

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT

Audit	Status		
	Do now	Do next	Do later
Strategic and Corporate risks			
Local Government Reorganisation (LGR) preparedness and emerging risk areas	✓	✓	✓
Post Covid-19 recovery and response plans		✓	✓
Medium term financial planning and the CIPFA Financial Management Code	✓		✓
Risk management	✓		
HR and workforce planning		✓	
Project Management			✓
Performance management and data quality			✓
Business continuity and disaster recovery		✓	
Procurement and contract management			✓
Climate change		✓	
Training and Development			✓
Financial Systems			
Payroll	✓		
Creditors	✓		
Sundry Debtors, including debt recovery	✓		
Income Collection		✓	
Budgetary Control		✓	
Revenues and Benefits	✓		
Treasury Management		✓	
Service Area Reviews			
Leisure Services		✓	
Environmental Health - food inspections and water safety inspections.		✓	
Customer Services			✓
Technical/Project Risks			
Cyber security	✓		
ICT Change Management			✓
Digitalisation / automation			✓
Support and review of specific key projects		✓	
Other Audit Assurance Areas			
Continuous Audit planning and assurance gathering to support our opinion.	✓	✓	✓
Follow up of management actions	✓	✓	✓

Further explanation on the work status

The programme of work is subject to ongoing review and will be adjusted in response to changes in the Council's activities, risks, operations, systems and controls. During the year, planned work is prioritised on the basis of:

- Do first – work of the highest value, priority, or urgency
- Do next – work to be started after current audit work is completed
- Do later – work to be scheduled for consideration later in the audit year

Changes in the priority and timings of work are agreed with council officers.

Individual audit assignments can also move between the categories as required. For example an audit scheduled for quarter 3 to minimise the impact on a service area may initially be classed as "do later", but will become "do now" as we move into quarter 3. Similarly, an audit classed as "do now" because it represents an area of high importance to the Council may move from "do now" to "do next" or "do later", if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, some audits classed as "do later" are likely to be deferred until the next year.

Work to support our Annual Opinion

As reported when the programme of internal audit was agreed by Members at the March 2021 Committee, the programme of internal audit work is prepared on the basis of an initial assessment of risk and to ensure there is sufficient coverage of the framework of governance, risk management and internal control.

We have defined the following as areas where assurance is required in order to enable us to provide an evidence based opinion:

- Strategic planning
- Organisational governance
- Financial governance
- Risk management
- Information governance
- Performance management and data quality
- Procurement and contract management
- People management
- Asset management
- Programme and project management
- ICT governance

The requirement for providing assurance across these areas is taken into account when prioritising work.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

*There are circumstances when it is not appropriate to give an opinion/assurance level on completed work, for example on project and other support, consultancy, grant certification and follow up work. When '**no opinion**' is our conclusion this is not to be confused with a no assurance opinion.

Priorities for actions

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

COUNTER FRAUD PROGRESS REPORT 2021/22

Date: 25 January 2022

Annex 2





BACKGROUND

- 1 Fraud is a significant risk to local government. Losses to councils are estimated to exceed £7.8 billion annually in the United Kingdom.¹
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. A total of 120 days of counter fraud work has been agreed for 2021/22. This time will be used to investigate allegations of fraud, plan and take part in counter fraud campaigns, undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 3 The purpose of this report is to update the Committee on counter fraud activity between 1 September 2021 and 30 November 2021.



FRAUD MANAGEMENT

- 4 The Council's Counter Fraud Framework was reviewed and updated in October 2021. This included an updated strategy action plan, and fraud risk assessment.
- 5 Veritau have noted an increase in both regional and national attempts by organised criminals operating from overseas to divert genuine payments made to council suppliers (i.e. mandate or payment diversion fraud). Veritau are reviewing the Council's processes for verifying changes to supplier's details to ensure they are robust enough to counter the latest threats posed by fraudsters.
- 6 A key objective for the counter fraud team is to raise awareness of fraud with members of staff and the public, and to inform them of how to report fraud if they suspect it is happening. Fraud awareness sessions on mandate fraud and cyber security were delivered to finance staff in November 2021. Whistleblowing training continues to be provided to staff.
- 7 A campaign to mark Cyber Security Awareness Month was delivered to staff in October. Another campaign to mark International Fraud Awareness Week was delivered to staff and the public in November.
- 8 Veritau attends the Council's Covid-19 grant assurance group. The team and council officers meet to ensure that the Council completes the government mandated verification, investigation and recovery requirements for Covid-19 related grant payments.



MULTI-AGENCY WORK

- 9 The counter fraud team continues to support council officers addressing the data matches produced by the National Fraud Initiative. Instances of

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

suspected fraud have been reported to Veritau so that investigation can be considered. Further data is to be submitted to the National Fraud Initiative in January 2022 in relation to Covid-19 business grant payments.

