



Notice of meeting of a public meeting of the Audit & Governance Committee

- To:** Councillors N Barnes (Chair), Dew (Vice-Chair),
Cuthbertson, Fenton, Flinders, Kramm and Lisle
Mr Mendus and Mr Bateman
- Date:** Wednesday, 7 December 2016
- Time:** 5.30 pm
- Venue:** The Thornton Room - Ground Floor, West Offices (G039)

AGENDA

1. Declarations of Interest

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

2. Minutes (Pages 1 - 12)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 28 September 2016.

3. Public Participation

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Tuesday 6 December 2016.**

To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

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The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at:

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4. Implementation of actions arising from the Internal Audit Report on Health and Safety (Pages 13 - 22)

This report responds to the specific issues identified in the Internal Audit Follow Up Report presented to this committee on 28 September 2016.

5. Sickness Absence Management Update Report (Pages 23 - 34)

This report responds to the specific issues identified in the Attendance Management (follow-up) memo dated 18th January 2016. It also outlines the wider actions and plans in place to manage sickness absence in the council, including the implementation of iTrent absence management, which is a recommendation of the audit. The report also provides an update on the Workplace Wellbeing Charter.

6. Information Governance and Freedom of Information Report (including information security) (Pages 35 - 48)

This report provides Members with an update on the following issues:

- information governance performance

- the new General Data Protection Regulation (GDPR)
- the Information Commissioners Office (ICO) data protection audit and recommendations
- compliance with the Local Government Transparency Code 2015 (LGTC 2015)
- the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (IG Toolkit) update
- information security checks

7. Appointment of External Auditors (Pages 49 - 66)

This report details the changes to the arrangements for appointing External Auditors following the end of the current transitional arrangements on completion of the 2017/18 audit and sets out the options for future appointment available to the Council.

8. Local Code of Corporate Governance (Pages 67 - 80)

This report provides a review of the Code of Corporate Governance following the updated framework and guidance notes issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

9. Scrutiny of Treasury Management Midyear Review and Prudential Indicators 2016/17 (Pages 81 - 98)

This paper presents the Treasury Management Mid Year Review and Prudential Indicators 2016/17 report which was considered by the Executive on 24 November 2016. The report provides an update on treasury management activity for the first six months of 2016/17.

10. Audit and Governance Committee Forward Plan to September 2017 (Pages 99 - 106)

This paper presents the future plan of reports expected to be presented to the committee during the forthcoming year to September 2017.

Members are asked to note that, as an additional meeting has been convened, some of the items that were due to be considered at this meeting (including the auditors' reports) have been deferred to the meeting on 20 December 2016.

Members are asked to identify any further items they wish to add to the Forward Plan.

11. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

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For more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

This information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی میا کی جا سکتی ہیں۔ (Urdu)

 (01904) 551550

City of York Council

Committee Minutes

Meeting	Audit & Governance Committee
Date	28 September 2016
Present	Councillors N Barnes (Chair), Cuthbertson, Fenton, Flinders, Lisle, D'Agorne (Substitute for Councillor Kramm) and K Myers (Substitute for Councillor Dew) and Mr Mendus
In attendance	Councillor Warters
Apologies	Councillors Dew and Kramm and Mr Bateman

20. Declarations of Interest

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda.

- Councillor Barnes declared a personal interest in agenda item 10 (Programme/Project Management Update) in respect of references to the Community Stadium, as his employer was a sponsor of York City Football Club.
- Councillor Flinders declared a disclosable pecuniary interest in agenda item 10 (Programme/Project Management Update), as he was employed as a project manager. He also declared a prejudicial interest in respect of any references to York Central and stated that he would refrain from participating in any discussion in respect of that project.

21. Minutes

Resolved: That the minutes of the meeting of 27 July 2016 be approved as a correct record and then signed by the Chair.

22. Public Participation

It was reported that there had been one registration to speak at the meeting under the council's Public Participation Scheme.

Ms Gwen Swinburn spoke in respect of agenda item 9 – Audit and Counter Fraud Monitoring Report and agenda item 4 – Annual Financial Report – Statement of Accounts. Ms Swinburn stated that she had participated in the statutory citizen audit of City of York Council accounts and had lodged a valid objection regarding procurement. She gave details of this objection, which related to officers being unable to locate finance and contract documentation which she had requested. Ms Swinburn also expressed concerns regarding findings detailed in the Internal Audit Report on Sub-Contracting Arrangements (Civil Engineering and Building Maintenance) which had been given a Limited Assurance opinion. Ms Swinburn quoted from the audit report and stated that the report highlighted concerns that had previously been raised regarding procurement. She asked that consideration be given as to whether the accounts should be signed off in these circumstances.

23. Annual Financial Report - Statement of Accounts 2015/16

Members considered a report which presented the final set of accounts for 2015/16. The report reflected the changes made since the draft pre-audit accounts had been presented to the committee on 27 July 2016.

Members' attention was drawn to paragraphs 12 and 13 of the report which outlined areas identified in 2015/16 which would form the basis of a structured improvement programme in the production of next year's accounts.

Officers were asked about the issue raised under the Public Participation agenda item regarding some financial documentation not being available to a member of public. Officers explained that policies and procedures, such as the Contract Procedure Rules, were in place and they were satisfied that in the majority of cases they were applied correctly. It was, however, inevitable that in an organisation which purchased goods and services to the value of around £130m, there would be occasions when not all of the documentation was available. The Finance Team's capacity was such that it had to focus its work on high spend or high risk areas. Much progress was being made in monitoring compliance and the Internal Audit team also contributed to this work. Compliance checks were carried out and action was taken when breaches had occurred. Officers confirmed that in instances when there had been a

variation from procedures, they did not believe that this undermined the robustness of the accounts.

- Resolved:
- (i) That the matters set out in the Audit Completion Report presented by the external auditor be noted.
 - (ii) That the amended Annual Financial Report, at Annex A, be approved for signature by the Chair in accordance with the Accounts and Audit Regulations 2015.
 - (iii) That the letter of representation, as included in the Audit Completion Report, be approved for signature by the Director of Customer and Business Support Services.

- Reasons:
- (i) To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.
 - (ii) and (iii) To ensure compliance with the International Auditing Standards and any relevant legislative requirements.

24. Mazars Audit Completion Report

Members considered the Audit Completion Report from Mazars which detailed the findings of their audit for the year ended 31 March 2016. Representatives from Mazars went through the key issues.

Members were informed that a local elector had lodged an objection to the Council's accounts and that Mazars were currently considering the Council's response to the issues raised in the objection. Mazars were intending to give an unqualified opinion on the statement of accounts and a Value For Money (VFM) conclusion on 30 September 2016. They would not, however, be able to certify completion of the audit until the objection had been determined, this was expected to be by the end of October 2016.

Members' attention was drawn to section 3 of the Audit Completion Report, which detailed the significant findings. Members were informed that particular consideration had been given to the management override of controls and also to pension entries. The external auditors stated that their work had provided the assurance they sought and that there were no matters to bring to Members' attention.

The external auditors informed Members of a significant matter that had required discussion with management. This issue related to the revaluation of Council dwellings. Whilst Mazars had accepted officers' views on the matter, they had recommended that the Council reviewed its approach to the revaluation of Council dwellings in the years when a full revaluation was not carried out. Officers had accepted this recommendation.

Members were informed that the recommendation in last year's Audit Completion Report to resolve historic discrepancies in the Council's bank reconciliation had been fully implemented and there were no outstanding issues.

Members' attention was drawn to the Value for Money conclusion detailed in Section 6 of the report. The external auditors stated that the Council had a good record of budget delivery and had achieved a better than expected outturn for both the General Fund and HRA in 2015/16. It was noted that ongoing pressures on the public finances meant that the medium term financial position was challenging.

The external auditors explained that the additional detailed probe work had recently been concluded on the following:

- Overall programme and project management arrangements
- The Community Stadium Project
- The Older Persons' accommodation project
- Integration of health and social care and the operation of the Better Care Fund
- The "Future Shape and Size" programme, which considered the Council's future operating model and how services might be re-shaped to meet the challenges faced by the Council

A separate report, setting out detailed findings and conclusions, would be discussed with officers and presented to the

committee but summary conclusions were outlined in the Audit Completion Report and were as follows:

- Improvements had been made to overall programme and project management arrangements. It was, however, important that the recommendations arising from the recent review by Veritau were fully implemented.
- As the procurement in respect of the Community Stadium was not yet completed, there were restrictions as to the information that could be made public because of commercial sensitivities. The external auditors stated that the Council had good arrangements in place, including a well-run procurement process. It was the external auditors' view that the Council could have provided more in its reporting, which may have given more assurance, but it was acknowledged that officers had sought legal advice as to what could be disclosed in public.
- The work undertaken on the older persons' accommodation programme had comprehensively addressed the issues that had been raised by Mazars previously.
- As experienced nationally, there were some significant challenges in progressing the integration of health and social care services. The Council had managed this difficult situation but there continued to be pressures and risks.
- The Future Shape and Size programme was progressing well. The external auditors did, however, recommend that milestones be included to show how the Council would move from where it was now to where it aimed to be.

Members requested that they received a copy of the report detailing the findings once this was finalised¹.

Members' attention was drawn to the tables within the Audit Completion Report which outlined the Value For Money assessment.

The external auditors also drew Members' attention to the progress made to date in implementing the recommendations arising from the Public Interest Report. Particular attention was drawn to recommendations 4 and 5 which related to the putting in place of guidance. The External Auditors stated that they believed this guidance to be important.

The external auditors expressed their appreciation of the support that they had received from the Council's finance team during the carrying out of the audit.

Members sought clarification as to how the value of the Council's housing stock was determined. They were informed that this was a desk top exercise carried out by appropriately qualified professional valuers employed by the Council and who acted in accordance with the relevant guidance. The Finance Team would work with the Property Services team to ensure that the recommendation from the external auditors was taken on board and would be reflected in the next draft accounts.

The external auditors were asked how they were dealing with the valid objection that had been lodged to the accounts. They stated that they were currently considering the Council's response to the matter that had been raised and they outlined the options that were open to them.

Members queried the role of the Audit and Governance Committee in monitoring the implementation of the recommendations arising from the Public Interest Report. It was noted that the Executive were leading on this issue. Members requested that they be kept updated on progress regarding those recommendations which were still outstanding².

Resolved: That the matters set out in the Audit Completion Report presented by the external auditor be noted.

Reason: To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

Action Required

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| 1. Arrange for report to be circulated/included on committee's work plan | EA |
| 2. Arrange for update to be provided to the Committee | JC |

25. Update on the Older Persons' Accommodation Review

Members considered a report that provided an update on progress in delivering the Older Persons' Accommodation Programme. Officers stated that progress on the project was on

target and they detailed some of the work that had taken place since they last reported to the committee. Officers responded to Members' questioning on particular aspects of the project and options that were being considered.

Members' attention was drawn to the risks outlined in the report and the mitigation that had been put in place.

The Chair reminded Members that the committee had requested that regular reports on the project be included in the committee's work plan because a previous audit had given only a limited assurance opinion. Members were asked to consider whether, in view of the progress that had now been made, the updates on the project should now be incorporated into the general project management updates that were presented to the committee.

Resolved: (i) That the report be noted.

(ii) That future updates on the programme be incorporated into the quarterly project management reports presented to the committee.

Reasons: (i) To ensure that the committee is kept updated and engaged on a key programme activity.

(ii) In view of the progress that had been made Members were content to receive future updates within the overall project management quarterly reports to the committee.

26. Key Corporate Risk Monitor 2 2016/17

Members considered a report which presented an update on the Key Corporate Risks for City of York Council and the refreshed Key Corporate Risk (KCR) Register 2016.

Members gave particular attention to the risk in respect of the Flood Risk Management which had been identified as a significant risk area. Members noted that there was no single agency tasked with the management of risk in relation to floods and that a collaborative approach was taken.

Officers were asked if the prioritisation of sites for the surface water work had been based on risk. They stated that a risk

based approach had been adopted and that this had also been applied in respect of the gulley cleansing programme.

Referring to KCR 09, officers were asked if the scrutiny review report on Ward Funding would be presented to the Audit and Governance Committee. Members were informed that it was not usual practice for the committee to receive scrutiny review reports as these went to the Executive, although they could request that this be included in the committee's work plan if the report identified issues which the committee wished to consider. The internal audit report on ward funding would, however, be presented to the committee in accordance with current reporting arrangements.

Officers were questioned about the arrangements that were in place to mitigate KCR 06 – workforce/capacity, including managing the loss of experience and expertise. Members were informed that a Workforce Development Plan was in place, and of some of the initiatives that were taking place including the apprenticeship scheme.

Officers gave details of the ways in which a more joined up approach was taken to risk management and project management, as outlined in paragraphs 28 and 29 of the report.

Members commented that it would be helpful if the direction of travel was indicated in future risk ratings to identify where risks had increased or decreased.

Resolved: (i) That the key corporate risks, detailed at Annex A of the report, be noted.

(ii) That the relevant responsibility for the management of flood risk be noted.

Reason: To provide assurance that the authority is effectively understanding and managing its key risks.

27. Internal Audit Follow Up Report

Members considered a report that provided the regular six monthly update to the committee on progress made by council departments in implementing actions agreed as part of internal audit work.

Members noted that, of the 68 agreed actions, 49 (72.1%) had been satisfactorily implemented and 11 (16.2%) were no longer needed.

