



Notice of meeting of a public meeting of

Audit & Governance Committee

To:	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Burton, Watson, Wiseman and Whiteley (Co-opted Non-Statutory Member)
Date:	Wednesday, 6 November 2013
Time:	5.30 pm
Venue:	The Thornton Room - Ground Floor, West Offices (G039)

AGENDA

1. **Declarations of Interest**

At this point, 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 may have in respect of business on this agenda.

2. **Minutes** (Pages 3 - 8)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 26 September 2013.

3. **Public Participation**

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Tuesday 5 November 2013**.

4. Forward Plan (Pages 9 - 16)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2014.

5. Protocol for Webcasting, Filming and Recording of Council Meetings (Pages 17 - 22)

This report presents a draft protocol for Webcasting, Filming and Recording of Council Meetings. The draft protocol incorporates suggestions put forward at the Audit and Governance Committee meeting held on 26 September 2013.

6. Mazars Draft Annual Audit Letter (Pages 23 - 34)

This report presents the Annual Audit Letter which summarises the 2012/13 audit of the Council.

7. Treasury Management mid year Review and Prudential Indicators 2013/14 (Pages 35 - 56)

This paper presents the Treasury Management Mid Year Review and Prudential Indicators 2013/14 report. This information provides an update of treasury management activity for the first six months of 2013/14.

8. Corporate Risk Monitor 2 (including directorate risks) (Pages 57 - 72)

This paper presents to the Audit and Governance Committee an update on the key corporate risks and highlights in more detail any emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

9. Internal Audit Follow Up Report (Pages 73 - 78)

This is the regular six monthly report to the Committee which sets out progress made by council departments in implementing actions agreed as part of internal audit work.

10. Audit and Counter Fraud Monitoring Report (Pages 79 - 102)

This report provides an update on progress made in delivering the internal audit workplan for 2013/14 and on current counter fraud activity.

11. Internal Audit Charter (Pages 103 - 120)

The Committee is asked to consider a proposed internal audit charter and approve its adoption.

12. Audit and Governance Committee Effectiveness - Action Plan Update (Pages 121 - 134)

This report provides details of the progress made to address the items included in the effectiveness action plan.

13. Review of the Petitions Scheme (Pages 135 - 144)

This report seeks Members' support for changes to the Petitions Scheme which has been in operation for the last three years.

14. Urgent Business

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

Democracy Officer:

Name: Jayne Carr

Contact Details:

Telephone – (01904) 552030

Email – jayne.carr@york.gov.uk

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

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

This page is intentionally left blank

About City of York Council Meetings

Would you like to speak at this meeting?

If you would, you will need to:

- register by contacting the Democracy Officer (whose name and contact details can be found on the agenda for the meeting) **no later than 5.00 pm** on the last working day before the meeting;
- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

A leaflet on public participation is available on the Council's website or from Democratic Services by telephoning York (01904) 551088

Further information about what's being discussed at this meeting

All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

Access Arrangements

We will make every effort to make the meeting accessible to you. The meeting will usually be held in a wheelchair accessible venue with an induction hearing loop. We can provide the agenda or reports in large print, electronically (computer disk or by email), in Braille or on audio tape. Some formats will take longer than others so please give as much notice as possible (at least 48 hours for Braille or audio tape).

If you have any further access requirements such as parking close-by or a sign language interpreter then please let us know. Contact the Democracy Officer whose name and contact details are given on the order of business for the meeting.

Every effort will also be made to make information available in another language, either by providing translated information or an

interpreter providing sufficient advance notice is given. Telephone York (01904) 551550 for this service.

যদি যথেষ্ট আগে থেকে জানানো হয় তাহলে অন্য কোন ভাষাতে তথ্য জানানোর জন্য সব ধরনের চেষ্টা করা হবে, এর জন্য দরকার হলে তথ্য অনুবাদ করে দেয়া হবে অথবা একজন দোভাষী সরবরাহ করা হবে। টেলিফোন নম্বর (01904) 551 550।

Yeteri kadar önceden haber verilmesi koşuluyla, bilgilerin terümesini hazırlatmak ya da bir tercüman bulmak için mümkün olan herşey yapılacaktır. Tel: (01904) 551 550

我們竭力使提供的資訊備有不同語言版本，在有充足時間提前通知的情況下會安排筆譯或口譯服務。電話 (01904) 551 550。

اگر مناسب وقت سے اطلاع دی جاتی ہے تو ہم معلومات کا ترجمہ میا کرنے کی پوری کوشش کریں گے۔ ٹیلی فون (01904) 551 550

Informacja może być dostępna w tłumaczeniu, jeśli dostaniemy zapotrzebowanie z wystarczającym wyprzedzeniem. Tel: (01904) 551 550

Holding the Cabinet to Account

The majority of councillors are not appointed to the Cabinet (39 out of 47). Any 3 non-Cabinet councillors can 'call-in' an item of business following a Cabinet meeting or publication of a Cabinet Member decision. A specially convened Corporate and Scrutiny Management Committee (CSMC) will then make its recommendations to the next scheduled Cabinet meeting, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

Who Gets Agenda and Reports for our Meetings?