INVESTIGATIVE WORK

- 10 The number of referrals received so far in 2021/22 is a return to pre-pandemic levels. To date 58 instances of suspected fraud have been reported compared to 37 in 2020/21.
- 11 Seventeen cases are currently under investigation by the team. In addition, one Covid-19 support payment is being verified.
- 12 Investigation has resulted in five warnings being issued – three relating to Covid-19 grant applications, and two relating to claims for council tax single person discounts. Two attempts by organised criminals to gain Covid-19 business grants were prevented.
- 13 A summary of investigation work is included in appendix A, below.

APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

	2021/22 (As at 30/11/21)	2021/22 (Target: Full Yr)	2020/21 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£5,230	£16,000	£4,741
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	56%	30%	29%
Amount of savings from the prevention of Covid-19 grant fraud	£5,681	n/a	£140,000

Caseload figures for the period are:

	2021/22 (As at 30/11/21)	2020/21 (Full Year)
Referrals received	58	37
Number of cases under investigation	17	22 ²
Number of investigations completed	18	22
Number of verification case completed	5 ³	9

² As at the end of the financial year (i.e. 31/03/2021)

³ These cases related to Covid-19 grant applications.

Work completed or in progress

The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2021/22 includes the following:

- **Covid-19 related fraud** – Seven applications for Covid-19 business grants have been investigated to date. Investigation resulted in a payment of £4.7k being stopped, and recovery of over £900. Two scams were identified and reported to the National Anti-Fraud Network. Three businesses were issued warnings in relation to grant payments. Eight reports of Covid-19 grant related fraud have been received to date.
- **Council Tax Reduction fraud** – The team has received 22 council tax reduction referrals to date. Four investigations have been completed and three remain under investigation.
- **Council Tax Fraud** – Eight referrals for potential council tax fraud have been received to date. Seven investigations have been completed in this area. Two people have been issued with warnings in relation to receiving a Single Person Discount incorrectly. Investigative work helped the council achieve £5.2k in savings in this area.
- **NNDR fraud** - There are no business rates cases currently under investigation. Three referrals have been received this year.
- **Internal fraud** – No internal fraud referrals have been received in 2021/22.

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 25 January 2022

From: Interim Director of Finance (s151 Officer)

Subject: **Update to the Internal Audit Charter**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Under the Accounts & Audit Regulations 2015, it is a statutory requirement for councils to have effective internal audit that complies with public sector internal audit standards.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) requires that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter. The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. Final approval of the Internal Audit Charter resides with this committee
- 1.3 The Internal Audit Charter has been subject to some minor updating and the Committee is asked to approve the latest council's Internal Audit Charter.

2.0 The Report

- 2.1 The Internal Audit Charter was last updated and approved by members in October 2019. A review of the charter has been completed following the appointment in 2021 of the Interim Director of Finance who replaced the Director of Finance and Partnerships. A small number of minor updates to the Audit Charter are proposed to reflect this change in post title. There have been no revisions to the sector guidance so no additional changes are proposed.
- 2.2 A copy of the proposed updated Audit Charter is included at annex 1 which includes tracked changes showing the revisions

3.0 Link to Council Priorities

- 3.1 The work of 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.

4.0 Risk Assessment

4.1 There are no risks associated with this report.

5.0 Financial Implications

5.1 There are no financial implications associated with this report.

6.0 Legal Implications

6.1 There are no legal implications associated with the recommendations in the report.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity Issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 That:

- (1) the review of the Internal Audit Charter be noted; and
- (2) the Internal Audit Charter be approved.

Noel O'Neill
Interim Director of Finance (s151 Officer)

Background papers: None

Author ref: SC

Contacts: Stuart Cutts, Assistant Director – Audit Assurance
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stuart.cutts@veritau.co.uk



**Hambleton District Council
Internal Audit Charter**





[22-October-January_20192022](#)

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 the Chartered Institute of Public Finance and Accountancy (CIPFA) adopted revised Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The Public Sector Internal Audit Standards (PSIAS) and Chartered Institute of Public Finance and Accountancy (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 Hambleton 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 Public Sector Internal Audit Standards (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 Public Sector Internal Audit Standards (PSIAS) these terms are defined as follows at Hambleton District Council.

"Board" – the Audit, Governance and Standards 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 Public Sector Internal Audit Standards (PSIAS) should be taken to refer to the Director of Finance ~~and Commercial~~ (s151 Officer) in their role as Chief Financial 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 Senior Management Team (SMT) in relation to:

- having direct and unrestricted access for reporting purposes

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

- consulting on risks affecting the Council for audit planning purposes
- approving the release of information arising from an audit to any third party.

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 Public Sector Internal Audit Standards (PSIAS), the mission of internal audit at Hambleton 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 Public Sector Internal Audit Standards (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 Hambleton. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the Public Sector Internal Audit Standards (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 Audit, Governance and Standards 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 Public Sector Internal Audit Standards (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

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

- draw up an indicative risk based audit plan on an annual basis following consultation with the Audit Committee and senior management. The audit plan will also reflect the requirements of the Charter, the strategy, and proper practice.
- consider trends and emerging issues that may impact the organisation.

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

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

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

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

- the mission of internal audit, core principles and standards as set out in the Public Sector Internal Audit Standards (PSIAS) and reflected in this charter
- the code of ethics in the Public Sector Internal Audit Standards (PSIAS)⁴
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council

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.

- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

- 6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.
- 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 Director of Finance ~~and Commercial~~ (s151 Officer) 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 Audit, Governance and Standards Committee)
 - Chief Executive
 - Director of Finance ~~and Commercial~~ (s151 Officer)
 - Monitoring Officer

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.

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- other directors and service managers.

7.3 As Chief Financial Officer, the Director of Finance and Commercial (s151 Officer) has specific responsibilities for ensuring that the Council has effective systems of risk management and internal control. The role includes a responsibility to ensure that the Council has put in place arrangements for effective internal audit. In recognition of 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 them. This is included in Appendix 1.

7.4 The Head of Internal Audit will report independently to Audit, Governance and Standards Committee⁷ on:

- proposed allocations of audit resources
- any significant risks and control issues identified through audit work
- 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 Audit, Governance and Standards Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.

7.6 Audit, Governance and Standards 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.

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

⁸ The relationship between internal audit and Audit, Governance and Standards Committee is set out in more detail in Appendix 2.

8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit, Governance and Standards 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 Director of Finance ~~and Commercial~~ (s151 Officer) and the Audit, Governance and Standards 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 Director of Finance ~~and Commercial~~ (s151 Officer) and to Audit, Governance and Standards Committee.

10 Rights of access

10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:

- enter all Council premises or land, at any reasonable time
- have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
- have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
- be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.

10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Director of Finance ~~and~~ [Commercial](#) (s151 Officer) and Audit, Governance and Standards Committee, for approval.

Appendix 1

Relationship between the Director of Finance ~~and Commercial~~ (s151 Officer) and internal audit

- 1 In recognition of the statutory duties of the Council's Director of Finance ~~and Commercial~~ (s151 Officer) this protocol has been adopted to form the basis for a sound and effective working relationship between the Director of Finance ~~and Commercial~~ (s151 officer) and internal audit.
 - (i) The Head of Internal Audit will seek to maintain a positive and effective working relationship with the Director of Finance ~~and Commercial~~ (s151 Officer)
 - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the Director of Finance ~~and Commercial~~ (s151 Officer), in addition to Audit, Governance and Standards Committee
 - (iii) The Director of Finance ~~and Commercial~~ (s151 Officer) will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of their statutory duties. In devising the annual audit plan and in carrying out internal audit work, the Head of Internal Audit will give full regard to the comments of the Director of Finance ~~and Commercial~~ (s151 Officer)
 - (iv) The Head of Internal Audit will notify the Director of Finance ~~and Commercial~~ (s151 Officer) of any matter that in the Head of Internal Audit's professional judgement may have implications for the Director of Finance ~~and Commercial~~ (s151 Officer) in discharging their statutory responsibilities
 - (v) The Director of Finance ~~and Commercial~~ (s151 Officer) will notify the Head of Internal Audit of any concerns that they may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review
 - (vi) The Head of Internal Audit will be responsible for ensuring that internal audit is provided in accordance with proper practice
 - (vii) If the Head of Internal Audit identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then they will make representations to the Director of Finance ~~and Commercial~~ (s151 Officer), as well as to Audit, Governance and Standards Committee

- (viii) The Head of Internal Audit will report to the Director of Finance ~~and Commercial~~ (s151 Officer) and the Audit, Governance and Standards Committee any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action
- (ix) The Head of Internal Audit will report to the Director of Finance ~~and Commercial~~ (s151 Officer) and the Audit, Governance and Standards Committee any instances where audit work has not conformed to the code of ethics and/or the standards. This includes the reasons for non-conformance and the possible impact on the audit opinion
- (x) The Director of Finance ~~and Commercial~~ (s151 Officer) will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

Appendix 2

Relationship between Audit, Governance and Standards Committee and internal audit

- 1 The Audit, Governance and Standards 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 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 Audit, Governance and Standards Committee, the Head of Internal Audit 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

Appendix 2

- (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 Head of Internal Audit feels necessary to specifically report to the Committee. This includes risks which management are failing to address but which the Head of Internal Audit 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 Head of Internal Audit will informally meet in private with members of Audit, Governance and Standards Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.

Hambleton District Council

Report To: Audit Governance and Standards Committee

Date: 25 January 2022

Subject: **CIPFA Financial Management Code**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of this report is to provide Members with a review of compliance with the CIPFA Financial Management Code and a statement of compliance.
- 1.2 A report was presented to Audit, Governance and Standards Committee at its meeting on 23 March 2021 outlining the purpose of the Code and the progress of the Council towards attaining compliance.