Referring to recruitment checks 2015-16, Members expressed their concern that this action had not been completed due to other work commitments. Members stated that, in view of the importance of such checks, this action should have been prioritised. Officers clarified that the action related to the issuing of guidance to recruiting managers to help ensure DBS clearance was obtained and the establishing of a programme of reviews. DBS checks were being carried out. Members requested that they received further information on this issue to assure them that appropriate arrangements were in place.¹

Clarification was sought as to why no priority rating had been given to the audit recommendations in respect of the Better Care Fund, in view of its significance to the Council's budget. Officers stated that this had been an advisory audit.

Officers stated that they believed that, in general, good progress had been made by council departments to rectify weaknesses identified through internal audit work although there were actions that had not yet been implemented. In overall terms the implementation of actions was in line with that of previous years.

Resolved: That the progress made in implementing internal audit agreed actions, as detailed in paragraphs 5-14 of the report, be noted.

Reason: To enable Members to fulfil their role in providing independent assurance on the council's control environment.

Councillor D'Agorne requested that his concerns regarding the DBS checks action not having been completed, be recorded in the minutes.

Action Required

1 Arrange for information to be provided to the committee MB

28. Audit and Counter Fraud Monitoring Report

Members considered a report that provided an update on progress made in delivering the internal audit workplan for

2016/17 and on current counter fraud activity. Officers stated that work was on track to complete the audit workplan.

Referring to paragraph 9 of the report, Members sought clarification as to whether the housing department had been set a target in respect of savings through housing fraud investigation. Officers agreed to provide information on this issue following the meeting.¹

Officers were asked if the target completion dates were realistic. They stated that managers were aware of the follow-up processes and hence the need to ensure that actions could be achieved within the dates set.

Officers were asked about the arrangements that had been put in place to address issues identified in the Sub-Contracting Arrangements (Civil Engineering and Building Maintenance) audit report which had been given a limited assurance opinion. Officers explained that an investigation had taken place into the issues that had been raised in the report. They stated that mechanisms were in place to ensure that the council met its statutory responsibilities and protected the public purse but that these arrangements did deter some local providers from tendering.

Referring to the Direct Payments audit, officers were asked if it would be possible to put in place alternative arrangements for the six customers who received Direct Payments into a personal dedicated bank account in order to address the issue that had been identified. Officers agreed to look into this issue and report back². Members agreed that the Health and Adult Social Care Policy and Scrutiny Committee should be made aware of the findings of the Direct Payments Audit Report.

Members expressed concern that a number of follow-up actions from the Health and Safety audit were still outstanding, several of which were priority two actions. Concerns were expressed that any failure to abide by the requirements of health and safety legislation could have severe consequences for the Council. Members sought assurances that the agreed actions were on target to be completed within the specified timescale and requested that a report on this be provided at the next meeting.

- Resolved: (i) That the progress made in delivering the 2016/17 internal audit work programme, and current counter fraud activity, be noted.
- (ii) That the Health and Social Care Policy and Scrutiny Committee be made aware of the findings of the internal audit report on Direct Payments³.
- (iii) That, at the next meeting, a report be received on the implementation of the required actions arising from the internal audit of Health and Safety⁴.

Reason: To enable Members to consider the implications of audit and fraud findings and ensure that appropriate follow-up is being progressed.

Action Required

- | | |
|--|----|
| 1. Arrange for information to be provided to the committee | MT |
| 2. Arrange for information to be provided to the committee | MT |
| 3. Refer to Health and Adult Social Care Policy and Scrutiny Committee | JC |
| 4. Include in committee's work plan | EA |

29. Programme/Project Management Update

Members considered a report which provided an update on the project management framework, including areas of the framework that were being strengthened. The report also provided an update on “large” projects.

In response to questions from Members, officers confirmed that large and medium projects that had been identified had been transferred to Verto – the corporate project management system.

Resolved: That the updates to the programme and the project management approach be noted.

Reason: To ensure that the committee is kept updated on key programme and project activity.

30. Audit and Governance Committee Forward Plan

Members considered a report which presented the future plan of reports expected to be presented to the committee during the forthcoming year to July 2017. Members were invited to identify any further items they wished to add to the Forward Plan.

A suggestion was put forward that the committee may wish to give consideration to issues in respect of procurement. Members noted that the Corporate and Scrutiny Management Policy and Scrutiny Committee had requested reports on this issue and it was therefore agreed that, to avoid duplicating work that was already taking place, the Audit and Governance Committee would not request further information on this issue at this time.

Resolved: That the committee's Forward Plan for the period up to July 2017 be approved subject to the following amendments¹:

- Project management quarterly update report to be presented at the meeting on 7 December 2016.
- Report on the implementation of actions arising from the internal audit report on health and safety to be presented at the meeting on 7 December 2016.
- Report on the detailed probe work that had been carried out by Mazars.

Reason: To ensure that the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

Action Required

1. Update Forward Plan

EA

Councillor N Barnes, Chair

[The meeting started at 5.30 pm and finished at 8.05 pm].



Audit & Governance Committee**7th December 2016**

Report of the Assistant Director, Customer Service and Digital

Implementation of Actions Arising from the Internal Audit Report on Health and Safety**Summary**

1. This report responds to the specific issues identified in the Internal Audit Follow Up Report presented to this Committee on 28th September 2016.

Background

2. Internal Audit regularly undertake investigation audits on the health and safety performance of the Council. In 2016 it undertook a review of progress regarding the completion of any outstanding actions from the 2013/14 and 2014/15 audits. These audits were undertaken prior to the implementation of the new health and safety advisory arrangements involving sharing health and safety services between City of York Council (CYC) and North Yorkshire County Council (NYCC). The shared Head of Health & Safety was appointed in Autumn 2014 with an objective to improve health and safety management arrangements throughout the council.
3. In July 2016 a report was published following a review of performance against the agreed actions from previous health and safety internal audit reports. This review provided the opportunity to consider the earlier reports to ensure any actions that had not been fully completed where still appropriate following the introduction of the new arrangements. The report, following this review, was submitted to this committee on 28th September 2016. This purpose of this report is to provide a further update as to progress in relation to the outstanding actions. Members of the Committee are asked to note that many of these actions relate to contractual and/or corporate arrangements which needed to be established or changed and so will always take longer to implement than single service actions.

Health and Safety in CYC

4. Health and Safety in CYC is well managed with a robust Health and Safety Policy, endorsed by the Chief Executive, Corporate Management Team and Trades Unions and supported by a comprehensive Safety Management System. The Internal Audit Review Report identified that there were no significant risks that did not have controls but the level of reassurance was not sufficient to confirm that the controls were effective. Consequently greater reassurance has been introduced and a summary of the action and mechanism of improving reassurance is shown in Annex 1.
5. It should be noted that CYC is committed to continuous improvement particularly in relation to health and safety and one mechanism by which CYC is looking to simplify processes by the appropriate use of technology. The launch of the Yorsafety accident reporting and investigation system in April 2016 is an example of where a bureaucratic paper based system has been replaced by a system of instant reporting, with e-mail escalation followed by reminders, to ensure timely completion of investigation reports. A key element of the software is the Staff Warning Register. This register allows individuals to check addresses prior to undertaking visits to ensure that appropriate precautions can be taken where there are known risks. For example dogs, needles through to violent individuals. This is one of the key controls for lone working staff. Lone working being a key concern identified by the internal audit report.

Council Plan

6. The information outlined in this report is in line with the Council Plan and the People Plan which has health and wellbeing as an area of priority.

Implications

Financial

7. Failure to adequately implement health and safety systems can lead to accidents and ill health and potentially litigation costs.

Legal

8. Failure to ensure robust health and safety may result in legal action against the council.

Human Resources

9. If health and safety is not managed appropriately, the implications for staff members could be significant due injury from accidents or by causing or aggravating ill health.

Equalities

10. The poor recording of sickness absence reasons and related management action could result in reasonable adjustments or occupational health advice not being provided where staff are covered by the Equalities Act in relation to any disability.

Crime and Disorder

11. There are no Crime and Disorder implications

Information Technology (IT)

12. Matters relating to the Yorsafety system are covered in the report.

Property

13. There are no property implications.

Risk Management

14. The main risks relate to failure to provide assurance that adequate health and safety controls are in place. Mitigations will be put in place as detailed in the main body of the report.

Recommendations

15. Members are asked to note and comment on the contents of the report.

Reason: To respond to concerns raised in a follow up report into health and safety undertaken by internal audit.

Contact Details

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Chief Officer Responsible for the report:
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AD Customer Service and Digital
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**Report
Approved**



Date 28 November 2016

Wards Affected:

All



Background Papers:

- Audit & Governance Committee Minutes at:
<http://modgov.york.gov.uk/ieListDocuments.aspx?CId=437&MId=9185&Ver=4>

Annex: Summary of Actions and Response: Health & Safety

List of abbreviations used in this report:

CMT	Corporate Management Team
CYC	City of York Council
NYCC	North Yorkshire County Council
DMT	Directorate Management Team
HR	Human Resources
IT	Information Technology

Summary of Actions and Response: Health & Safety

Action No.	Report Ref	Issue	Risk	Agreed Action	H&S comments	Priority*	Responsible Officer	Timescale
1	2.1 – 2.2	Risks are not fully documented for services with an element of lone working	Staff are at increased risk of physical harm	The Health and Safety Auditor (AF) to take a sample of high risk service areas (e.g. social care) and assess the appropriateness of their documentation.	<i>Lone Working is a standard question and area of investigation on all the audits undertaken by the H&S Service. Detailed audits planned for Parking and Social Care before end of the 2016/17 financial year.</i>	2	Head of Health and Safety	April 2017
2	2.1 – 2.2	<i>As above</i>	<i>As above</i>	H&S to run a campaign to increase the awareness of the necessity of completing lone working risk assessments.	<i>The Lone Working compliance note is to be updated early 2017 and communicated appropriately to staff using Council systems.</i>	2	Head of Health and Safety	June 2017

Action No.	Report Ref	Issue	Risk	Agreed Action	H&S comments	Priority*	Responsible Officer	Timescale
3	2.4 – 2.7	There is no single premises register in place, identifying the health and safety obligations the council has for each property	Services may not be provided to properties that require it	H&S to regularly liaise with Property Services, Facilities Management and Housing to ensure there is corporate oversight and that all obligations are being met.	<i>H&S Staff now regularly attend the relevant Property Services meetings to identify any changes in risk.</i>	2	Head of Health and Safety	April 17
4	2.4 – 2.7	<i>As above</i>	<i>As above</i>	Premises registers for each H&S service to be compared with assets listed on Techforge to ensure that they are complete.	H&S review Property update register to ensure that relevant risks are covered and ensure they are monitored according to risk.	2	Head of Health and Safety	April 17
5	2.4 – 2.7	<i>As above</i>	<i>As above</i>	Property Services will now forward a report on a quarterly basis, detailing all acquisitions and disposals for the period. H&S service will update their premises registers to reflect changes.	<i>Property to highlight changes made each quarter to identify significant alterations to risk profile – audit as required</i>	2	Head of Health and Safety	April 2017 Complete

Action No.	Report Ref	Issue	Risk	Agreed Action	H&S comments	Priority*	Responsible Officer	Timescale
6	2.17	FRA actions are not followed up in a manner that provides the organisation with assurance over the management of fire risk	Actions from FRAs may not be completed, increasing the likelihood and impact of a fire risk	Complete the risk rating of properties requiring fire risk assessments.	<p><i>All properties have a fire risk assessment and are prioritised eg residential properties including sheltered and hostels have an annual review as they are high risk.</i></p> <p><i>Commercial premises – this is down to specific contract arrangements</i></p>	3	Head of Health and Safety	Oct 16 Complete
7	2.18 – 2.19	As above	As above	Formalise the follow up and escalation processes, stating trigger points which would instigate these processes.	<p><i>A completed action plan is to be submitted by the service manager within 30 days from the date of service of the report. The FRA is reviewed where required, and any outstanding actions are included in the standard escalation process. Where there are significant areas of concern this is escalated immediately.</i></p>	3	Head of Health and Safety	Oct 16 Complete

Action No.	Report Ref	Issue	Risk	Agreed Action	H&S comments	Priority*	Responsible Officer	Timescale
8	2.21 – 2.23	Asbestos risk registers and associated asbestos management plans are not being reviewed in council occupied non-domestic premises in accordance with statutory requirements	Reviews are not taking place which could mean that changes that affect asbestos management may not be identified.	Undertake a search of all premises files to identify the properties with missing reviews and management plans. Ensure coverage of these properties in the next review programme. Requirements for asbestos checks for commercial properties to be communicated by Property Services in a timely fashion,	<i>All premises with asbestos risk registers are reviewed on a regular basis in accordance with statutory requirements. Regular updates are now provided on changes to the CYC property list to ensure all premises are covered. Commercial tenants have been reminded regarding their responsibilities on taking up a tenancy.</i>	3	Head of Health and Safety	Dec 16 Complete
9	2.24 – 2.26	There are no up to date lists of site representatives for asbestos and legionella	Asbestos and legionella risks may not be managed appropriately, increasing the likelihood of exposure to asbestos or legionella bacteria	Complete the review of SALOs and SLRs by chasing and escalating review forms with the 'responsible officer' field left blank.	<i>Local management processes are identified during the H&S general audits. The audits updated to reflect local changes or where nominated people are not in place</i>	2	Head of Health and Safety	Sep 16 Complete
10	2.28 – 2.29	HAVS monitoring is incomplete because of missing, delayed,	An employee may develop HAVS because frequent	A decision will be made as to how the HAVS monitoring	<i>An evaluation of monitoring equipment is ongoing</i>	2	Head of Health and Safety	April 2017

		inaccurate or incomplete monitoring forms	exceeding of the safe limit was not identified and addressed	system will operate in the future.	<i>to improve the ease by which records are recorded and maintained.</i>			
11	2.30 – 2.32	The processes for keeping the list of employees who require health surveillance up to date are not working effectively	Early signs of ill health are not identified because health surveillance is not undertaken	Adjust the risk assessment policy to ensure that managers are required to provide an annual update of employees requiring health surveillance to Business Support.	<i>A revised system for ensuring staff who need health surveillance are provided with it is being developed.</i>	3	Head of Health and Safety	April 17

*The priorities for actions are:

Priority 1: A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2: A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.