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
- Relevant Council Officers get copies of relevant agenda and reports for the committees which they report to;
- York Explore Library and the Press receive copies of **all** public agenda/reports;
- All public agenda/reports can also be accessed online at other public libraries using this link

<http://democracy.york.gov.uk/ieDocHome.aspx?bcr=1>

City of York Council

Committee Minutes

Meeting	Audit & Governance Committee
Date	26 September 2013
Present	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Burton, Wiseman and Mr Whiteley (Co-opted Non-Statutory Member)
Apologies	Councillor Watson

22. **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. None were declared.

23. **Minutes**

Resolved: That the minutes of the meeting of 31 July 2013 be approved and signed by the Chair as a correct record.

24. **Public Participation**

It was reported that there was one registration to speak at the meeting under the Council's Public Participation Scheme. Ms Swinburn raised the following issues:

- Commenting on the fact that the draft protocol (agenda item 5) referred only to filming, Ms Swinburn requested that consideration be given to making recordings of other meetings available on the Council's website.
- Whilst welcoming the arrangements that were being made to improve the handling of Freedom of Information requests, Ms Swinburn stated that she had concerns regarding the wording of some of the emails she had received from staff responding to Fol requests which she had lodged.

25. Forward Plan

Consideration was given to a paper which presented the future plan of reports expected to be presented to the Committee during the forthcoming year to July 2014.

Members had been consulted on their availability to attend an additional meeting of the committee and it was agreed that this would be held on 6 November 2013 at 5.30pm.

Resolved: That the Committee's Forward Plan for the period to July 2014 be agreed.

Reason: To ensure 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.

26. Protocol for Filming, Photography and Recording at Public Meetings

Members considered a report that presented a draft protocol for the webcasting of Full Council and Cabinet meetings.

Members made the following comments on the draft protocol:

- The protocol had been referred to as a "webcasting" protocol. Consideration also needed to be given to issues in respect of the photography and recording of public meetings and hence the wording of the protocol needed to better differentiate when references were to webcasting only and when the references were in respect of the wider filming and recording of meetings.
- Paragraph 6 – an explanation was required in respect of the terminology "private session".
- Paragraph 7 – whilst this paragraph referred to the termination or suspension of webcasting, no reference had been made as to whether permission for public filming or recording would also be suspended if such circumstances arose.
- Paragraph 10 – "young people" needed to be defined (e.g. was this a person over the age of 16 or 18?)

- Paragraph 15 – clarity required as to how an attendee would be expected to make it known that they did not wish to be filmed.
- Paragraph 17 – could the wording on the webcasting notice also be displayed on the agenda for the meeting?
- Paragraph 17 – arrangements should be in place to ensure that members of the public who did not wish to be filmed, or who were a child or young person (as defined in para 10) were able to be seated in an area that would not be filmed. The wording of the final paragraph of the webcasting notice should be amended accordingly.
- Paragraph 18 – clarity required to make it evident that this refers to all meetings that are open to the public and not just Full Council and Cabinet.
- Paragraph 19 – amend final sentence of the paragraph to read “will” rather than “should”.

Members stated that whilst they agreed in principle to the aims of the protocol and would support its introduction as an interim measure, they would wish to see the suggested amendments being incorporated into the protocol before recommending its adoption.

Resolved: That the draft protocol be updated to reflect the proposed changes and be given further consideration at the next meeting¹.

Reason: To ensure that a protocol is in place which strikes a balance between allowing webcasting of meetings with the needs of those who either do not wish to be filmed or are young people.

Action Required

1. Update draft protocol for consideration at next meeting SH

27. Annual Financial Report - Statement of Accounts 2012/13

Members considered a report that presented:

- A final set of accounts for 2012/13 to reflect changes made since the draft pre-audit accounts were presented to the committee on 31 July 2013
- The external auditors' Audit Completion Report
- The letter of representation

The external auditors drew Members' attention to their overall conclusion and opinion. They confirmed that the outstanding issues had now been resolved and drew attention to the recommendations detailed in paragraph 8 of their report.

Thanks were expressed to the officers who had been involved in the preparation of the accounts.

- Resolved:
- (a) That the matters set out in the Audit Completion Report (Annex B of the report) presented by the external auditor be noted.
 - (b) That the 2012/13 Statement of Accounts be amended in respect of the identified misstatements in section 10 of the Audit Completion Report (Annex B).
 - (c) That the amended Annual Financial Report (Annex A of the report) be approved for signature by the Chair in accordance with the Accounts and Audit Regulations.
 - (d) That the letter of representation (Annex C of the report) be approved for signature by the Director of Customer and Business Support.
 - (e) That the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2012/13 and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources be noted.