2.0 Report

- 2.1 Explicit standards are set out by the Financial Management Code. The standards articulate the practical application of the principles of sound financial management embedded in legislation, guidance notes and professional standards of practice and ethics. It covers the actions and roles of both Members and Officers. Whilst compliance with the code is mandatory, the Code does not prescribe how that should be achieved.
- 2.2 There are 17 CIPFA Financial Management Standards set out in the Code. The Council has reviewed its current processes, procedures and governance arrangements to assess its compliance with the Code and identify further improvement work that may be needed. This assessment is attached at Annex A of the report and shows the assessment of each category and sub-category.
- 2.3 Annex A clearly shows that the Council meets the standards required by the CIPFA Financial Management Code. Internal audit undertook a review of this assessment and reviewed the supporting evidence to validate the assessment in December 2021. At the time of writing some additional evidence is being provided but the results of the work will be disclosed at the meeting. This assessment should give Members further assurance that of the robustness of the financial practices and procedures within the Council.

3.0 Links to Council Priorities

- 3.1 Compliance with standards supports the Council's overall aims and priorities by promoting probity, integrity and honesty. All of this supports the Council to become a more effective organisation.

4.0 Risk Assessment

4.1 There are no specific risks associated with accepting the recommendations in this report.

5.0 Financial Implications

5.1 There are no specific financial implications associated with this report.

6.0 Legal Implications

6.1 The Code does not have any statutory backing. However, it is good practice to comply with professional codes. There is also an obligation for Members of CIPFA, such as current interim Director of Finance to adhere to the Code.

7.0 Equality/Diversity Issues

7.1 Equality and diversity issues have been considered. There are no specific issues associated with this report.

8.0 Recommendation

8.1 That the Committee notes the assessment of the Council's compliance with the CIPFA Financial Management Code and the review undertaken by internal audit.

Noel O'Neill
Interim Director of Finance

Background papers: None

Author ref: NPO

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SECTION 1 – THE RESPONSIBILITY OF THE CFO AND LEADERSHIP TEAM

	Code of Standards / Statements of Standard Practice	Current Assessed Status	Reasons / Evidence Base	Supplementary evidence	Any further Actions
A	The leadership team demonstrates that the services provided by the authority provide value for money.	Comply well	<p>VFM assessment undertaken by external auditors as part of their annual review.</p> <p>Leader team refers to senior officers and elected members, not just the CFO. That the CFO is acting in concert with senior officers and not in isolation. Financial advice provided is timely and relevant</p> <p>All service developments or investments are considered in terms of outcome for the residents and costs. Decisions are made in terms of value for money and impact on residents.</p> <p>Management Team review performance across all services on a regular basis and report formally to Scrutiny Committee on quarterly basis.</p> <p>Consistent low council tax levels and high service satisfaction from residents.</p>	<p>The annual budget setting process commences with detailed work between service accountants and individual departments. The proposed budgets are reviewed at various levels before being presented for approval at Full Council/Cabinet.</p> <p>During this process, where necessary savings and spend to save initiatives are identified. This ensures that the Council's resources are employed in a cost effective and value for money conscious way.</p> <p>The Financial Regulations puts structures in place to multiple quotations and tenders before a new contract is entered into.</p>	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government	Comply Well	<p>The s151 (Director of Finance and Commercial) has reviewed their role as specified within the document and is satisfied that the requirements are met.</p> <p>In July 2021, Members decided to appoint an external interim section 151 Officer with extensive experience to oversee the Council and its financial standing to March 2023.</p>		
B1	The CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver strategic objectives sustainably and in the public interest	Comply well	<p>The s151 is a standing member of the Council's Management Team, attends Cabinet and Council meetings in a formal capacity</p> <p>It is the responsibility of the s151 Officer to prepare Financial Strategy, Capital Programme and Budget Reports for Members to consider when determining resources that are required to met the Council Plan.</p>		

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary evidence	Any further Actions
B2	The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and aligned with the Financial Strategy.	Comply Well	<p>The s151 Officer is actively involved through the decision- making process. All reports require the approval of the s151, via their role on Management Team, and the s151 Officer ensures that financial risks and implications are considered for all reports.</p> <p>S151 Officer chairs Programme Management Board that considers all capital investments before submission to the programme and Members for decision.</p> <p>The Strategic Risk Management Group is also chaired by S151 Officer and reports regularly to Management Team and Scrutiny Committee.</p>	All reports that have financial implications are sent to Finance for review and approval. Part of this process requires the consideration of short and long-term implications and an understanding of the risks associated with them.	
B3	The CFO must lead the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.	Comply Well	<p>Financial Strategy is set out by s151 Officer in conjunction with the Portfolio Holder Economy and Finance.</p> <p>Regular budgetary control reports are produced for service managers and quarterly reports are prepared for Management Team and Cabinet on the overall financial position of the Council.</p> <p>Financial training is offered to all new Members and Cabinet Members are trained on the Financial Strategy on an annual basis.</p>		
B4	The CFO must lead and direct a finance function that is resourced to be fit for purpose and regularly review the skill sets of all finance staff with senior budget / financial management responsibility	Comply	Addressed through the individual performance management process and compliance with Continuing Professional Development requirements. The Finance team are fully CCAB qualified accountants or AAT qualified.		Continue to review in the light of emerging LGR workload.