Priority 3: The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Audit & Governance Committee**7th December 2016**

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

Sickness Absence Management**Summary**

1. This report responds to the specific issues identified in the Attendance Management (follow-up) memo dated 18th January 2016. It also outlines the wider actions and plans in place to manage sickness absence in the council, including the implementation of iTrent absence management, which is a recommendation of the audit and will improve the recording of sickness absence across the council.
2. In addition, this report provides an update on the Workplace Wellbeing Charter; a statement of intent showing the council's commitment to improving the health and wellbeing of the people who work for us.

Background

3. In March 2013 the Corporate and Scrutiny Management Committee concluded a review of the council's sickness absence policy and its recommendations for improvement were approved by Cabinet in May 2013. The recommendations made in that report were enshrined within the revised policies finalised in October 2013 that the council has in place today.
4. On 9th July 2014 Veritau issued an internal audit report on Attendance Management. The overall opinion gave limited assurance and four findings were raised including one priority finding relating to the council not recording all items of sickness on iTrent (the council's payroll / human resources (HR) management information system).

Absence Management in CYC

5. In response the HR service undertook a number of actions in order to address the issues identified in that audit. These include:

- the issuing of a monthly payroll email that goes to all staff and includes a reminder to managers asking them to complete a sickness absence return (a copy is attached to the email) and for it to be returned to the HR Business Centre even if this was a nil return;
 - an email was sent to Assistant Directors (ADs) and Heads of Service (HoS) to remind them of the responsibility to ensure absence returns were sent for their services;
 - a record was kept for two months which showed which teams had submitted returns to baseline how many returns are expected to be received each month;
 - a report was taken to Council Management Team (CMT) on the issues identified in the audit and the actions being taken;
 - regular management information continues to be provided to CMT and Directorate Management Teams (DMTs) showing the levels of sickness absence;
 - absence management training is provided on an ongoing basis via the council's Workforce Development Unit.
6. In line with Veritau's follow-up procedure, re-testing was carried out and on 18th January 2016 an internal audit memo was issued highlighting continuing inconsistencies in the recording of sickness on iTrent and evidence of supporting documentation.
7. The audit priority was to look at how sickness absence was recorded. Each month managers are required to complete monthly absence returns recording instances of sickness within their service area. These returns are sent to the HR Business Centre (HRBC) where the details are then input into iTrent, the HR and Payroll system. Managers are also required to complete self-certification forms when the member of staff return to work; these forms are then also sent to the HRBC for scanning onto the employee's personal file.
8. The auditors were reviewing reporting mechanisms and not making a judgement on how individual staff absences are being managed in the council. However, the audit follow-up confirmed that there were differences between the sickness records on iTrent and the number of self-certification forms; this highlights the risk that absence figures are not accurate. This inconsistency could be removed if instances of sickness were input directly on to iTrent by managers.

Absence Management Project

9. Our current priority is the implementation of the iTrent Absence Management module to allow managers to record sickness into iTrent. This module is an extension of the People Manager module already used by most managers across the council to authorise time and expense claims for staff. Following implementation all managers will record all sickness absence and other absences such as industrial action and dependent care leave.
10. The recording of absence in this way will automate the production of robust management information at both a council and at service / departmental level, which will support the management of sickness absence.
11. Work is already underway to prepare for the implementation of these changes and during January / February 2017 HR colleagues, supported by MHR (the iTrent software supplier) will build and test the Absence Management module.
12. During February / March the absence management module and new processes will be piloted by members of the Project Working Group together with a group of volunteer managers; these managers will then be on hand to support the full roll-out to the wider organisation by the end of March 2017.
13. Throughout February / March a number of drop-in sessions will be arranged to allow managers to input absence via iTrent People Manager with the support of HR colleagues.
14. These process changes should deal with the issues which have led to inconsistencies of sickness absence reporting. The changes also mean that the iTrent system will also automatically produce email alerts so that each stage of the absence policy and 'trigger points' can easily be followed by managers. Managers will also be automatically provided with web links to detailed information and resources to help manage absences.
15. In addition to addressing the specific audit issues the Project Working Group will ensure that we maximise the opportunity to promote the benefits of taking a proactive approach to managing absence and will support managers so that they have the skills, confidence and access to advice and resources to address issues at a local level. This will

have longer term organisational benefits if we can reduce absence and increase productivity and employee wellbeing.

16. There is the risk that implementing a new method for recording staff absence could lead to a period of under reporting as managers adjust to the new system. In the months following the implementation of the changes the HR team will closely monitor sickness absence management information and if there any significant changes in the levels of absence at Directorate level, these will be raised and scrutinised through DMTs to ensure that services are complying with these new arrangements. DMTs will continue to receive HR management information on a quarterly basis, an extract of which is supplied to the Corporate and Scrutiny Management Policy and Scrutiny Committee, but will also have access to the real time information on iTrent on their desktops which is currently unavailable to them.
17. It is envisaged that the following benefits will be achieved;
 - Managers will be able to input all sickness input into iTrent in 'real time' when an absence is reported to them;
 - Managers will be sent workflow emails which provide them advice regarding how to deal with absence issues and support the employee;
 - Managers will be sent workflow emails which confirm when an employee has hit a trigger point (and advice with what to do);
 - Managers will be sent MI regarding sickness absence in their area of responsibility to monitor any areas of concern;
 - Staff and managers have a shared understanding of their roles and responsibilities regarding absence management and have an understanding of why and how absence is managed;
 - Staff and managers recognise the benefits of good employee health and wellbeing and know where to go to get support;
 - Absence rates should decrease through better understanding and effective management of absence policy;
 - More accurate reporting and management information (this may identify an increase in absences reported); and
 - The Trade Unions can see the benefits of what we are trying to achieve and will support us in this.
18. Overall the published CYC absence rates are shown to remain relatively stable and are comparable with LGA benchmark data available for other local authorities. For the last three years the absence rates have been as follows:

- 8.4 days per FTE in 2013/14
- 9 days per FTE in 2014/15
- 8.4 days per FTE in 2015/16
- 3.8 days per FTE in 2016/17 (April – September 2016)

Absence management continues to be proactively managed across the council with the HR team case management system showing that they are currently providing advice to managers for over 90 absence or health related staffing issues.

19. The HR Business Partner and Health and Safety teams provide ongoing advice on strategies to mitigate and manage the impact of absence in services; an example of how effective this has been in Adult Social Care can be found at Annex A.
20. Although much progress has been made already in managing sickness absence, we know there is always more which can be done. Recent improvements include:
 - new occupational health arrangements, providing advice and support to managers to help them address staff health issues early and prevent or minimise the impact of any staff absence. If staff have been absent there is advice available to support the reintegration to the workplace;
 - introduction of employee assistance services a 24/7 advice and support line for all staff;
 - promotion of flexible working to try and ensure that staff are encouraged to optimise their work / life balance, whilst at the same time ensuring the needs of the business are met;
 - ongoing work with managers to help to identify causes of stress related absence and developing strategies to manage these issues;
 - a programme of health and wellbeing promotion activities, such as Tai Chi, Yoga, Zumba and discounted gym memberships;
 - Level 5 Sickness data is now available quarterly on the corporate KPI machine via the “Health-check” scorecards. These scorecards are available to all G12 managers and above (the ‘Leading Together’ distribution list). The amount of work to make this data automatically be available on a monthly basis is currently being scoped.

21. Given the complexity of the individual absence issues this range of different activity needs to be available as they are proven strategies which will help reduce absences.
22. Managers, however also need to understand their role and take responsibility for identifying issues and developing targeted interventions to help manage issues at a local level as and when they arise. When asked for support the HR team will work with that manager to help them to monitor and manage sickness on an ongoing basis. As an employer we have a 'duty of care' to ensure that all employees are capable of fulfilling their contractual duties, and the management of sickness absence is a fundamental contributing factor.
23. To support managers in more effectively managing absence, the Workforce Development Unit have provided specific courses; between March 2015 and May 2016 there have been five Absence Management courses attended by 44 managers.
24. In addition, throughout October and November 2016, Workplace Wellbeing training is being provided to CYC managers. The training will raise awareness about key health and wellbeing topics and support managers to embed and promote employee health and wellbeing within the organisation. The aims of the sessions are to:
 - Enhance managers' understanding of the business case for workforce health and wellbeing;
 - Assist managers to learn to support people with mental health problems in the workplace;
 - Providing managers with the skills to build resilience and coping strategies.

Workplace Wellbeing Charter

25. The council is currently working towards achieving the Workplace Wellbeing Charter; this is a statement of intent showing our commitment to the health of our staff, and provides us, as an employer, with an easy and clear guide on how to make the workplace a supportive and productive environment in which our employees can flourish.
26. The standards, supporting materials have been funded by Public Health England, and are free for all organisations to use. The aim is to support local health and wellbeing partnerships and employers to maximise the potential of their staff, and make small changes that have large impacts on staff health and wellbeing. The council has signed up to using the online self-assessment tool, and by providing evidence against each of

the criteria we can find out what we are already doing right and where we need to improve.

27. The Charter focuses on three key areas – leadership, culture and communication, where even small steps can make a big difference to the health of our staff, and therefore the health of the council as a whole.
28. The Workplace Wellbeing Charter comes in three levels, each containing different standards that need to be achieved; the three levels are Commitment, Achievement and Excellence. Each of the three levels will consider, in different ways, issues such as leadership, sickness and absence management, awareness of alcohol and drug abuse, smoking, mental health and stress, healthy eating and physical activity.
 - **Commitment** – The organisation has a set of health, safety and wellbeing policies in place and has addressed each area, providing employees with the tools to help themselves improve their health and wellbeing
 - **Achievement** – Having put the building blocks in place, steps are being taken to actively encourage employees to improve their lifestyle and some basic interventions are in place to identify serious health issues
 - **Excellence** – Not only is information easily accessible and well publicised, but the leadership of the organisation is fully engaged in wellbeing and employees have a range of intervention programmes and support mechanisms to help them prevent ill-health, stay in work or return to work as soon as possible.
29. Officers from the HR and Public Health teams are working together to gather evidence and complete the self-assessment; it is anticipated that the initial assessment will take place in early 2017 followed by accreditation in March 2017. The accreditation will highlight areas of good practice and also areas where improvement is needed; an action plan will be developed in response, setting out actions for improvement.

Council Plan

30. The information outlined in this report is in line with the Council Plan and the People Plan which has health and wellbeing as an area of priority.

Implications

Financial

31. None

Legal

32. See Human Resources implications.

Human Resources

33. If sickness absence is not tracked and managed appropriately, the implications for staff members could be significant if appropriate support or responses are not put into place either through worsening absence or symptoms, or through litigation action taken against the council. If absence reasons and volumes recorded in iTrent are not accurate and therefore cannot be relied on to inform management decision making and actions based on the results.

Equalities

34. The poor recording of sickness absence reasons and related management action could result in reasonable adjustments or occupational health advice not being provided where staff are covered by the Equalities Act in relation to any disability.

Crime and Disorder

35. There are no Crime and Disorder implications

Information Technology (IT)

36. Matters relating to the HR system are covered in the report.

Property

37. There are no property implications.

Risk Management

38. The main risks relate to failure to record, track, monitor and put in place actions to monitor sickness, and that sickness levels are not accurate and the response to intentions are not proportionate or in line with

policy. Mitigations will be put in place as detailed in the main body of the report.

Recommendations

39. Members are asked to note and comment on the contents of the report.

Reason: To understand the key issues and response to recommendations to secure improvements in control arrangements around sickness absence.

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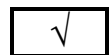
**Report
Approved**



Date 28/11/16

Wards Affected:

All



Background Papers:

Appendices:

Annex A: Case Study, Absence Management in Adult Social Care

List of abbreviations used in this report:

ADs	Assistant Directors
CMT	Corporate Management Team
CYC	City of York Council
DMT	Directorate Management Team
HoS	Heads of Service
HR	Human Resources
IT	Information Technology
LGA	Local Government Association

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Audit & Governance Committee

7th December 2016

Case Study of Work Being Undertaken in Adult Services to Manage Sickness Absence

Background

Based on data available on the corporate KPI Health Check scorecards for the period 2015/2016, the absence rate for the council stood at 8.4 days per FTE. However, when this data was broken down to directorate level the rate of absence in Adult Services stood at 13.8 days per FTE. It was agreed at Directorate Management Team (DMT) that a concerted effort needed to be made to ensure absences were being managed effectively and staff were being supported appropriately.

Following a presentation to DMT in May 2016 on absence management a number of actions were agreed to enable absence to be managed more effectively and to support managers in applying the council policy more robustly. This would enable support to be offered to staff as appropriate; and in the case of long term absences work with staff with the primary aim of facilitating their return to work.