- Reasons:
- (a) 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.
 - (b)-(d) To ensure compliance with International Auditing Standards and relevant legislative requirements.
 - (e) To ensure members of the Audit and Governance Committee are aware of any

matters arising from the annual audit of the Annual Financial Report.

28. Scrutiny of the Treasury Management Annual Report 2012/13 and Review of Prudential Indicators

Members reviewed the Treasury Management Annual Report and Review of Prudential Indicators 2012/13 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance.

Resolved: That the Treasury Management Annual Report 2012/13 and Review of Prudential Indicators (Annex 1 of the report) be noted.

Reason: To ensure 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.

29. Information Governance Strategy Update, Including Freedom of Information Processes

Members considered a report that updated them on information governance matters. As requested by the Committee at their meeting on 9 July 2013, the report also reported on the Freedom of Information (Fol) process in light of several recent reviews including one by internal audit.

In response to questions regarding the processing of Fol requests, officers confirmed that there were occasions when it was necessary for staff to seek further clarification from the enquirer but, in such circumstances, it was expected that staff would act in a courteous and helpful manner.

Concerns were expressed regarding delays that had arisen in responding to some Fol requests. Officers gave details of the arrangements that were being put in place in response to the significant increase in the workload of the team and of the improved monitoring arrangements.

Members asked about the arrangements that were in place to identify trends in request for information and to make this information more readily available, for example by including it on the Council's website. Officers confirmed that this was an area that was being developed.

At the request of Members, details were given of the IT system that was in place and of medium term system changes that would be required to integrate FOI, complaints and feedback into the council's Customer Relationship Management System (CRM).

- Resolved:
- (a) That the Information Governance Strategy update be noted.
 - (b) That the Freedom of Information reviews and proposed system improvements be noted.
 - (c) That six monthly performance reports on Freedom of Information activity, including an Annual Report, be presented to the Committee¹.

Reason: To ensure the council meets the requirements of Freedom of Information legislation, and is open and transparent in its publishing of information.

Action Required

1. Include on Committee's workplan

EA

Councillor Potter, Chair

[The meeting started at 5.30 pm and finished at 7.00 pm].



Audit and Governance Committee6th November 2013

Report of the Director of CBSS

Audit & Governance Committee Forward Plan to September 2014**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2014.

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 2014. 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. There have been three amendments to the Forward plan since the previous version was presented to this Committee in September 2013.
4. A report on Council procedure rules has been deferred from November to the December meeting and a review of the effectiveness of internal audit report has been removed from the February meeting, with a full review being brought to the June meeting.
5. The Quarter 3 Risk Monitoring report has been deferred to the February meeting, with the Quarter 4 Risk Monitoring report being deferred to the April meeting.

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 contributing to an 'Effective Organisation'.

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 2014 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

Author:

Emma Audrain
Technical Accountant
Customer & Business
Support Services
Telephone: 01904 551170

Chief Officer Responsible for the report:

Ian Floyd
Director of CBSS
Telephone: 01904 551100

**Report
Approved**



Date 06/11//2013

Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annex

Audit & Governance Committee Forward Plan to September 2014

This page is intentionally left blank

Audit & Governance Committee Draft Forward Plan to September 2014

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

- **Committee 11th December 2013**

Partnership Governance Progress Report

Project and Programme Management Progress Report

Business Continuity Progress Report

Mazars Grant Claims report

Preparation of a refreshed constitution – progress update

Report on Council Procedure rules

Review of Scrutiny Arrangements

Changes to the Constitution (if any)

- **Committee 12th February 2014**

Key Corporate Risk Monitor Quarter 3 (Including directorate risks)

Scrutiny of the Treasury Management Monitor 3 Report 2013/14 and Review of Prudential Indicators

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators

Counter Fraud: Risk Assessment and Review of Policies

Internal Audit Plan Consultation

Preparation of a refreshed constitution – progress update

Transparency Report

*Mazars reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)*

- **Committee 16th April 2014**

Key Corporate Risk Monitor Quarter 4 (including directorate risks)

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Follow up of Audit Recommendations

Information Governance Annual Report

Preparation of a refreshed constitution – progress update

Information Governance Progress Report, incorporating developments around the Freedom of Information Process

Mazars reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee June 2014 (Date TBC)**

Review of effectiveness of Internal Audit

Annual report of the Head of Internal Audit

Draft Annual Governance Statement

Mazars reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee July 2014 (Date TBC)**

Draft Statement of Accounts 2013/134

Scrutiny of the Treasury Management Annual Report 2013/14 and review of Prudential indicators

Key Corporate Risk Monitor Quarter 1 (Including directorate Risks)

Mazars reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee September 2014 (Date TBC)**