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary evidence	Any further Actions
B5	The CFO must be professionally qualified and suitably experienced and be able to demonstrate adherence to CPD requirements on an annual basis	Comply Well	Both the interim s151 (CIPFA) and Deputy s151 (ACCA) (Corporate Finance Manager) have the required professional qualifications and meet CPD requirements. Interim s151 was recruited with extensive experience across the local authority sector and in s151 roles specifically to increase the strength of the finance function.		
B6	The CFO should promote the highest standards of ethical behaviour in the conduct of financial management.	Comply Well	The financial procedure rules and internal controls ensure that ethical and other standards of behaviours are in place. The financial procedure rules are fit for purpose to see Hambleton District Council to March 2023. New rules for the new North Yorkshire Authority are being developed as part of the transition work. The day-to-day actions of both S151 and Corporate Finance Manager engender sound financial management and ethical behaviours.		
B7	The CFO should be able to provide the leadership team with sound advice on the key principles of local government finance and ensure that the authority has access to high standards of technical financial advice	Comply Well	Interim S151 Officer has extensive knowledge of local government finance and experience at Director level in a range of organisations. This knowledge and experience helps guide an experienced team in producing reports and managing the financial affairs of HDC. External technical advice is used to add value. In addition specific advice is sought when required to support specific projects. Members of Finance, through qualification and experience have acquired a sound knowledge of Local Government Finance as is applicable to their area of work and expertise.	Through recruitment and on-the-job training, members of Finance are kept up to speed on the requisite financial knowledge for their area of employment. Expert financial advice for VAT, Treasury are contracted. Specific advice has been sought on developments such as Treadmills, Crematorium and Commercial Investment. The latter was not pursued.	

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary evidence	Any further Actions
B8	The CFO should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialist advice to enable them to reach their conclusions	Comply Well	<p>The Council has a Capital Strategy that has been approved and the associated funding implications explained and budgeted for. This was approved as part of the 201/22 budget process in February 2021. HDC employ Link Asset Management for specialist treasury advice that supports this work.</p> <p>Local Government Reorganisation (LGR) is a key factor for consideration. Reports on determining 2022/23 programme consider deliverability in terms of both timescale and the impact on future finances.</p>		
B9	The CFO must establish the reporting and monitoring processes and integrate the treasury indicators into the overall financial planning process.	Comply Well	Long standing reporting and monitoring processes are embedded within the Council.		
B10	The Chief Finance Officer of Local Government Pension Scheme (LGPS) administering authorities satisfies the requirements of the CIPFA code of Practice on Public Sector Pensions Finance Knowledge and Skills	Comply	North Yorkshire County Council administer the LGPS on behalf of HDC. They comply with this requirement.		Need some evidence

SECTION 2 – GOVERNANCE AND FINANCIAL MANAGEMENT STYLE

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Action
C	The leadership team demonstrates its actions and behaviours responsibility for governance and internal control	Comply Well	<p>The Council's governance arrangements include a framework of assurance, as detailed within the Annual Governance Statement. The Annual Governance Statement is reviewed on an annual basis and approved at Audit Governance and Standards Committee along with the Statement of Accounts and Value for Money audit opinion.</p> <p>Fortnightly Management Team meetings agenda regular items on governance, internal control, performance management and risk. In addition regular reports on finance, key corporate projects and operation HR issues are considered.</p>	<p>Accounts and statements have been published on time every year and are available on website.</p> <p>External Audit reports have been slow. 2019/20 report is still awaited.</p>	
D	The authority applies the CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016)	Comply Well	The Council has adopted the CIPFA / SOLACE principles in the form of the Annual Governance Statement.		
D1	The authority maintains an effective audit committee	Comply Well	<p>Audit, Governance and Standards Committee is well established and reviews its effectiveness</p> <p>It meets 4 time per municipal year and the Chair has direct access to both Internal and External Auditors.</p>		
D2	The Audit, Governance and Standards Committee receives and monitors the implementation of internal and external audit recommendations. When threats to the financial sustainability of the authority are identified by auditors the audit committee should ensure that the recommendations are communicated to the leadership team and that the committee are informed of the effectiveness of the leadership team's response	Comply Well	Audit Committee sees the management response and implementation plan from audit recommendations. Each Audit and Standards Committee receives reports from both internal and external auditors on progress of recommendations.		

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Action
E	The Financial Management Style of the authority supports financial sustainability				
E1	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the political leaders, elected members to directors, finance officers and front-line service managers	Comply Well	<p>There is a clear framework for financial accountability across the Council. Service Mangers are responsible for their budgets liaise with the Finance Team on a monthly / quarterly basis. The implementation of the new finance system on 01/04/2020 has raised awareness to segregation of duties and control of budget authorisation.</p> <p>Budget Outlook is presented to Management Team monthly where the financial position can be scrutinised and challenged.</p> <p>Management Team have a culture of collective responsibility for financial matters and decision are made as group.</p> <p>s151 meets with the Deputy leader Portfolio Holder for Economic Development and Finance every 2 weeks and the Chief Executive and Deputy Chief Executive meet with the Leader and Deputy Leader weekly.</p> <p>Regular reports on financial AND management performance are submitted to Management Team with formal reports to Cabinet on budget and capital programme and Scrutiny on Performance and Risk each quarter.</p>		
E2	Finance teams and the areas they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	Comply Well	<p>A dedicated finance representative is attached to each service manager and the finance team are committed to continuous improvement, challenge, and advice.</p> <p>Performance is regularly reviewed and reported to Directors and Management Team.</p>	Positive attitude towards these reports and they have been refined to focus attention on key issues.	