Work to Date

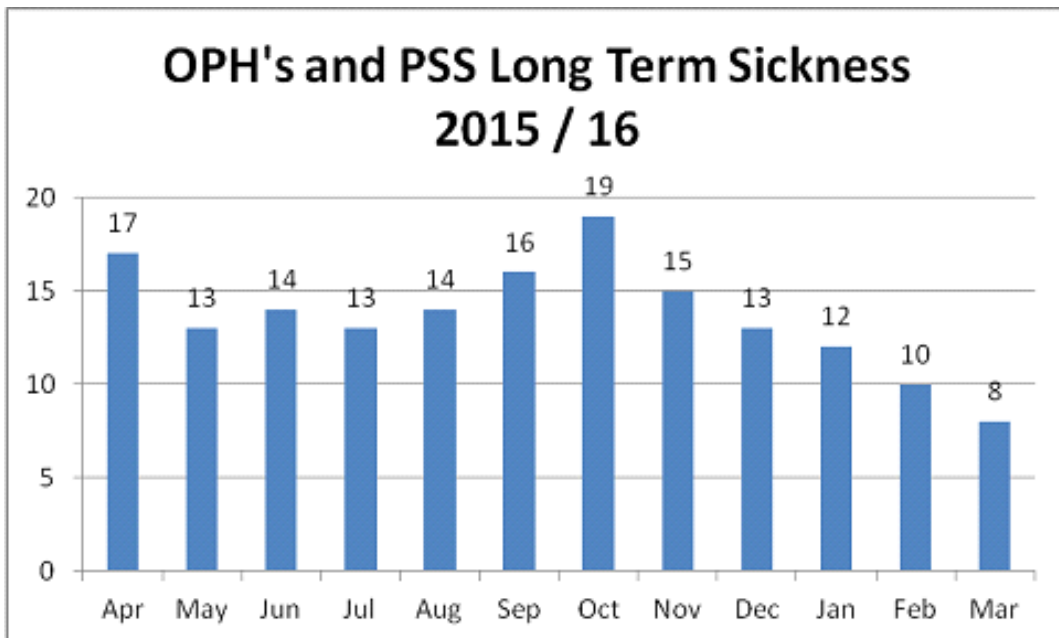
It was identified in 2015/2016 that provider services had the highest rate of absence in the directorate and a concerted effort was made by senior managers of the services to improve attendance levels across the Older People's Homes (OPHs) and Personal Support Services (PSS) in particular.

A more robust reporting mechanism was put in place and managers in the OPHs and PSS received bespoke training from officers in the HR team regarding the application of the attendance management policy;

the significance of trigger points and the requirement to apply the policy consistently and objectively.

It is generally acknowledged that due to the nature of frequent short term absences these have a more adverse impact on the delivery of service. In directorate services which operate 24/7 there is always the need to maintain staffing levels for the safety of customers. There is a cost associated with this through additional hours, overtime or use of agency staff. By reporting and managing attendance more effectively, the costs are now reducing.

Below is a graph detailing the level of reduction in number of days lost per FTE achieved within OPHs and PSS as a result of the more robust way in which managers are managing sickness absence.





Audit & Governance Committee**7 December 2016**

Report of the Director of Customer and Corporate Services

Information Governance & Freedom of Information Report (including information security)

1. This report provides Members with updates or reports for :

- information governance performance
- the new General Data Protection Regulation (GDPR)
- the Information Commissioners Office (ICO) data protection audit and recommendations
- compliance with the Local Government Transparency Code 2015 (LGTC 2015)
- the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (IG Toolkit) update
- information security checks

2. Information Governance Performance

2.1 Information governance activities were brought in house (from April 2015 onwards) having previously been provided by Veritau. The staggered transfer was fully completed early this year.

2.2 During the course of the handover the Council accepted an offer from the ICO to audit the Council's information governance processes. The focus of that audit was data protection. FOI performance was not audited as the Council had made considerable improvements in its FOI and EIR performance. Using the same methodology for in-time compliance as previous, we achieved in-time compliance for April 2015 to March 2016 of 95.6%. In 2014/15 this was 93.9% and in 2013/14, it was 81%. See annex 1 for 2015/16 report

2.3 We have also made significant performance improvements for in-time compliance with Data Protection Act Subject Access to Records requests (SARs). This was a specific area that ICO auditors recommended we improve upon. Again, using the same methodology for in-time compliance as previous years, we achieved in-time

compliance for April 2015 to March 2016 of 77.1%. See annex 1 for 2015/16 report

- 2.4 From 1st April 2016 to 31st October 2016, there has been 6 decision notices by the Information Commissioner's Office (ICO) for the council.
- 4 upheld the council's responses and actions
 - 1 partly upheld the council's response and action
 - 1 did not uphold the council's action as we had not responded in time

Decision notices are published on the ICO's website – see below

<https://search.ico.org.uk/ico/search?q=decision+notices>

However there is one decision notice that has been removed currently by the ICO. This is regarding an upheld decision on the application of FOI act exemption under section 14 (vexatiousness).

3. The new General Data Protection Regulation (GDPR)

- 3.1 The GDPR will take effect from May 2018, and will introduce significant changes to the current data protection rules in the Data Protection Act 1998.
- 3.2 With the approval of the GDPR, we will need to adapt our approaches, procedures, and security policies. It will be crucial for services, particularly those responsible for a database or system to understand these emerging GDPR requirements in addition to how staff, processes, policies, and technologies may need to be changed in order to accommodate them. We will need to establish strong controls around personal information and to take full accountability for the controls in place.
- 3.3 Substantial guidance is expected to be produced over the next 6 to 12 months both by the ICO and at a European level.
- 3.4 We are working to ensure arrangements are in place to prepare for and meet the requirements of the GDPR across all services. Failure to prepare leading to compliance failures could have serious consequences for the council corporately, including substantial fines. It is therefore essential that there is a corporate mechanism to coordinate arrangements. It may be helpful at this time, to note that many of the ICO audit recommendations and actions, as well as the

areas the ICO auditors picked up as areas of good practice, had the GDPR in mind.

4. ICO data protection audit report and recommendations

- 4.1 The ICO's audit findings identified areas for improvement in our existing arrangements for data protection compliance and issued us with a set of recommendations. The Council developed an action plan in response to these recommendations. The delivery of this action plan was followed up by the ICO who concluded that no further follow up was required. All but one action had commenced but there were a number of incomplete actions. Significantly there was outstanding work to be done relating to records management, staff training and data sharing.
- 4.2 This work is still ongoing but there has been further progress including:
- The design of several information governance training packages with the first – Data Protection Act Essentials – being delivered to all staff via the intranet.
 - The design, build and testing of an online tool/app for our “information asset register” (IAR) which will be launched soon.
 - Implementation of further organisational and technical measures to improve our information security.
- 4.3 The IAR is a key tool for improving our management of information. It will help manage risks such as where personal information may be being shared without appropriate agreements in place or where data is at risk of being kept for longer than it should be.
- 4.4 The table which follows shows the current state of play with regards to the implementation of the action plan. The fact that there are still actions which are only partially completed reflects the fact that the legislative framework, data standards and guidance are changing and the steps required to complete the actions will need to be consistent with these changes.

Scope area	Number of recommendations in each scope area from the original audit report	Number of actions complete, partially complete and not implemented – as reported to Committee in June 2016	Number of actions complete, partially complete and not implemented – as reported to Committee in June 2016
Records Management	41	13 Complete 27 Partially complete 1 Not implemented	29 Complete 12 Partially complete 0 Not implemented
Subject Access Requests	25	6 Complete 19 Partially complete 0 Not implemented	20 Complete 5 Partially complete 0 Not implemented
Data Sharing	24	12 Complete 12 Partially complete 0 Not implemented	22 Complete 2 Partially complete 0 Not implemented

5. Compliance report and update on the Local Government Transparency Code 2015 (LGTC 2015)

5.1 The council meets its requirements by publishing information on either the relevant website pages or through the York Open Data platform. The link to the LGTC 2015 information on the YOD platform is

<https://www.yorkopendata.org/>

5.2 Compliance with the LGTC 2015 is monitored and reported throughout the year via the Governance, Risk and Assurance Group (GRAG) and further to the report to Committee in June; a compliance report is at annex 2 for your information.

5.3 The Government recently undertook consultation on the proposals to update the LGTC 2015. Any changes will require secondary legislation to revoke the existing code and put a new updated code in place.

6. Health and Social Care Information Centre (HSCIC)

6.1 The council has to undergo assessment to attain the appropriate level of assurance to be able to use certain Health service systems. The IG Toolkit is a Department of Health (DH) Policy delivery vehicle that HSCIC is commissioned to develop and maintain. It draws together the legal rules and central guidance set out by DH policy and presents them in a single standard as a set of information governance requirements.

- 6.2 We retained the required level of assurance including an improvement this year (Version 13) against last year (Version 12). Further details are at Annex 3.
- 6.3 The next assessment has to be completed by 31st March 2017. This will present new challenges particularly as certain evidence requirements have changed. An action plan will be completed and monitored through the GRAG.
- 6.4 New data security standard for health and social care have recently been the subject of consultation. We are working closely with ICT and the relevant service areas to ensure we can apply the final approved security standards, consent and opt-outs, as they will apply to every organisation handling health and social care information.

7. Information Security Checks

- 7.1 In accordance with the agreed audit plan, information security checks are being undertaken during 2016/17. The purpose of these checks is to assess the extent to which confidential, personal or sensitive data is stored securely and to ensure that data security is being given sufficient priority within the council.

8. Consultation

Not relevant for the purpose of this report.

9. Options

Not relevant for the purpose of this report.

10. Analysis

Not relevant for the purpose of this report.

11. Council Plan

- 11.1 The council's information governance framework offers assurance to its customers, employees, contractors, partners and other stakeholders that all information, including confidential and personal information, is dealt with in accordance with legislation and regulations and its confidentiality, integrity and availability is appropriately protected.

12. Implications

12.1 Relevant implications are set out in the body of the report

13. Risk Management

13.1 The council may face financial and reputational risks if the information it holds is not managed and protected effectively. For example, the ICO can impose civil monetary penalties up to £500k for serious data security breaches (this may be increased following the signing of the General Data Protection Regulation (GDPR). The failure to identify and manage information risks may diminish the council's overall effectiveness. Individual(s) may be at risk of committing criminal offences. For example, under section 55 and/or section 61 of the Data Protection Act (DPA) 1998

14. Recommendations

Members are asked:

- To note the sustained performance levels
- To give a commitment to support the work required to implement the General Data Protection regulation
- To note the ongoing work required to ensure the Council meets its information governance responsibilities.

Reason: To ensure that Members are kept updated on information governance issues.

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**Report
Approved**



Date 28th November
2016

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Annexes

Annex 1 – 2015/2016 performance report

Annex 2 – Transparency Code Indicators report

Annex 3 – HSCIC IG toolkit

Background Information

Not applicable

Glossary

DH	Department of Health
DPA	Data Protection Act
EIR	Environmental Information Regulations
FOI	Freedom of Information
GDPR	General Data Protection Regulation
GRAG	Governance, Risk and Assurance Group
HSCIC	Health and Social Care Information Centre
IAR	Information Asset Register
IG	Information Governance
LGTC	Local Government Transparency Code
ICO	Information Commissioners Office
SARS	Subject Access to Records
YOD	York Open Data

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			Previous Years			2015/2016							
			2013/14	2014/15	2015/16	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target	Polarity	DoT	
			Collection Frequency										
Information Governance	FOI01	FOI & EIR - Total Received - (YTD)	Annual	1384	1864	1670	-	678	1176	1670	-	Neutral	Neutral
		FOI (Freedom of Information) - Total Received - (YTD)	Annual	-	1501	1360	-	552	955	1360	-	Neutral	Neutral
		EIR (Environmental Information Regulations) - Total Received - (YTD)	Annual	-	363	310	-	126	221	310	-	Neutral	Neutral
	FOI02	FOI & EIR - In time - (YTD)	Annual	1121	1727	1471	-	652	1112	1471	-	Neutral	Neutral
		FOI & EIR - % In time - (YTD)	Annual	81.00%	94.10%	88.10%	-	96.20%	94.60%	88.10%	-	Neutral	Neutral
		FOI (Freedom of Information) - In time - (YTD)	Annual	-	1377	1177	-	527	893	1177	-	Neutral	Neutral
		FOI (Freedom of Information) - % In time - (YTD)	Annual	-	91.70%	86.50%	-	95.50%	93.50%	86.50%	-	Neutral	Neutral
		EIR (Environmental Information Regulations) - In time - (YTD)	Annual	-	350	294	-	125	219	294	-	Neutral	Neutral
		EIR (Environmental Information Regulations) - % In time - (YTD)	Annual	-	96.40%	94.80%	-	99.20%	99.10%	94.80%	-	Neutral	Neutral
	FOI03	FOI & EIR - Out of time - (YTD)	Annual	263	112	73	-	26	44	73	-	Neutral	Neutral
		FOI & EIR - % Out of time - (YTD)	Annual	-	4.80%	4.40%	-	3.80%	3.70%	4.40%	-	Neutral	Neutral
		FOI (Freedom of Information) - Out of time - (YTD)	Annual	-	102	69	-	25	42	69	-	Neutral	Neutral
		FOI (Freedom of Information) - % Out of time - (YTD)	Annual	-	6.80%	5.10%	-	4.50%	4.40%	5.10%	-	Neutral	Neutral
		EIR (Environmental Information Regulations) - Out of time - (YTD)	Annual	-	10	4	-	1	2	4	-	Neutral	Neutral
		EIR (Environmental Information Regulations) - % Out of time - (YTD)	Annual	-	2.80%	1.30%	-	0.80%	0.90%	1.30%	-	Neutral	Neutral
	FOI04	FOI & EIR - Other (eg withdrawn / not pursued / ongoing) - (YTD)	Annual	-	25	126	-	0	20	126	-	Neutral	Neutral
		FOI & EIR - % Other - (YTD)	Annual	-	1.20%	7.50%	-	0.00%	1.70%	7.50%	-	Neutral	Neutral
		FOI (Freedom of Information) - Other (eg withdrawn / not pursued / ongoing) - (YTD)	Annual	-	22	114	-	0	20	114	-	Neutral	Neutral
		FOI (Freedom of Information) - % Other - (YTD)	Annual	-	1.50%	8.40%	-	0.00%	2.10%	8.40%	-	Neutral	Neutral
		EIR (Environmental Information Regulations) - Other (eg withdrawn / not pursued / ongoing) - (YTD)	Annual	-	3	12	-	0	0	12	-	Neutral	Neutral
EIR (Environmental Information Regulations) - % Other - (YTD)		Annual	-	0.80%	3.90%	-	0.00%	0.00%	3.90%	-	Neutral	Neutral	