Final Statement of Accounts 2013/14

Mazars Annual Governance Report 2013/14

Mazars Annual Audit Letter 2013/14

Key Corporate Risk Monitor Quarter 2 (Including directorate risks)

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

Changes to the Constitution (if any)

This page is intentionally left blank



Audit & Governance Meeting***6 November 2013***

Report of the Head of Communications

Protocol for Webcasting, Filming and Recording of Council Meetings**Summary**

1. Group Leaders have agreed in principle to extend the current webcasting trial and provide residents with the opportunity of viewing Full Council and Cabinet Meetings. At the Audit & Governance Committee meeting on 26th September, Members made a number of recommendations to the draft protocol and this document reflects the clarifications that were sought.
2. This paper includes a draft protocol for Members' approval.

Background

3. Both Local Authorities and the Department for Communities and Local Government (DCLG) have been exploring ways in which residents can be encouraged to participate in local democracy through the provision of filming and recording of council meetings. CYC has filmed Cabinet meetings over the last six months and made them available on its YouTube site. It has also 'streamed' Cabinet meetings live over the intranet. The main purpose of webcasting has been to give members of the public the chance to view meetings as they happen without having to attend in person.
4. Webcasting and the retention of film on the Council's YouTube site does not replace the formal record of the meeting and the decisions made. The only formal record of any meeting of a Local Authority is its minutes and agendas which are required to be maintained and retained for a number of years.

Protocol

Operating Procedure for Filming/Webcasts

5. At the start of each meeting to be filmed, an announcement will be made to the effect that the meeting is being webcast, and that the Chair may also terminate or suspend the webcasting of the meeting, in accordance with this protocol. This will be confirmed by the Chair making the following statement:- “I would like to remind everyone present that this meeting will be broadcast live to the internet and will be capable of repeated viewing.”
6. Webcasts will only commence at the beginning of a meeting when the Chair opens the meeting and will finish when the meeting is closed.
7. The Chair has the discretion to terminate or suspend the webcast if in their opinion continuing to web cast would prejudice the proceedings of the meeting. Circumstances that could lead to suspension or termination of web casting include public disturbance or other suspension of the meeting or the potential infringement of the rights of any individual.
8. No exempt or confidential agenda items shall be webcast, and no part of any meeting will be webcast after the Council has voted to exclude the press and public because there is likely to be disclosure of exempt or confidential information.
9. Anything that is outside of the scope of the meeting will not be filmed. This includes reaction shots, walkouts etc. Where an operator is unsure on what to film or is in an unfamiliar situation, the operator should always select a camera shot of the Chair of the meeting.
10. Young people under the age of 16 will not be filmed.
11. Editing of content should only be undertaken if there is a legal reason, for instance the name of a person in witness protection was divulged by a public speaker, confidential personal information is inadvertently disclosed or defamatory comments made. Editing of content may also be authorised in exceptional circumstance such as if an attendee is taken ill on screen. A log will be maintained of webcasts where content has been edited.

12. Should the webcast be halted for a technical reason the following procedure will be applied:
 - The operator will inform the Committee Officer as soon as practically possible
 - The operator will also inform the Press Office and the Head of Legal and Democratic Services so they can disseminate this information to political group leaders including an explanation of what went wrong, what is being done to recover any lost data and how we will mitigate issues in the future.
13. When any editing of content occurs then the same procedure as above will be followed.
14. In the event of obscenities being shouted, the sound will be muted either live or in post production as our webcasts are accessible by people of different ages
15. As part of the process for registering to speak at Cabinet or Council meetings, residents will be advised that the meeting will be streamed on the internet and a copy of the meeting retained on YouTube. If an attendee does not wish to be filmed whilst speaking to the committee, the webcast operator will:
 - Give guidance to the best place to sit
 - Ensure no close-up images of the attendee will be taken
 - If the attendee is speaking, the webcast operator will focus the camera on the ChairGuidance notes will also be issued to those residents in the audience at council meetings advising them to contact any member of CYC staff if they have concerns about being seen on camera.

Technical Proposals

16. A digital back-up of recordings will be kept by the Marketing Team and will be an unedited raw version of what the cameras and microphones 'see' during the meeting. This will be kept by the Marketing team and used in the case of:
 - Internal scrutiny of pause decisions
 - Back-up facility in case of technical issues

Signage at Meetings

17. On signs to be displayed inside and outside the meeting room and on the meeting agenda there will be the following notice:-

WEBCASTING NOTICE

Please note: this meeting may be filmed for live or subsequent broadcast via the internet - at the start of the meeting the Chair will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.

Public seating areas will not be filmed by the council.