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Action
E3	Enabling transformation; the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes	Comply	The Council is ambitious as the Council Plan portrays numerous far reaching key projects. Corporate Finance input into strategic project plans at inception stage through appraisals to Programme Management Board and Cabinet reports that seek approval of Council for resources. Corporate Finance have become more involved in implementation stage, specifically Crematorium and Treadmills schemes.		Need to manage as LGR process continues
E4	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	Comply Well	A core part of the Business Partnering support provided by Finance to Service Departments includes the improvement of financial literacy and bringing to bear the implications of financial choices. Line Managers have clear responsibilities and take them on in the reporting lines and formal reporting structures.		
E5	The Financial Management of the authority has been critically evaluated.	Comply	<p>A three-day peer review took place in 2017 when the Local Government Association came on site with peers from other councils.</p> <p>The appointment of a new interim s151 Officer has brought fresh challenge to the processes and structures adopted within HDC. Some improvements have been made.</p>	<p>Whilst this is outdated, a review by the new interims151 gives confidence that the process remains robust.</p> <p>A North Yorkshire wide LGR Finance Implementation Group has been created and meets fortnightly. Some of the work programme is about maintaining budgetary and financial rigour through the transition phase. Interim S151 Officer plays a lead role in this.</p>	

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Actions
F	The authority has carried out a credible and transparent Financial Resilience Assessment				
F1	Financial resilience is stress tested against best- and worst-case scenarios which cover a wide range of financial, demographic and social challenges	Comply Well	<p>The Financial Strategy 2021/22 to 2024/25 contains a comprehensive Financial Risk Analysis. The level of balances retained by the Council means that it is strong and resilient financially.</p> <p>Key investment decisions over the past two years have been made in the full knowledge of the risk of both doing and not doing the work. The economic impact of COVID 19 on the economy has also influenced the scale of delivery.</p>	The Capital Strategy, Financial Strategy and the Capital Programme are underpinned by a thorough understanding of risk and financial resilience.	
F2	The authority uses independent objective quantitative measures to assess the risks to its financial sustainability	Comply	Limited use of the CIPFA Resilience Indicators has helped underpin the assessment by Interim S151 Officer.		Need to review again when more up to date data is available.
F3	Decision making by the authority demonstrates a sound understanding of its risks and the risks of its strategic business partners	Comply Well	<p>The Council Plan sets out the vision and shapes the Services provided. Delivery requires detailed risks as part of the Council's Risk Register. This is overseen by the Strategic Risk Group, Chaired by Interim s151 Officer reported to Audit, Governance & Standards Committee annually and quarterly to Scrutiny Committee.</p> <p>ALL reports for decision by Cabinet or Council have a section that covers the risks associated with the matter in hand.</p>	Service risk registers identify the implications of potential failure and failure of significant partners.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	Comply Well	<p>The Council has a 4 years Financial Strategy due to the impact of Covid-19 and with Local Government Reorganisation on the horizon. Prior to this a 10- year financial strategy has been in place and this is supported by the 10- year capital programme and the 4-year Council Plan.</p> <p>The Financial Strategy, Capital Programme and Council Pan are reported to Members annually.</p>		

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Actions
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	Comply Well	The Council complies with this Code and reports to Cabinet and Council on an annual strategy and outturn basis as well as quarterly monitoring reports.		
H1	The authority has a capital strategy aligned to its long-term financial strategy	Comply Well	<p>The Capital Strategy is approved at Council every year for the last three years. This supports the 10-Year Capital Programme and the funding implications are included in the budget and Financial Strategy. Moving forward LGR influences this.</p> <p>The initial budget and capital programmes for 2022/23 have been drafted in line with the current Financial Strategy but adapted to consider LGR. Will be updated in line with the 2022/23 local Government Financial Settlement when known.</p>		

SECTION 3 – LONG TO MEDIUM TERM FINANCIAL MANAGEMENT

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Actions
H2	The authority has an asset management plan that reviews the condition, sufficiency and sustainability of assets in the light of business needs which links to the Financial Strategy The plan should evidence rigorous assessment of the asset portfolio in relation to service delivery	Comply	The Council has an asset management plan that has informed the investment made in the Capital Programme over the past 3 years. It continues to inform investment decisions, particularly around leisure assets and decarbonisation programme.	New stock condition surveys and investment plans will be required by the new North Yorkshire Authority. Decisions on points of service delivery and the aggregation of assets in each locale will inform this.	Not in the light of LGR.
H3	The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action	Comply	Key areas of the balance sheet are monitored on a regular basis		
I	The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans	Comply Well			
I1	The authority has a rolling multi-year Medium Term Financial Plan	Comply Well	The council has a four-year rolling Financial Strategy 21/22 to 24/25 and for the last 10 years has had a 10-year long term strategy		
I2	The authority has sustainable service plans that are consistent with its Financial Strategy	Comply Well	The Council has Service Plans, monitored on a quarterly basis to Scrutiny Committee. The Services Plans relate directly to the Council Plan which includes a section on financial sustainability.		
I3	The Medium-Term Financial Plan should refer to other organisational plans and service plans	Comply	The 4-year financial strategy links to the service plans through the budget and the reserves in the financial strategy align with some of the Council's organisational plans. The impact of improved services or efficiency are modelled in the Financial Strategy.		