Our Organisation - Information Governance 2015/2016

No of Indicators = 5 | Direction of Travel (DoT) shows the trend of how an indicator is performing against its Polarity over time.
 Produced by the Strategic Business Intelligence Hub April 2016

			Previous Years			2015/2016							
			2013/14	2014/15	2015/16	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target	Polarity	DoT	
Information Governance	FOI05	DP (Data Protection Act) / SAR (Subject Access Request) - Total Received - (YTD)	Quarterly	-	131	83	-	30	69	83	-	Neutral	Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - In time - (YTD)	Quarterly	-	67	53	-	25	39	53	-	Neutral	Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - % In time - (YTD)	Quarterly	-	51.10%	63.80%	-	83.30%	56.50%	63.80%	-	Neutral	Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - Out of time - (YTD)	Quarterly	-	39	19	-	5	11	19	-	Neutral	Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - % Out of time - (YTD)	Quarterly	-	29.80%	22.90%	-	16.60%	15.90%	22.90%	-	Neutral	Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - Other (eg withdrawn / not pursued / ongoing) - (YTD)	Quarterly	-	25	11	-	0	19	11	-	Neutral	Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - % Other - (YTD)	Quarterly	-	19.10%	13.30%	-	0.00%	27.50%	13.30%	-	Neutral	Neutral

Transparency Code Indicators on York Open data

Topic	Datasets	Notes	Status
Constitution	http://data.yorkopendata.org/dataset/members-travel	Updated monthly. From Apr-13 to Jul-16. Last updated on Aug-16.	
	http://data.yorkopendata.org/dataset/members-allowances	Updated monthly. From Dec-10 to Jul-16. Last updated on Aug-16.	
	https://data.yorkopendata.org/dataset/cyc-s-constitution	Updated annually. From ? to ?. Last updated Mar-16.	
Council Spending (Expenditure Exceeding £500)	http://data.yorkopendata.org/dataset/senior-officers-expenses	Updated monthly. From Jul-13 to Feb-16. Last updated Apr-16..	
	https://data.yorkopendata.org/dataset/all-payments-to-suppliers	Updated monthly. From Apr-11 to Aug-16. Last updated on Oct-16.	
Senior Salaries / Organisation Chart	http://data.yorkopendata.org/dataset/chief-officers-remuneration	Updated annually. from Apr-14 to Mar-17. Last updated May-16.	
	http://data.yorkopendata.org/dataset/senior-officers-salary	Updated annually. From Apr-14 to Mar17. Last updated Aug16	
Social Housing Asset Value	http://data.yorkopendata.org/dataset/social-housing-asset-value	Updated annually. From Apr-10 to Apr-15. Last updated Feb-16.	
Fraud	https://data.yorkopendata.org/dataset/fraud	Updated annually. From Apr-15 to Mar-16. Last updated on Jun-16.	
Government Procurement Card Transactions	https://data.yorkopendata.org/dataset/all-payments-to-suppliers	Updated monthly. From Apr-11 to Aug-16. Last updated on Oct-16.	
Grants to Voluntary, Community and Social Enterprise Organisations	https://data.yorkopendata.org/dataset/grants-to-voluntary-community-and-social-enterprise-organisations	Updated annually. From Jan-14 to Dec-15. Last updated Feb-16.	
Local Authority Land	https://data.yorkopendata.org/dataset/local-authority-land	Updated quarterly. From Aug-16 to Aug-16. Last updated Aug-16.	
Organisation Chart	https://data.yorkopendata.org/dataset/organisation-chart	Updated LIVE. Last updated Oct-15.	
Parking Account / Parking Spaces	https://data.yorkopendata.org/dataset/parking-report	Updated annually. From Apr-13 to Mar-16. Last updated Jul-16.	
Pay Multiple	https://data.yorkopendata.org/dataset/pay-multiple	Updated annually. From Apr-15 to Mar-17. Last updated May-16.	
Procurement Information	https://data.yorkopendata.org/dataset/procurement-information	Updated LIVE. Last updated Jan-16.	
Trade Union Facility Time	https://data.yorkopendata.org/dataset/trade-union-facility-time	Updated annually. From Apr-14 to Mar-16. Last updated Jul-16.	
Waste Contracts		Deleted from YOD No longer required under the Transparency Code	N/a

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**IG Toolkit
Assessment
Summary Report**

**YORK CITY
COUNCIL**

**(Local
Authority)**

Prepared on 30/03/2016

Assessment	Stage	Level 0	Level 1	Level 2	Level 3	Total Req'ts	Overall Score	Self-assessed Grade	Reviewed Grade
Version 13 (2015-2016)	Latest	0	0	14	14	28	83%	Satisfactory	n/a
	Target	0	0	18	10	28	78%	Satisfactory	n/a
Version 12 (2014-2015)	Published	0	0	16	12	28	80%	Satisfactory	Satisfactory
	Target	0	0	21	7	28	75%	Satisfactory	Satisfactory

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Audit and Governance Committee

7 December 2016

Report of the Deputy Chief Executive/Director of Customer & Corporate Services**Appointment of External Auditors****Summary**

1. The purpose of this report is to present the changes to the arrangements for appointing External Auditors following the end of the current transitional arrangements on completion of the 2017/18 audit and set out the options for future appointment available to the Council.
2. The Council will need to consider the options available and put in place arrangements by 31 December 2017 in time to appoint an auditor for the 2018/19 audit.
3. Given the challenges of local appointment and costs associated as set out in this report, the preferred option is the sector-led appointment.

Background

4. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
5. The Council's current Auditor is Mazars, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State

Communities & Local Government (CLG). Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are £113k per annum.

6. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

Analysis

7. There are three broad options open to the Council for appointing External Auditors in the future:
 - 1) To make a stand alone appointment
 - 2) Set up joint Auditor panel/ local procurement arrangements
 - 3) Opt-in to a sector led body
8. The preferred approach considering the advantages/disadvantages of each option as set out below is for the Council to opt-in to a sector led body.
9. The Department for Communities and Local Government has now specified Public Sector Audit Appointments Ltd (PSSA) as the Appointing Person, establishing it as a sector led body. If the Council opt-in to the sector led body approach this arrangement can be used and will deliver economic and efficiency benefits
10. The Local Government Association is supporting this sector led approach in order to secure the benefits of economies of scale and savings in terms of the administrative burden on Councils and other local government sector bodies. These benefits include:

- Purchasing power to negotiate competitive audit fees worth an estimated £30m annually.
 - Savings on the costs of Invitation to Tender exercises at some 470 local government sector bodies alone.
 - Savings on the costs of bid appraisal, contract specification and negotiation
 - Economies of scale to be achieved from collective procurement, enabling the firms to plan and resource audits more efficiently and effectively.
 - Quality monitoring and other information sharing across contracts (subject to protections over confidentiality).
 - Sensible distribution of audit appointments taking into consideration joint working between individual Councils and other public bodies, managing rotations where conflicts of interest arise
11. The Council has until December 2017 to make an appointment. In practical terms however if the Council decides to opt-in to the SLB route, formal notice of acceptance of the invitation to opt in as approved by Council will have to be made to the PSAA by 9 March 2017
12. The Local Audit (Appointing Person) Regulations 2015 ('the Regulations') require that a decision to opt in must be made by a meeting of the Council (meeting as a whole). If the Sector Led body route is accepted, the Council then needs to formally respond to PSAA's invitation in the form specified by PSAA.
13. As set out at Annex A PSAA would commence the formal procurement process after acceptance of the invitation. It expects to award contracts in summer 2017 and consult with authorities on the appointment of auditors so that it can make an appointment by the statutory deadline of December 2017

Options for Appointment of External Auditors

14. There are three broad options open to the Council under the Local Audit & Accountability Act 2014 (The Act):

Option 1 – To make a stand-alone appointment

15. In order to make a stand-alone appointment the Council would need to set up an Auditor Panel. The members of the panel must

be wholly or a majority independent members as defined by the Act. Independent Members for this purpose are independent appointees – this excludes current and former elected members (or officers) and their close families or friends. This means that elected members would not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Councils external audit. A new independent auditor panel established by the Council would be responsible for selecting the Auditor.

Advantages/benefit

16. Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input into the decision

Disadvantages/risks

17. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the Local Government Association (LGA) to cost in the order of £15,000 plus on going expenses and allowances.
18. The Council would not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
19. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 – Set up a Joint Auditor Panel/ local procurement arrangements

20. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this would need to be constituted of wholly or a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

21. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
22. There is a greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to firms.

Disadvantages/risks

23. The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
24. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 – Opt-in to a sector led body

25. In response to the consultation on the new arrangements the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximizing the opportunities for the most economic and efficient approach to the procurement of external audit on behalf of the whole sector.
26. As set out above the Secretary of State has now specified PSAA as the 'appointing person' under regulation 3 of the Local Audit (Appointing Person) regulations 2015. PSAA would therefore make auditor appointments to relevant local government bodies that

choose to opt –in to the national appointment arrangements from 2018/19

27. PSAA is an independent, not-for profit company limited by guarantee and established by the LGA. They were originally established to operate the transitional arrangements following the closure of the Audit Commission.
28. PSAA have indicated that they consider the optimal length of contract between PSSAA and firms as being 5 years.

Advantages/benefits

29. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
30. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation
31. Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
32. The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities.

Disadvantages/risks

33. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA/ and or stakeholder representative groups.
34. In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before the final contract prices are known.

Consultation

35. The content of the report of the external auditor has been discussed with the relevant responsible officers. It is reported here for due consultation with those members charged with governance at the council.

Options

36. The options available to the Council under the new arrangements are set out in the body of the report above.

Corporate Priorities

37. The appointment of the External Auditors ensures that the Council's financial statements are true and fair and that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This ensures the Council's service requirements are met and contributes to the achievement of Corporate Priorities.

Implications

38. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report

Legal

39. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
40. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
41. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Financial

42. The current External Audit Fees are likely to increase when the contract ends in 2018.
43. Should the Council wish to consider appointing either a local or joint Auditor Panel, as set out under Options 1 and 2 above, the costs of establishing such a Panel would need to be estimated and included in the Councils budget for 2017/18. This would include the costs of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying member fees and allowances.
44. By selecting option 3 and opting in to a national sector led body, this provides maximum opportunity to limit the extent of any increases in audit fee levels by entering into a large scale collective procurement arrangement that would remove the costs associated with establishing an auditor panel
45. The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms however opting-in to a national scheme will provide maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement
46. The audit fee under the sector led arrangement will reflect the size, audit risk and complexity of the work required. PSAA is to establish a system for setting the fee which is fair to all opted-in bodies noting that, as a not-for profit organisation, PSAA will be able to return any surpluses to participating bodies after all costs have been met.

Risk Management

47. There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.
48. Providing the LGA with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.

Recommendations

49. Members are asked to

- (a) Consider and recommend to Council to Opt-in to the approved sector led body, Public Sector Audit Appointments Ltd (PSAA), to act as the Appointing person for the appointment of External Auditors for the Council for five years commencing 1 April 2018.

Reasons

Whilst the Council has until December 2017 to appoint its' external auditors, PSAA has formally invited the Council to opt in to the national sector led body. Details relating to PSAA's invitation are provided in Appendices 1 and 2 of this report. If the Council is to take advantage of this national scheme for appointing external auditors then it needs to take the decision to enable it accept the invitation by early March 2017.

The Local Audit (Appointing Person) Regulations 2015 ('the Regulations') require that a decision to opt in must be made by a meeting of the Council (meeting as a whole). The Council then needs to formally respond to PSAA's invitation in the form specified by PSAA.