Filming by members of the public and press

18. Initially, the Council proposes to film all Cabinet and Council meetings but will consider either filming or securing a sound recording of other public meetings over time. Residents are permitted to film or record councillors and officers at any council meetings that are open to the public and press with immediate effect.
19. We may reasonably ask for the filming to be undertaken in such a way that it is not disruptive or distracting to the good order and conduct of the meeting. As a courtesy, attendees will be informed at the start of the meeting that it is being filmed; we recommend that those wanting to film liaise with council staff before the start of the meeting.

Tweeting or blogging by members of the public and press

20. The Council permits social media reporting of all its public meetings.

Photography

21. The Council permits photography at all of its public meetings.

Financial Implications

22. Webcasting will incur a financial cost and opportunities to fund the service will be identified.

Recommendations

23. Audit & Governance Committee agree the webcasting protocol.

Reason: It strikes a balance between allowing webcasting of meetings with the needs of those who either do not wish to be filmed or are young people.

Contact Details

Author:

Stewart Halliday
Communications
01904 553402

Chief Officer Responsible for the report:

Kersten England
Title Chief Executive

Report Approved ✓

Date 29 October 2013

Specialist Implications Officer(s)

Legal

Andrew Docherty
Head of Legal and Democratic Services
Telephone (01904) 551004

Wards Affected: *List wards or tick box to indicate all* **All** ✓

For further information please contact the author of the report

This page is intentionally left blank



Audit and Governance Committee

6 November 2013

Report of the Assistant Director of Customer & Business Support Services (Financial Services)

Annual Audit Letter 2012/13**Summary**

1. This report presents the Annual Audit Letter which summarises the 2012/13 audit of the council.

Background

2. The Annual Audit Letter is issued each year by the council's external auditors and summarises their findings on the financial statements and value for money. It confirms the completion of the audit and of the council's Whole of Government Accounts return, which is used by central government to consolidate the whole of the public sector's accounts.
3. It is a statutory requirement for the Audit Commission to produce the Annual Audit Letter and for the Council to provide a copy to all of its elected members. The letter is made available to members of the public, partners and stakeholders through publication on the council website.
4. The financial statements were approved at Audit & Governance Committee on 26 September 2013. Members also noted the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Analysis

5. This is the first year that Mazars have been the council's external auditors and the letter confirms the strong financial standing of the council by providing an unqualified opinion of the financial statements. It also confirms that appropriate arrangements are in place for securing value for money.

6. The council has again been successful in delivering a challenging savings programme and securing financial stability whilst maintaining and, in some cases, improving local services.
7. The combination of a good track record in managing expenditure and a robust financial planning process has enabled savings in excess of £20m to be made over the last 2 years through a combination of efficiency gains, targeted service reductions and increased fees and charges.
8. Through public meetings, online media and press coverage stakeholders, staff and local people have a good understanding of the council's financial position and the choices that need to be made.

Council Plan

9. The financial statements and value for money procedures are integral to ensuring sound financial governance and management.

Implications

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

Risk Management

11. The Annual Audit letter 2012/13 confirms an unqualified opinion of the financial statements and that the Council has delivered a balanced budget.

Recommendations

12. Members are asked to note the Annual Audit Letter 2012/13.

Reason

It is a statutory requirement that the Annual Audit Letter is issued on completion of the audit.

Contact Details

Author:

Debbie Mitchell
Finance Manager
Tel: 01904 554161

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services
Telephone: 01904 551100

Report Approved



Date 06/11/2013

Specialist Implications Officers

Not applicable

Wards Affected:

All



For further information please contact the author of the report

Background Papers:

Annex

Annual Audit Letter 2012/13

This page is intentionally left blank

Annual Audit Letter to:
City of York Council



Audit 2012/13

September 2013



Contents

- 03 Key messages
- 04 Looking to the future
- 05 Financial statements
- 06 Securing economy, efficiency and effectiveness
- 07 Fees and closing remarks

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Key messages

The 2012/13 audit for City of York Council was completed on 30 September 2013, in line with Audit Commission requirements. Our work confirms that:

- **The 2012/13 Statement of Accounts (now published) gives a true and fair view of the Council's financial position**
- **The Council has accurately reported its financial performance to Government through the whole of government accounting process**
- **Expected arrangements were in place for securing value for money**
- **There were no objections to the Council's accounts and we have certified our formal closure of the 2012/13 audit**

This letter represents the completion of our first year as your appointed auditor. We are grateful for the cooperation and assistance provided by Directors and staff in completing our work.

Looking to the Future

In common with most other councils, City of York has seen significant funding reductions since 2010. The Council has worked hard to deliver challenging savings targets and secure financial stability whilst at the same time maintaining and in some cases even improving local services, for example by opening the new Customer Centre at West Offices.

Key challenges for the coming 12 months include:

- Progressing infrastructure projects such as the Community Stadium and Poppleton Park and Ride;
- Reworking the joint waste project;
- Increasing availability of affordable housing; and
- Managing continuing demand for social care services.

Our 2013/14 audit will focus on the risks that these challenges present to the Council's financial statements and to its ability to maintain proper arrangements for securing value for money.