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any further Actions
14	To inform the Leadership Teams decisions, the authority has a single document tracking progress in the delivery of planned savings over the period of the MTFP	Comply Well	<p>The Budget Outlook reported to Management Team regularly provides this. The MTFS is updated and also shared with the Leadership Team as significant changes happen. In 2020/21 and early 2021/22 major focus has been on the impact of COVID 19 on service delivery, costs and loss of income. Regular reports have focussed Management Team and Cabinet on the impact.</p> <p>Please note that savings are not the only issue. Income generation is a key strand to HDC Strategy.</p>	The financial resilience of HDC and the strong financial management culture across the whole Leadership Team has enabled services to be delivered as best as possible under the Lockdown restrictions and the recovery phase in a safe manner.	
15	<p>The authority publishes its plans for the use of reserves over the period of the Medium-term Financial Plan.</p> <p>The level of reserves at 31st March in any one year should not fall below the level previously agreed.</p> <p>The authority should demonstrate adherence to the most recent guidance on reserves from CIPFA's Local Authority Accounting Panel</p>	Comply Well	<p>Reserves are regularly monitored, as evidenced in the quarterly monitoring reports and the planned use of reserves is set out in the Financial Strategy.</p> <p>Reports would indicate where the criteria for minimum reserve balances have been breached.</p>		

SECTION 4 – THE ANNUAL BUDGET

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Actions	Support Required
J	The authority complies with its statutory obligations in respect of the budget setting process	Comply Well	All statutory obligations are met		
J1	The budget report is consistent with the current Medium-Term Financial Plan	Comply Well	The budget report states it is produced within the constraints of the Financial Strategy.		
J2	The annual report proposing the budget is reviewed by the leadership Team before being presented for approval and it also details the position on reserves	Comply Well	Management Team approve the budget prior to it being presented to Cabinet and the outturn report and quarterly monitoring reports detailed the movements on reserves.		
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves	Comply Well	A statement is produced annually and is presented as part of the Council Tax report.		

SECTION 5 – STAKEHOLDER ENGAGEMENT AND BUSINESS CASES

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any Further Action
L	The authority has engaged with key stakeholders in developing its long-term financial strategy, MTFP and annual budget	Comply Well	<p>The Council consults on its budget proposals annually through a questionnaire which is reported to Cabinet and Council in February. The s151 Officer liaises with business leads across the District and presents to them annually in line with the budget consultation process.</p> <p>For 2022/23, draft revenue and capital budgets were agreed at December Cabinet for formal consultation with stakeholders. This has been through an on-line survey for all residents. Business Leaders have been approached with a specific mail shot and key business groups.</p>		
M	The authority uses a documented option appraisal methodology to demonstrate VFM of its decisions	Comply	Options appraisals are undertaken on some projects across the council. Project Management Board meets monthly to hold project managers to account .		
M1	Option appraisal is compliant with the principles of "IFAC/PAIB and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal"		<p>As above. Where options appraisals have been undertaken, they have complied with the requirements.</p> <p>Post completion reports sign off a project</p>		A review of the impact of investments in service 2 years on would inform future service decisions.
M2	The accounting treatment of material decisions is considered and demonstrated as part of the formal option appraisal process	Comply Well	Financial advice is provided on the accounting treatment as part of any project. Project leads liaise with Finance team and Financial Implications are reported to Management Team in all reports and at Cabinet.		

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any Further Action
M3	The authority applies the principles contained in the CIPFA Service Reporting Code of Practice and utilises appropriate costing techniques in the development of business cases	Comply Well	The Council fully complies with SERCOP requirements.		

SECTION 6 – PERFORMANCE MONITORING

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any Further Action
N	The leadership takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Comply Well			
N1	Timely financial and performance information is available to services managers. The organisation ensures that information is appropriately tailored and streamlined to avoid the risk of 'data overload'	Comply Well	Financial monitoring reports are discussed with budget holders on a regular basis and at least quarterly. This provides a summary of the service, and full details of each of the cost centres under their control. Performance information is provided separately through the quarterly performance monitoring.		
N2	All financial monitoring reports include: <ul style="list-style-type: none"> The name of the budget holder responsible for the information presented Commitment Accounts Include the approved budget against which monitoring is taking place A forecast for the remainder of the budget period 	Comply Well	The budget information includes the Director and the Budget Manager responsible for the areas. Commitments are shown where the data is available. The monthly, year to date and full year budget is shown on the budget manager reports. These are processed following budget manager meetings and are shown on the next set of reports.		
N3	Financial monitoring reports for high risk budgets are scrutinised by members of Management Team on a regular basis.	Comply Well	Budget updates for key projects e.g. Crematorium, Treadmills, etc are reported to Board meetings on a regular basis. Budget Outlook is presented to Management Team monthly Financial monitoring is a standing item on the Cabinet forward plan on a quarterly basis and the Portfolio Holder is regularly updated by the s151		