Author:	Chief Officer responsible for the report:			
Emma Audrain Technical Accountant 01904 551170	Ian Floyd Deputy Chief Executive/Director of Customer & Corporate Services			
Debbie Mitchell Finance & Procurement Manager 01904 554161	Report Approved	√	Date	29.11.16
Wards Affected: All				
For further information please contact the author of the report				

Background Papers:

Local Audit & Accountability Act 2014 (The Act)

Annex:

A - PSAA invitation – York

B - Form of notice of acceptance to opt in

Abbreviations:

CLG – Communities and Local Government

LGA – Local Government Association

NAO – National Audit Office

PSAA – Public Sector Audit Appointments

SLB – Sector Led Body

27 October 2016

Email: appointingperson@psaa.co.uk

Steve Stewart
City of York Council
West Offices
Station Rise
York YO1 6GA

Copied to: Ian Floyd, Director Of Customer And Business Support, City of York Council
Melanie Perara, Deputy Heads of Legal Services, City of York Council

Dear Mr Stewart

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely



Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your authority's formal notice of acceptance of the invitation to opt into the appointing person arrangements)

To: appointingperson@psaa.co.uk

Subject: [Name of authority]

Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 27 October 2016 to become an opted-in authority for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that [name of authority] has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: [Name of signatory]

Title: [Role title] (authorised officer)

For and on behalf of: [Name of authority]

Date:

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Audit & Governance Committee**7 December 2016**

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

Local Code of Corporate Governance**Summary**

1. This report provides a review of the Code of Corporate Governance following the updated framework and guidance notes issued jointly by The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

Recommendations

2. That Audit & Governance Committee recommend to Full Council;
 - a. the removal of the current Code of Corporate Governance from the Constitution and
 - b. the adoption of the revised Local Code of Corporate Governance attached as Annex A to this report.

Reason: To ensure appropriate governance arrangements are in place, in line with the responsibility of this committee to ensure these arrangements are working effectively.

Background and Analysis

3. The council's current Code of Corporate Governance is included within the Constitution and was last reviewed by Audit & Governance Committee in 2009. Following the new framework and guidance issued by CIPFA/SOLACE earlier this year it is considered that, in future, the Code would be more appropriate as a separate policy outside of the Constitution.
4. Corporate Governance is a term used to describe how organisations direct and control what they do. As well as systems and processes this includes

culture and values and, for councils, this includes how they relate to the communities they serve.

5. The term “local code” essentially refers to the governance structure in place and to achieve good corporate governance the council should be able to demonstrate that its governance structures comply with the core principles set out in the Framework.
6. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance, which can not be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy are hallmarks of good governance.
7. The CIPFA/SOLACE Framework “Delivering Good Governance in Local Government” identifies seven core principles and the Local Code attached at Annex A is structured around these principles:
 - a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - b. Ensuring openness and comprehensive stakeholder engagement
 - c. Defining outcomes in terms of sustainable economic, social and environmental benefits
 - d. Determining the interventions necessary to optimise the achievement of the intended outcomes
 - e. Developing the Council’s capacity, including the capability of its leadership and the individuals within it
 - f. Managing risks and performance through robust internal control and strong public financial management
 - g. Implementing good practices in transparency, reporting and audit to deliver effective accountability
8. Each of the seven core principles has a number of sub principles which in turn translate into a range of specific behaviours and actions that apply across various aspects of the Council to demonstrate good governance.
9. The new Code will be reviewed annually by officers through the Governance, Risk & Assurance Group as part of the preparation of the Annual Governance Statement. Any revisions to the Code will be reported to Audit & Governance Committee for approval as part of this process.

10. The code will also be published on the council's website and will include links, where appropriate, to the policies and strategies that underpin the principles set out in the Code.

Consultation

11. The local Code of Corporate Governance attached at Annex A has been developed by the Governance, Risk & Assurance Group. This group includes a range of officers from across finance, procurement, legal, HR, information management and Veritau.

Options

12. No other options have been considered.

Council Plan

13. Good governance is an essential feature of how the Council is accountable to residents in ensuring a focus on cost and efficiency to make the right decisions in a challenging financial environment.

Implications

14. The implications are
 - Financial – good governance leads to good management, good performance and effective stewardship of public money.
 - Human Resources - there are no human resource implications to this report.
 - Equalities - there are no equality implications to this report.
 - Legal – the council must adopt a Code of Corporate Governance in accordance with best practice, as outlined in the CIPFA/SOLACE Framework.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

15. Effective governance enables the council to deliver its objectives whilst ensuring sound arrangements for control and management of risk. Failure

to develop and maintain a local Code of Corporate Governance would mean that the council would be failing in its responsibilities for ensuring accountability and the proper conduct of its affairs.

Contact Details			
Author:		Chief Officer responsible for the report:	
Debbie Mitchell Finance & Procurement Manager Tel: 01904 554161		Ian Floyd Deputy Chief Executive/Director of Customer & Corporate Services	
Emma Audrain Technical Accountant Tel: 01904 551170		Report approved	√ 28 November 2016
Specialist Implications Officer(s) None			
Wards Affected:			All √

For further information please contact the author of this report

Background Working Papers

CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition – available from the report authors

Annexes

Annex A Local Code of Corporate Governance

City of York Council Code of Corporate Governance 2016/17

Introduction - What is Corporate Governance?

Corporate governance is about the systems, processes and values by which Councils operate and by which they engage with, and are held accountable to their communities and stakeholders.

City of York Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. Building on previous best practice the Council has developed and adopted a refreshed approach to developing a Local Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled "Delivering Good Governance in Local Government (2016)". This code brings together in one document the various governance and accountability arrangements currently in place.

The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Benefits & Monitoring

The documents and arrangements set out in the framework within this code demonstrate that the Council continually seeks to ensure it remains well governed and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interest at all times.

The **Governance, Risk & Assurance Group** is responsible for ensuring the Code is reviewed annually as part of the preparation of the Annual Governance Statement. Any revisions to the code will be reported to the Audit & Governance Committee for approval as part of this process.

Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:
<ul style="list-style-type: none"> • Behaving with Integrity • Demonstrating Strong Commitment to Ethical Values • Respecting the rule of Law 	<ul style="list-style-type: none"> • Publish an Annual Governance Statement which reviews the effectiveness of the Council’s governance framework • Maintain the established Governance, Risk & Assurance Group (GRAG) with responsibility for monitoring this framework and all governance matters • Maintain shared values which underpin an ethos of good governance– communicated in Organisational Values & Behavioural Standards • Comply with legislation and all relevant professional standards • Maintain formal codes of conduct defining standards of behaviour expected of both Members and Officers • Publicise Gifts and Hospitality Guidelines • Maintain a policy framework to address the risks of fraud and corruption including a Counter Fraud & Corruption Strategy, Fraud & Corruption prosecution policy & Whistleblowing policy. • Maintain effective systems to protect the rights of staff, including whistleblowing policies accessible and regularly communicated • Maintain a register of interests and seek declarations to be made at the start of Council meetings • Maintain arrangements to investigate 	<ul style="list-style-type: none"> • Annual Governance Statement • Codes of conduct • Organisational Values & Behavioural Standards • Webcasting of Council Member meetings • Council Meeting minutes • Counter Fraud & Corruption Strategy • Fraud & Corruption Policy Framework • Whistleblowing Policy • Audit Charter • Internal Audit Reports to the Audit & Governance Committee • Register of Interests • Register of Gifts & Hospitality • Complaints & Customer Feedback policy • Contract Procedure Rules • Financial Regulations • Statement of Accounts • External inspection of the Statement of Accounts • Standards Committee • People Plan • Council reports including implications from specialist financial and legal Officers • The constitution which includes: <ul style="list-style-type: none"> ○ Financial Procedure Rules ○ Contract Procedure Rules

	<p>complaints against Members and Officers including alleged misconduct</p> <ul style="list-style-type: none"> • Maintain an effective Standards Committee • Deliver the People Plan which sets the expectation of the values, skills and behaviours which we expect from staff working for CYC 	<ul style="list-style-type: none"> ○ Codes of Conduct for Members and Employees ○ Scheme of Delegation to officers
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Principle B – Ensuring openness and comprehensive stakeholder engagement		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:
<ul style="list-style-type: none"> • Openness • Engaging comprehensively with Institutional stakeholders • Engaging stakeholders effectively, including citizens and service users 	<ul style="list-style-type: none"> • Seek the views of its stakeholders and respond appropriately • Provide a variety of opportunities for the public to engage effectively with the Council as set out in article 3 of the constitution including rights to information, participation and how to complain or comment • Ensure Council meetings are accessible by Webcasting • Publish Agendas, minutes, report packs and a calendar for a full year for Council meetings on Mod Gov and a formal notice of each meeting will be displayed at Council offices • Ensure compliance with requirements under the transparency code – published on the Councils website and Open Data platform • Set a balanced budget • Publish an Annual Statement of 	<ul style="list-style-type: none"> • Resident Survey (Talk-About) • Public attendance at Council meetings • Webcasting of Council meetings • Constitution • Mod.gov • Open Data Platform • Media Protocol • Medium Term Financial Strategy (MTFS) • Statement of Accounts • External Auditors report on Statement of Accounts • Public inspection of Accounts by citizens

	<p>Accounts and Annual Auditors report to inform stakeholders and service users of the previous years achievements and outcomes</p> <ul style="list-style-type: none"> • Encourage and assist citizens to inspect the Statement of Accounts in accordance with regulations 	
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Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:
<ul style="list-style-type: none"> • Defining Outcomes • Sustainable economic, social and environmental benefits 	<ul style="list-style-type: none"> • Make a clear statement of the Council’s purpose and vision and use it as a basis for all corporate & Service planning • Publish on the Council’s website all annual reports to communicate the Council’s activities and achievements including its financial position and performance • Prioritise resources to deal with competing demands and consider the impact of decisions in the medium term financial strategy • Identify and manage risks to the achievement of outcomes 	<ul style="list-style-type: none"> • Council Plan • Service plans • City Vision • (Link to finance page on website) • Statement of Accounts • External Auditors Letter & report • Financial Strategy (MTFS) • Risk Reports

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:

<ul style="list-style-type: none"> • Determining Interventions • Planning Interventions • Optimising achievement of intended outcomes 	<ul style="list-style-type: none"> • Make a clear statement of the Council’s purpose and aims and use this as a basis for corporate and service planning • Make a clear statement committing to the OnePlanet principles and develop an action plan to deliver this. • Regularly report on key performance Indicators (KPIs) which have been established for each service element • Ensure budgets are prepared in accordance with organisational objectives and regularly reported upon • Provide senior managers and members with timely financial and performance information 	<ul style="list-style-type: none"> • Council Plan • Corporate Performance Framework • Integrated Impact Assessments • Performance Scorecards published on Open Data platform • Financial Strategy • Regular finance and performance reporting to the Executive
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Principle E – Developing the Council’s capacity, including the capability of its leadership and the individuals within it		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:
<ul style="list-style-type: none"> • Developing the Council’s capacity • Developing the capability of the entity’s leadership and other individuals 	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of the Council’s Executive, Full Council and individual members through the Constitution • Set out a protocol to address the working relationship between the Chief Executive and Leader enabling each to fulfil their respective roles • Maintain an effective workforce plan to enhance the strategic allocation of 	<ul style="list-style-type: none"> • Constitution • People plan • Personal Development Appraisals • Effective Induction programme • Member/ officer training • Residents survey (Talk-About) • Public participation arrangements • Occupational Health policy • Schemes of delegation for members and officers

	<p>resources</p> <ul style="list-style-type: none"> • Maintain officer and member induction programmes • Assess the skills required by officers through the appraisal process and address any training gaps to enable roles to be carried out effectively • Develop the capabilities of members through member training • Regularly review the scheme of delegation and Constitution and update when required • Ensure structures are in place to encourage public participation • Ensure arrangements are in place to maintain the health and wellbeing of the workforce 	
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Principle F – Managing risks and performance through robust internal control and strong public financial management		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:
<ul style="list-style-type: none"> • Managing Risk • Managing Performance • Robust Internal Control • Managing data • Strong public financial management 	<ul style="list-style-type: none"> • Maintain an effective Audit & Governance Committee independent of executive & Scrutiny functions • Maintain an effective Scrutiny function • Ensure robust and integrated risk management arrangements are in place and responsibilities for managing individual risks are clearly allocated • Manage performance by ensuring the Corporate Performance Framework is adhered to • Ensure publication of Agendas and 	<ul style="list-style-type: none"> • Audit & Governance Committee • Regular risk reports to Scrutiny & Audit & Governance Committee • Risk Management Policy & Strategy • Standards committee • Corporate Risk Register • Corporate Performance Framework • Mod.gov • Terms of reference • Regular Member training • Financial Regulations • Complaints & customer feedback

	<p>minutes are published</p> <ul style="list-style-type: none"> • Maintain regular programme of training for the Audit & Governance Committee to enable effective performance • Maintain financial regulations to ensure consistency and clear financial protocols • Maintain a transparent complaints and feedback procedure • Internal Audit annual risk based programme of internal audits informed by the councils risk register. • Individual audits take account of service/ project risks and each assurance report provides an opinion on how risks are being managed • Ensure effective counter fraud and anti-corruption arrangements are in place • Ensure effective information governance arrangements are in place to support compliance with existing and emerging legislation for data protection and e-privacy • Ensuring financial management supports decision making and provides sufficient information to support the delivery of the Councils objectives. 	<p>procedure</p> <ul style="list-style-type: none"> • Audit Charter • Regular Internal Audit reports to Audit & Governance Committee including <ul style="list-style-type: none"> ○ Head of Internal Audit report ○ Follow up reports ○ Regular reports on results of internal Audit work • Counter Fraud & Corruption Strategy • Fraud & Corruption Policy Framework • Annual Governance Statement • Information Governance Policies and Procedures covering data protection, information management and security, records management • Regular finance and performance reporting to the Executive • Medium term financial strategy • Monthly budget monitoring reports
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Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Supporting Principles	To achieve this, City of York Council will:	This is evidenced by:

<ul style="list-style-type: none"> • Implementing good practice in transparency • Implementing good practices in reporting • Assurance and effective accountability 	<ul style="list-style-type: none"> • Maintain compliance with the local government transparency code and publish all required information in a timely manner • Maintain effective and accessible arrangements for dealing with complaints • Maintain an effective scrutiny function which encourages constructive challenge • Maintain an effective Audit Committee independent of the Executive & Scrutiny Committees • Publish all Committee reports on mod.gov unless there is a legitimate need to preserve confidentiality on the basis of the statutory test • Maintain and regularly communicate whistleblowing policies • Ensuring performance information is prepared on a consistent and timely basis • Governance, Risk & Assurance Group meet regularly and monitor compliance with the Governance Framework including areas for improvement as part of the Annual Governance Statement process • Maintain an effective Internal Audit function which conforms to the Public Sector Internal Audit Standards (PSIAS) and the Cipfa Statement on the Role of the Head of Internal Audit 	<ul style="list-style-type: none"> • Open Data Platform (Transparency page on website) • Publication of all FOI queries and responses • Information Governance Policies and Procedures covering data protection, information management and security, records management • Complaints and customer feedback policy • Scrutiny Committees • Audit & Governance Committee • Mod.gov • Whistleblowing policy • Corporate Performance Framework • Annual Governance Statement • Audit Charter • Regular internal audit reports to Audit & Governance Committee including <ul style="list-style-type: none"> ○ Head of Internal Audit Report ○ Follow up reports ○ Regular reports on results of internal Audit work • Opportunity for Audit & Governance Committee members to meet both Internal & External Auditors privately • Internal audit quality assurance and improvement programme • Peer Challenge Action plan • Medium Term Financial Strategy • Regular Finance & Performance reports
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	<ul style="list-style-type: none"> • Welcome Peer Reviews and inspection from regulatory bodies and implement recommendations • Produce regular finance and budget monitoring reports for members reporting on performance, value for money and stewardship of resources • Produce regular budget manager reports to ensure senior managers own the results 	<ul style="list-style-type: none"> • Monthly budget monitoring reports
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Audit & Governance Committee

7 December 2016

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2016/17

Summary

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2016/17 approved by full Council on 25 February 2016. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
 - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
 - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
2. Attached at Annex A is the Treasury Management Mid Year Review and Prudential Indicators 2016/17 report presented to November Executive. This information provides Members with an update of treasury management activity for the first six months of 2016/17.

Recommendations

3. (a) Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2016/17 at Annex A

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Analysis

4. The report reviews the economic and market conditions, highlighting the current instability following the Brexit vote and that this presents challenges for the Council's treasury function. Following the Bank of England decision to reduce the Bank Rate to 0.25% in August 2016 the report outlines that prospects for any increase in Bank Rate before the middle of 2018 are limited. In a change to the published Executive report, Capita have recently reviewed their forecast and have amended this to show no reduction to 0.1% in 2016 and no further increase forecast before June 2019.
5. Short term interest rates for investment opportunities continue to be low and the counterparty list, where the council's surplus funds can be invested is limited. The average rate of return achieved to date in 2016/17 is broadly comparable to 2015/16, but we expect a reduction in the second half of the year as financial markets adjust investment rates to take account of the Bank Rate cut to 0.25%.
6. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.
7. Borrowing rates have continued to fluctuate with an average trend downwards. Although no new borrowing has been undertaken during the year to date the finance team continues to closely monitor the opportunities that arise and receive daily updates from Capita Asset Services in respect of borrowing timings and amounts.

Consultation

8. Not applicable

Options

9. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". No alternative options are available.

Council Plan

10. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the

priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priority areas as set out in the council plan. It therefore underpins all of the council's aims.

Implications

11. The implications are
- Financial – the security of the Council's capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - Equalities - there are no equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

12. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Contact Details			
Author:		Chief Officer responsible for the report:	
Debbie Mitchell Finance & Procurement Manager		Ian Floyd Deputy Chief Executive/Director of Customer & Corporate Services	
Tel: 01904 554161		Report approved	√ 17 th November 2016
Specialist Implications Officer(s) None			
Wards Affected:			All √

For further information please contact the author of this report

Background Working Papers

None

Annexes

Annex 1: Treasury Management Mid Year Review and Prudential Indicators 2016/17

Annex 2: Annex A to the above report – Prudential Indicators 2016/17



Executive

24 November 2016

Report of the Director of Customer & Corporate Services

**Treasury Management Mid Year Review and Prudential Indicators
2016/17**

Summary

1. The Council is required through legislation to provide members with a mid year update on treasury management activities. This report provides an update on activity for the period 1 April 2016 to 30 September 2016.

Recommendations

2. Members are required, in accordance with the Local Government Act 2003 (revised), to:
 - Note the Treasury Management activities to date in 2016/17
 - Note the Prudential Indicators set out at Annex A and note the compliance with all indicators.

Reason: to ensure the continued performance of the Council's Treasury Management function.

Background

3. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.

Economic Background and Analysis

4. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence

indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

5. The Bank of England meeting on the 4th August addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.5% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%.
6. The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year. The post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years.

Interest Rate Forecast

7. Capita Asset Services undertook a quarterly review of its interest rate forecasts after the meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later.
8. Table 1 is Capita's Asset Services Interest Rate forecast for both the bank rate and long term Public Works Loans Board borrowing rates (note all figures are percentages):

	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25
5 Yr PWLB rate	1.00	1.00	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.30
10 Yr PWLB rate	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80
25 Yr PWLB rate	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60
50 Yr PWLB rate	2.10	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.40

Table 1: Capita Asset Services Interest Rate Forecast (%)

Annual Investment Strategy Update

9. The Treasury Management Strategy Statement (TMSS) for 2016/17 was approved by Council on 25 February 2016. There are no policy changes to the TMSS and the details in this report do not amend the TMSS.
10. The Council's Annual Investment Strategy, which is incorporated in the Strategy, outlines the Council's investment priorities as follows:
 - security of capital
 - liquidity
 - yield
11. The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and the Council's risk appetite.

Investment Portfolio

12. The average level of cash balances available for investment purposes in the first 6 months of 2016/17 was £106.306m (£100.629m for the same 6 month period in 15/16). The level of cash balances available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants, receipt of developers contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. These funds are therefore only available on a temporary basis depending on cash flow movement.
13. The average level of cash balances has increased compared to a year ago due to a number of factors. These include the receipt of grant funding in advance of the associated profiled spend and delays to a number of capital schemes.
14. This allows the Council to continue to use cash balances instead of taking long term debt to finance the Council's capital programme. This strategy remains a prudent one as investment rates continue to be lower than borrowing rates when viewed on a short term projection but the potential to secure long term funding is kept under review to ensure this remains the most effective use of cash balances, given long term rates are currently at attractive levels.
15. Investment return (calculated as the amount of interest earned against the average cash balance for the period) during the first six months of 2016/17 is shown in table 2:

	2015/16 (full year)	2016/17 (part year to date)
Average CYC Rate of Return	0.55	0.56
<u>Benchmarks</u>		
Bank of England Base Rate	0.50	0.25
Average 7 Day LIBID	0.37	0.28
Average 1 Month LIBID	0.39	0.30

Table 2: CYCs investment rate of return performance vs. benchmarks

16. The average rate of return achieved to date in 2016/17 is broadly comparable to 2015/16. This has been helped by a higher than expected average balance allowing more cash to be placed in fixed term investments yielding a better rate of return.
17. However, as set out earlier in this report, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates continue to be very low. Given the current financial environment, and continued uncertainty following the Brexit vote, investment returns are likely to remain low and we therefore expect a reduction in the second half of the year as financial markets adjust investment rates to take account of the Bank Rate cut to 0.25%.
18. Figure 1 shows the interest rates available on the market based on LIBID rates between 7 days and 1 year and also the rate of return that the Council has achieved for the first six months of 2016/17. It shows that favourable / competitive interest rates have been obtained for investments whilst ensuring the required liquidity and security of funds for the Council.

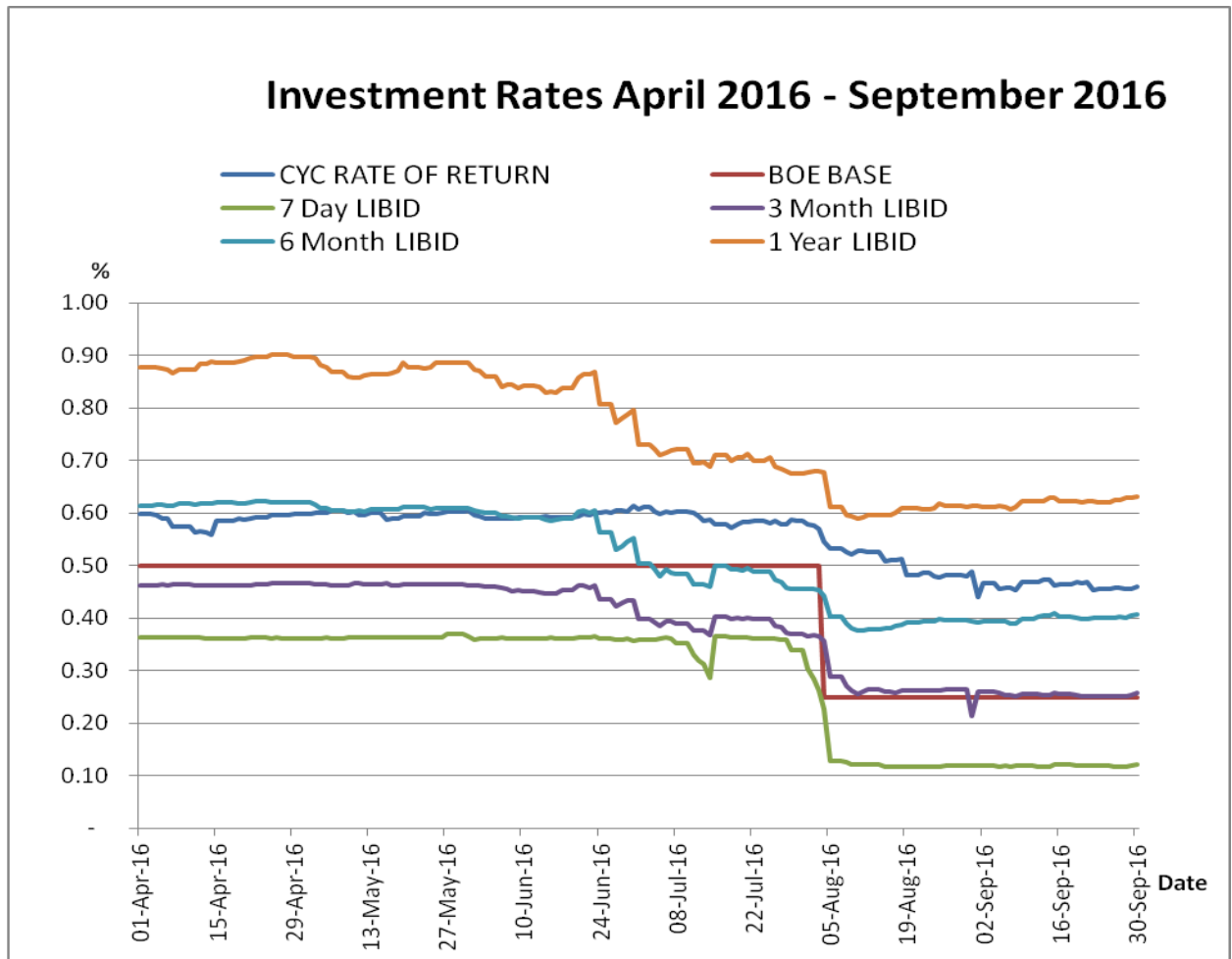


Figure 1 CYC Investments vs Money Market Rates

19. Figure 2 shows the investments portfolio split by deposits in short term call accounts, fixed term investments and money market funds (MMFs).
20. All of the money market funds have an AAA credit rating, the notice call accounts are all AA or A rated and the fixed terms investments are A+ or A rated.