We will share relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

Financial statements

Year end financial statements are an important tool for local authorities to demonstrate how they have used public money. We issued an unqualified opinion on the Council's 2012/13 financial statements on 30 September 2013.

A number of adjustments were made to the accounts as a result of our audit, however most of the changes were presentational in nature and did not affect the overall financial position of the Council, as previously reported to members.

We have made a number of recommendations for officers to consider when preparing next year's accounts:

- The Council should update the publication template which it uses for producing its year end financial statements;
- Heritage assets, and West Offices, should be revalued in 2013/14; and
- Leasing records should be reviewed and updated.

Our detailed findings were reported in our Audit Completion Report to the Audit and Governance Committee on 26 September 2013.

Securing economy, efficiency and effectiveness

We assess Councils' arrangements against the two criteria specified by the Audit Commission, namely:

- securing financial resilience; and
- ensuring economy, efficiency and effectiveness in the use of resources.

For 2012/13 the Audit Commission identified and published a number of sector specific factors likely to be relevant to all local authorities in the current economic climate. Our work has been directed towards these factors, and identified that:

- Savings in excess of £20m have been made over the past two years through a combination of efficiency gains, targeted service reductions, and increased fees and charges;
- Through public meetings, online media and press coverage, stakeholders, staff and local people have a good understanding of the Council's financial position and the choices that need to be made;
- The Council has a good track record of managing expenditure within budget overall, but does experience particular pressure on adult social care budgets. This is being tackled by extending the use of direct payments and personal budgets, reviewing eligibility criteria and outsourcing elderly persons' homes.

We did not identify any significant weaknesses in the Council's arrangements and were able to issue an unqualified value for money conclusion alongside our opinion on the financial statements.

Fees and closing remarks

Our audit fees for the year are in line with those communicated in our Audit Strategy Memorandum dated February 2013, being:

- £134,406 (ex VAT) for audit work; and
- £20,950 (ex VAT) for the certification of grant claims.

We did not undertake any non-audit services in 2012/13, however we were commissioned to undertake a review of budget management in Adult Social Care services, which has been carried out in 2013/14.

We have discussed and agreed this letter with the Director of Customer and Business Support Services and will provide copies to all Directors and elected members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports we have issued during the year.

Report	Date issued
2012/13 Audit Fee Letter	November 2012
Audit Strategy Memorandum	February 2013
Audit Progress Reports	February 2103 June 2013 July 2013
Audit Completion Report Audit opinion on the financial statements Assurance statement on Whole of Government Accounts return Audit certificate	September 2013

Steve Nicklin
Director
Mazars LLP
September 2013

Should you require any further information,
please do not hesitate to contact:

Steve Nicklin

Director

T: 0191 383 6315

M: 07968 959 731

E: steve.nicklin@mazars.co.uk

The Rivergreen Centre

Aykley Heads

Durham DH1 5TS

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

© Mazars LLP 2013



Audit & Governance**6 November 2013**

Report of the Director of Customer and Business Support Services

Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2013/14**Summary**

1. The Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2013/14 approved by full Council on 28 February 2013. 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 Appendix A is the Treasury Management Mid Year Review and Prudential Indicators 2013/14 report. This information provides Members with an update of treasury management activity for the first six months of 2013/14.

Background

3. The report reviews the economic market conditions in which the treasury management activities of the council are currently operating. It highlights that the environment in which treasury management operates remains largely uncertain reflecting the current economic data. The report states that Prospects for any increase in Bank Rate before 2016 are seen as being limited.
4. However, following the issue of the latest Bank of England Inflation Report with the first change in Bank Rate in the UK being dependent when unemployment is likely to fall to 7% it is difficult forecast with certainty the rate and timing of such changes. Economic opinion as ever varies with Capita

services taking the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is realistic.

5. The position of short term interest rates for investment opportunities continues to remain low and the counterparty list, where the council's surplus funds can be invested is limited. The limited counterparty list, to high credit rated institutions, ensures the security of the Councils capital. The secondary priority being on interest rate return predicted at 0.5% for the foreseeable future. Further details on the Council's investments are included in Appendix A paragraphs 13 to 19
6. Borrowing rates remain at relatively low levels historically and Appendix A, paragraph 25 details that no loans have been taken in 2013/14. The treasury function continues to monitor the market closely looking for borrowing opportunities and has delayed its borrowing to take advantage of financing the underlying need to borrow using investment balances.
7. The information provided in the paragraphs above is a brief summary of the "Treasury Management Mid Year Review and Prudential Indicators 2013/14" report at Appendix A for scrutiny by Audit & Governance Committee Members.

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.

Recommendations

13. Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2013/14 at Appendix A

Reason: So 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.