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Supplementary Evidence	Any Further Action
N4	The authority has arrangements which allow annual service budgets to be recalibrated in response to unforeseen developments.	Comply Well	Budget managers can liaise with Corporate Finance to put through forecast adjustments at any point during the year and can also submit on-going growth if the issue is likely to recur. The Council's budget allows flexibility but ensures that the budget is tightly controlled so as to not overspend and Management Team apply this rigour. Any changes are reported to Members within the quarterly review and approval sought.		
N5	At the financial monitoring Quarter end the leadership team receives the actual budget position with forecast outturn for the year ahead.	Comply Well	Quarterly reports are reviewed by Management Team prior to going to Cabinet and Council and include predicted outturn.		
N6	There are appropriate arrangements in place for the project management and cost control of capital projects.	Comply Well	Project Management Board receives monthly and quarterly reports on ALL capital projects. Each project board also reviews actions and seeks to mitigate any potential increases in cost.		
O	The authority monitors the elements of its balance sheet which pose a significant risk to its financial stability				
O1	Unplanned and planned use of reserves are reported (quarterly) to the management team of the organisation and to Council.	Comply Well	Financial monitoring on a quarterly basis is a standing item on the Cabinet forward plan – Revenue Monitoring and Reserves - and this report includes a section on reserves. Any reports that include the use of reserves or borrowing are detailed in the Financial Implication section of the Cabinet report		
O2	Cash flow is managed through application of Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes (CIPFA, 2017).	Comply Well	The cashflow of HDC is reviewed on a daily and weekly basis within the Corporate Finance Team. Interim s151 Officer reviews regularly and considers the requirement to undertake any borrowing. The Council receives annually the Treasury Management Strategy Statement prior to the beginning of the financial year and the cashflow is monitored quarterly through the Capital and Treasury Management report with the outturn being reported annually every year.		

SECTION 7 – EXTERNAL FINANCIAL REPORTING

Code of Standards / Statements of Standard Practice		Current Assessed Status	Reasons / Evidence Base	Actions	Support Required
P	The CFO has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom	Comply Well	The statutory financial statements are approved by the s151 officer prior to their publication		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	Comply Well	Outturn report is produced for Management Team and shows all variations between budget and outturn. The Leadership Team utilise this information to consider level of future reserves to support investment decisions and any service changes.		

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Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 25 January 2022

From: Interim Director of Finance (s151 Officer)

Subject: **Appointment of External Auditor 2023 onwards**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

1.1 Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options.

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

To opt into the national scheme, a council must decide at a meeting of the Full Council.

1.2 This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The report is presented in the context of local government re-organisation and with the support of the Section 151 officer of all 8 councils in North Yorkshire.

1.3 In the context of the Local Government Re-organisation, (LGR), Public Sector Auditor Appointments (PSAA) has advised that existing councils should, if they choose to do so, opt-in to the arrangements in case there is a delay to Local Government Re-organisation.

2.0 The Report

2.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments for the period covering the accounts for 2018/19 to 2022/23.

- 2.2 Public Sector Auditor Appointments is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. In late 2021/22, all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by Public Sector Auditor Appointments.
- 2.3 Given our transition to a new unitary council from 1 April 2023, and with agreement of the Section 151 Officers of all eight councils in North Yorkshire this report concludes that the sector-wide procurement conducted by Public Sector Auditor Appointments will, on balance, produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurement exercises;
 - if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract; and
 - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
- 2.4 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 1 April 2023, the Council needs to return completed opt-in documents to Public Sector Auditor Appointments by 11 March 2022.

3.0 Link to Council Priorities

- 3.1 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
- 3.2 The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
- 3.3 Appointment of an appropriate external auditor ensures that the Council adheres to all accounting and financial management standards. The assessment of best value and value for money from an appropriate external auditor will also ensure that Members are assured that the Council is delivering excellent services that meets its priorities.

4.0 Risk Assessment

4.1 The principal risks are that the Council:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

4.2 These risks are considered best mitigated by opting into the sector-led approach through Public Sector Auditor Appointments although as we have experienced over the last two years there are challenges within the audit sector which are impacting on timely delivery.

5.0 Financial Implications

5.1 The levels of fees will probably rise because of this decision. However, there is potential savings from the creation of the new North Yorkshire Council that could mitigate this.

5.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering a large-scale collective procurement arrangement.

5.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

6.0 Legal Implications

6.1 Appointing an appropriate external auditor is a requirement the Local Audit and Accountability Act 2014. Section 7 of the Act requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Approving this report meets the statutory requirements.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 The Audit, Governance and Standards Committee recommends that Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Noel O'Neill
Interim Director of Finance (s151 Officer)

Background papers: None
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