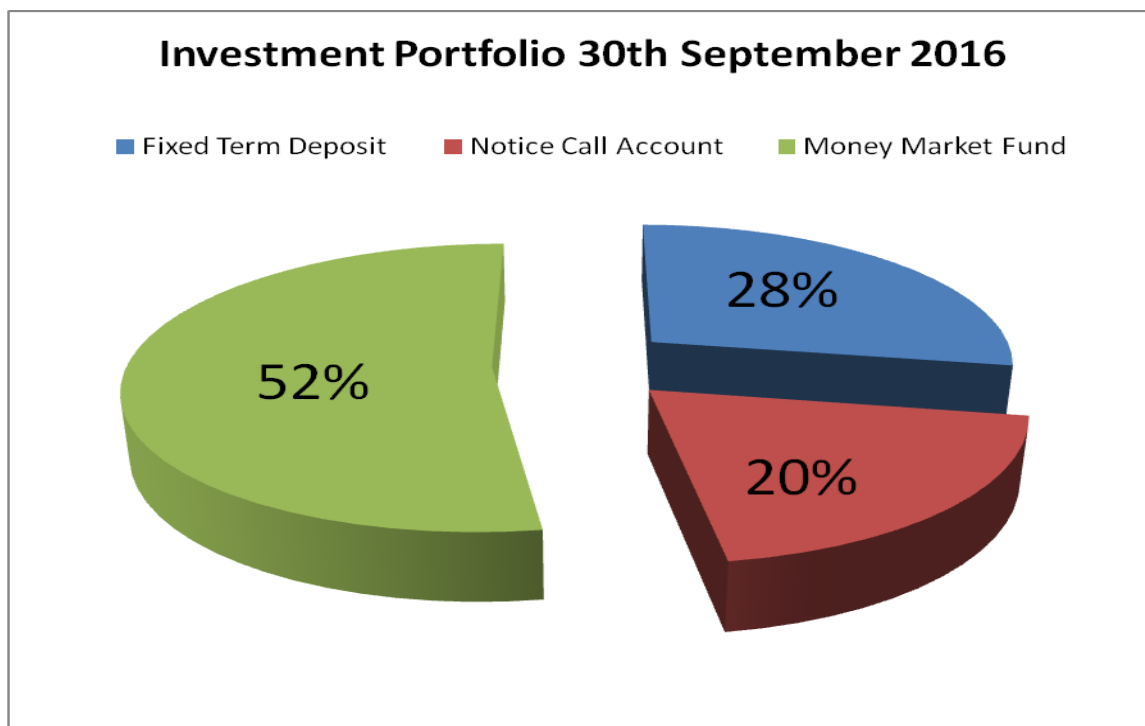


Figure 2 Investment Portfolio by type at 30th September 2016

Borrowing Portfolio

21. The Council undertakes long term borrowing in accordance with the investment requirements of the capital programme and all borrowing is therefore secured for the purpose of its asset base.
22. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (the Councils underlying need to borrow for capital expenditure purposes). Borrowing needs to be affordable, sustainable and prudent.
23. Under regulation, the Council can borrow in advance of need and Markets are therefore constantly monitored and analysed to ensure that advantage is taken of favourable rates and the increased borrowing requirement is not as dependant on interest rates in any one year.
24. On the reverse side, the Council's level of borrowing can also be below the Capital Financing Requirement. This would mean that instead of increasing the Council's level of borrowing, surplus funds held for investment purposes would be utilised. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.

25. Although no new borrowing has been undertaken during 2016/17 the finance team continues to closely monitor the opportunities that arise and receive daily updates from Capita Asset Services in respect of borrowing timings and amounts.
26. The Councils long-term borrowing started the year at a level of £267.115m. On 10th August 2016 a £5m PWLB loan was repaid taking the Councils long-term borrowing figure to £262.115m. The Housing Revenue Account settlement debt amounts is 46% of the borrowing portfolio (£121.550m) and the General Fund debt is 54% (£140.565m). On 5th November 2016 a £2.00m PWLB loan will be repaid taking the Councils long-term borrowing figure to £260.115m.
27. Figure 3 illustrates the 2016/17 maturity profile of the Council's debt portfolio at 30th September 2016. The maturity profile shows that there is no large concentration of loan maturity in any one year, thereby spreading the interest rate risk dependency.

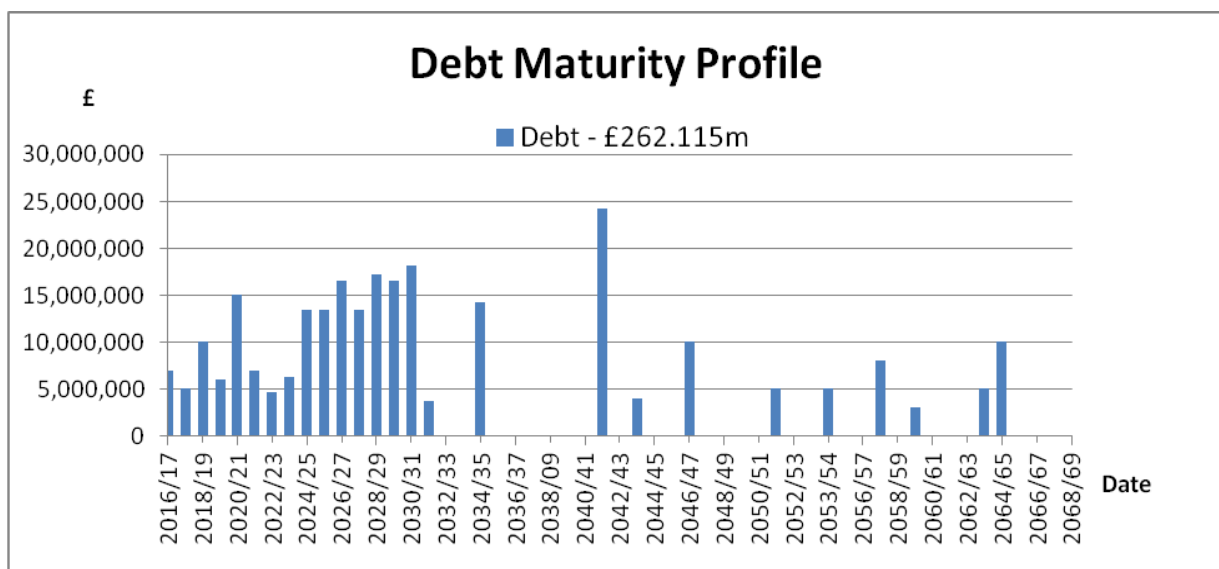


Figure 3 – Debt Maturity Profile 16/17 up to 30th September 2016

28. Table 3 shows PWLB Certainty borrowing rates available for selected loan durations. There have been fluctuations in the rates with an average trend downwards to 30th September 2016. This has been most pronounced and is highlighted in the longer dated loans that all have spreads of over 1.00%. As a point of reference in the same period last year we saw similar spreads but slightly higher, with the 5 year spread particularly higher over 1.00%.

	PWLB Certainty borrowing rates by duration of loan				
	1 Year	5 Year	10 Year	25 Year	50 Year
Yr High	1.20%	1.88%	2.56%	3.29%	3.08%
Yr Low	0.81%	0.99%	1.46%	2.09%	1.87%
Yr Avg	0.99%	1.39%	1.97%	2.69%	2.46%
Spread	0.39%	0.89%	1.10%	1.20%	1.21%

Table 3 – PWLB Borrowing Rates (%) – to 30th September 2016

Compliance with Prudential Indicators

29. The Prudential Indicators for 2016/17 included in the Treasury Management Strategy Statement are based on the requirements of the Council's capital programme and approved at Budget Council on 25 February 2016.
30. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits" included in the Prudential Indicators. The monitoring of the Prudential Indicators is attached at Annex A. During the financial year 2016/17 to date the Council has operated within the treasury limits and Prudential Indicators set out.

Consultation and Options

31. The report shows the six month position of the treasury management portfolio in 2016/17. The treasury management budget was set in light of the council's expenditure plans and the wider economic market conditions, based on advice from Capita Asset Services. It is a statutory requirement to provide the information detailed in the report.

Council Plan

32. The treasury management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.

Financial implications

33. The financial implications are in the body of the report.

Legal Implications

34. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

Other Implications

35. There are no crime and disorder, information technology, property, equalities, human resources or other implications as a result of this report.

Risk Management

36. The Treasury Management function is a high-risk area because of the level of large money transactions that take place. As a result of this there are procedures set out for day to day treasury management operations that aim to reduce the risk associated with high volume high value transactions. These are detailed in the Treasury Management Strategy Statement at the start of each financial year.

Contact Details

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Debbie Mitchell Corporate Finance Manager 01904 554161	Ian Floyd Director of Customer & Corporate Services		
Sarah Kirby Principal Accountant 01904 551635	Report Approved		Date
Wards Affected: <i>All</i>			

For further information please contact the author of the report
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Specialist Implications:

Legal – Not Applicable

Property – Not Applicable

Information Technology – Not Applicable
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Annexes

Annex A – Prudential Indicators 2016/17

Annex 2 (annex A of report to Executive)

	Prudential Indicator		2016/17	2017/18	2018/19	2019/20	2020/21
4b	<p>Incremental impact of capital investment decisions – Housing Rents</p> <p>Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.</p>		£0.00	£0.00	£0.00	£0.00	£0.00
5	<p>External Debt</p> <p>To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.</p>	<p>Gross Debt</p> <p>Invest</p> <hr/> <p>Net Debt</p>	<p>£285.2m</p> <p>£50.0m</p> <hr/> <p>£235.2m</p>	<p>£295.1m</p> <p>£25.0m</p> <hr/> <p>£270.1m</p>	<p>£289.9m</p> <p>£20.0m</p> <hr/> <p>£269.9m</p>	<p>£288.8m</p> <p>£20.0m</p> <hr/> <p>£268.8m</p>	<p>£288.6m</p> <p>£20.0m</p> <hr/> <p>£268.6m</p>
6a	<p>Authorised Limit for External Debt</p> <p>The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.</p>	Borrowing / Other long term liabilities Total	<p>£355.3m</p> <p>£30.0m</p> <hr/> <p>£385.3m</p>	<p>£355.3m</p> <p>£30.0m</p> <hr/> <p>£385.3m</p>	<p>£355.3m</p> <p>£30.0m</p> <hr/> <p>£385.3m</p>	<p>£355.3m</p> <p>£30.0m</p> <hr/> <p>£385.3m</p>	<p>£355.3m</p> <p>£30.0m</p> <hr/> <p>£385.3m</p>

Annex 2 (annex A of report to Executive)

	Prudential Indicator		2016/17	2017/18	2018/19	2019/20	2020/21
6b	<p>Operational Boundary for external debt The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.</p>	Borrowing Other long term liabilities Total	£345.3m £10.0m <u>£355.3m</u>	£345.3m £10.0m <u>£355.3m</u>	£345.3m £10.0m <u>£355.3m</u>	£345.3m £10.0m <u>£355.3m</u>	£345.3m £10.0m <u>£355.3m</u>
6c	<p>HRA Debt Limit The Council is also limited to a maximum HRA CFR through the HRA self-financing regime, known as the HRA Debt Limit or debt cap.</p>		£146.0m	£146.0m	£146.0m	£146.0m	£146.0m
7a	<p>Upper limit for fixed interest rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 5 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.</p>		120%	109%	108%	108%	108%
7b	<p>Upper limit for variable rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 5 years. The Council should not</p>		-20%	-9%	-8%	-8%	-8%



Audit and Governance Committee7th December 2016

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

Audit & Governance Committee Forward Plan to September 2017**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2017.

Background

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an annex is the indicative rolling Forward Plan for meetings to September 2017. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. A number of amendments have been made to the forward plan since the last version was presented to the Committee in September 2017. An Information Governance update report has been added to the agenda for July 2017.
4. In response to Members' comments regarding the size of the agenda for December, an additional meeting has been arranged for 20th December and the agenda split in consultation with the Chair of the Committee and relevant officers.
5. At the last meeting Members asked for a number of additional reports to be brought to the Committee:
 - a. A report on the progress of implementing actions arising from the internal audit report on health & safety has been presented to the Committee at this meeting.

- b. A Project Management Quarterly update report will be brought to the meeting on 20th December

Consultation

6. The Forward Plan is subject to discussion by Members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

Options

7. Not relevant for the purpose of the report.

Analysis

8. Not relevant for the purpose of the report.

Council Plan

9. This report contributes to the overall effectiveness of the council's governance and assurance arrangements.

Implications

10.
 - (a)**Financial** - There are no implications
 - (b)**Human Resources (HR)** - There are no implications
 - (c)**Equalities** - There are no implications
 - (d)**Legal** - There are no implications
 - (e)**Crime and Disorder** - There are no implications
 - (f) **Information Technology (IT)** - There are no implications
 - (g)**Property** - There are no implications

Risk Management

11. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

Recommendations

12.

- (a) The Committee's Forward Plan for the period up to September 2017 be noted.

Reason

To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

Contact Details

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Customer & Corporate Services
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**Report
Approved**



Date 07/12/2016

Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable

For further information please contact the author of the report

Background Papers: None

Annex: Audit & Governance Committee Forward Plan to September 2017

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Audit & Governance Committee Draft Forward Plan to September 2017

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **Committee 20th December 2017 (Additional Meeting)**

Project Management update report

Internal Audit & Fraud Progress Report

Mazars Annual Audit Report

Mazars Audit Progress Report

Mazars Value for Money Review 2015/16

Mazars Procurement Issues Report

- **Committee 8th February 2017**

Key Corporate Risk Monitor

Mazars Audit Progress Report

Scrutiny of the Treasury Management strategy statement and Prudential indicators

Counter Fraud: Risk Assessment and review of policies

Audit & Counter Fraud Plan & Consultation

Changes to the Constitution (if any)

- **Committee 5th April 2017**

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Internal Audit Follow up of Audit Recommendations Report

Mazars Audit Progress Report

Mazars Audit Strategy Report

Changes to the Constitution (if any)

- **Committee June 2017**

Draft Annual Governance Statement

Annual Report of the Audit & Governance Committee

Mazars Audit progress report

Annual Report of the Head of Internal Audit

Key corporate Risk Monitor

Changes to the Constitution (if any)

- **Committee July 2017**

Draft Statement of Accounts

Mazars Audit Progress Report

Key Corporate Risks Quarter 2 (including directorate risks)

Information Governance Update Report

Quarterly Project Management update report

Changes to the Constitution (if any)

- **Committee September 2017**

Mazars Audit Completion Report

Final Statement of Accounts

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud plan progress report

Quarterly Project Management update report

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