Contact Details

Author:

Ross Brown
Principal Accountant
01904 551207

Cabinet Member for Corporate Services:

Cllr Dafydd Williams

Chief Officer responsible for the report:

Ian Floyd
Director of Customer & Business Support Services

Report Date 28/10/13
approved

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all* **All**

For further information please contact the author of this report

Background Working Papers

None

Annexes

1. Appendix A - Treasury Management Mid Year Review and Prudential Indicators 2013/14
2. Annex A – Prudential Indicators 2013/14



Cabinet

5 November 2013

Report of the Cabinet Member for Finance, Performance and Customer Services

Treasury Management Mid Year Review and Prudential Indicators 2013/14

Summary

1. This Council is required through regulations issued under Part 1 of the Local Government Act 2003 and the revised 2011 (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management (as revised) to provide members with a mid year update on treasury management activities.
2. This report therefore ensures this council is implementing best practice in accordance with the Code. It updates on the Treasury Management activities for the period 1 April 2013 to 30 September 2013 and reviews:
 - An economic update for the 2013/14 financial year to 30 September 2013;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators);
 - A review of the Council's investment portfolio for 2013/14;
 - A review of the Council's borrowing strategy for 2013/14;
 - A review of any debt rescheduling undertaken during 2013/14;
 - A review of compliance with Treasury and Prudential Limits for 2013/14.

Background

3. The Council's Treasury Management function is responsible for the effective management of the Council's investments, cash flows, its banking, money market and capital transactions; the

effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Economic Background and Analysis

4. The Council's treasury management activities have operated within the following economic background:
 - a) During 2013/14 economic indicators suggested that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations;
 - b) The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% y/y, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income;
 - c) The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008;
 - d) Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remained at 0.5% and quantitative easing

also stayed at £375bn. In August, the MPC provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%.

- e) CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015;
5. Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However just how long this period of strong economic growth will last is unknown, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries.
 6. Near-term, there is some residual risk of further Quantitative Easing (QE) if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does take action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below.
 7. Capita Asset Services (formerly known as Sector Treasury Services) – the Council's treasury management advisers – undertake regular review of its interest rate forecasts and have revised their view to reflect expectations for the first change in Bank Rate in the UK being dependent when unemployment is likely to fall to 7%. Capita Asset Services take the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is more realistic. Prospects for any increase in Bank Rate before 2016 are therefore seen as being limited. However, some forecasters are forecasting that even the Bank of England

forecast is too optimistic as to when the 7% unemployment level will be reached and so do not expect the first increase in Bank Rate until spring 2017. Table 1 is Capita's Asset Services Interest Rate forecast for both the bank rate and long term Public Works Loans Board borrowing rates (PWLB – the Debt Management Office subsidiary lending to Local Authorities at preferential rates note all figures are percentages):

	Sep 13	Dec 13	Mar 13	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Bank Rate	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
5 Yr PWLB	2.5	2.5	2.5	2.6	2.7	2.7	2.8	2.8	2.9	3.0	3.2	3.3
10 Yr PWLB	3.7	3.7	3.7	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.3	4.4
25 Yr PWLB	4.4	4.4	4.4	4.4	4.5	4.5	4.6	4.7	4.8	4.9	5.0	5.1
50 Yr PWLB	4.5	4.4	4.4	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2

Table 1: Capita Asset Services – Treasury Management Advisers – Interest Rate Forecast (%)

8. Table 2 shows the latest projections of bank rate for other economic forecasters against Capita's current forecast for context to provide a view as to the market expectations of the bank rate:

	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Bank Rate	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capita	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
UBS	0.5	0.5	0.5	0.5	0.5	0.5	-	-	-	-	-	-
Capital Economics	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	-	-

Table 2: Base Rate Forecast – Economic Forecasters

9. Treasury Management Strategy Statement (TMSS) for 2013/14 was approved by Council on 23 February 2013. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and the changes already approved. 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

The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity.

10. Investments are placed with highly credit rated financial institutions using the creditworthiness matrices described in the Treasury Management Strategy, which includes sovereign credit ratings from the rating agencies, individual institution credit ratings from the respective credit ratings agencies and the credit default swap (CDS) overlay information provided by Capita.

11. During the period under review, the continued unsettled economic climate coupled with a risk averse approach in light of continued credit caution made it appropriate to keep investments short term with a maximum duration of 1 year for financial institutions. This limit applies to all entities in which the Council is considering investing.

12. Investments held during the first six months of 2013/14 were in accordance with Capita's creditworthiness matrices and changes to Fitch and Moody's credit ratings, remained within the Council's approved credit criteria limits contained in the Annual Investment Strategy.

Investment Portfolio

13. Investment rates available in the market have continued at historical low levels. The average level of cash balances available for investment purposes in the 6 months of 2013/14 was £63.661m (£43.418m in 12/13). 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, borrowing, payments to its suppliers of goods and services and

spend progress on the Capital Programme. These funds are therefore available on a temporary basis dependant on cash flow movement.

14. The average level of cash balances has increased compared to a year ago due to the profile of payments to the Council from the DCLG specifically in relation to the RSG. This is balanced off to an extent by the use of cash balances instead of taking long term debt to finance the Councils capital programme. This strategy remains a prudent one as investment rates continue to be significantly lower than borrowing rates.
15. Investment return (calculated as the amount of interest earned against the average cash balance for the period) during the first six months of 2013/14 is shown in table 3:

	2012/13 (full year)	2013/14 (part year)
CYC Rate of return	1.461%	0.539%
<u>Benchmarks</u>		
Bank of England Base Rate	0.500%	0.500%
7 Day LIBID	0.394%	0.362%
30 Day LIBID	0.428%	0.367%

Table 3: CYCs investment rate of return performance vs. benchmarks

16. The average rate of return is lower in 2013/14 than it was a year ago due to the investment return yield curve being flat and offering little by way of returns on investments up to 1 year in duration. The higher rate investments that were contributing significantly to the 1.461% rate of return in 2012/13 have now matured leaving the Council holding only short term investments.
17. Figure 1 shows the interest rates available on the market between 7 days and 1 year and also the rate of return that the Council has achieved for the first six months of 2013/14. It shows that favourable / competitive interest rates have been obtained for investments whilst ensuring the required liquidity and security of funds for the Council.

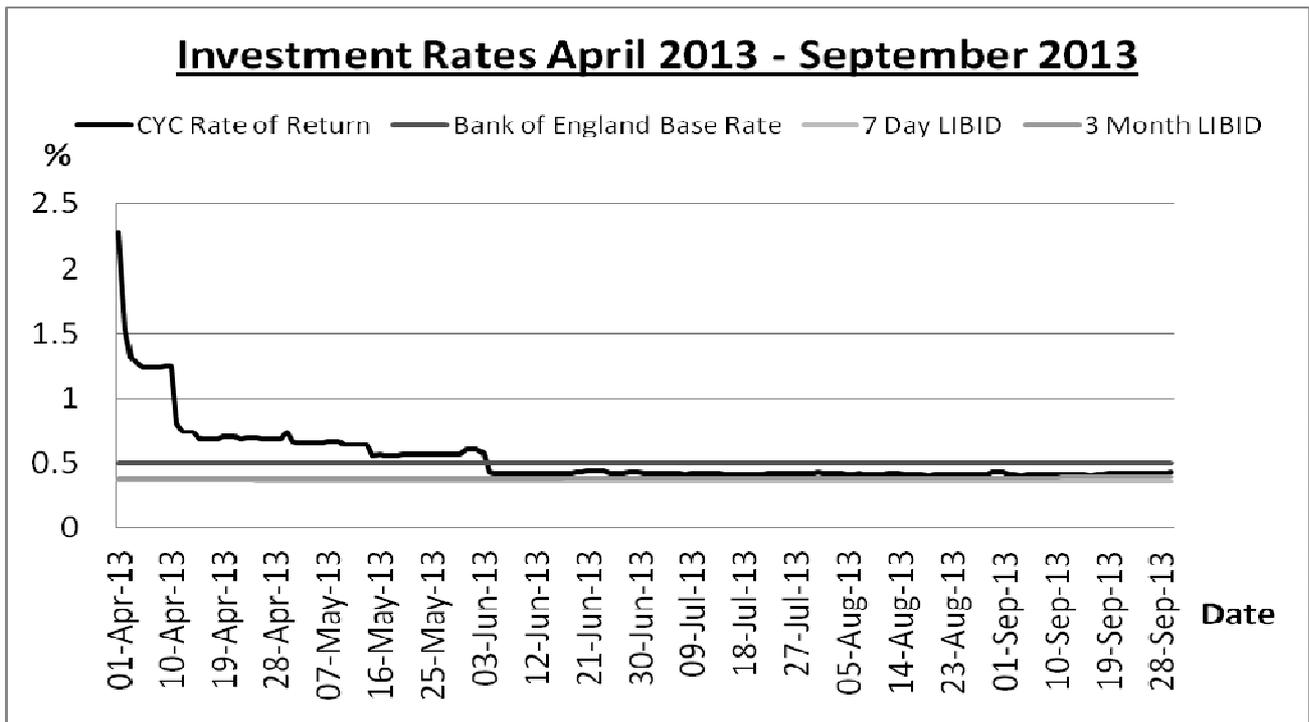


Figure 1 CYC Investments vs Money Market Rates

18. Figure 1 also shows the interest rates available for investment have remained flat over the course of the year to date. The main driver of this as set out above is the uncertainty over the rate of economic recovery and the continued impact of the excess liquidity being provided to the market by Central Banks, such as the £80bn made available to UK Banks through the Funding for Lending Scheme at rates of around 0.5%.
19. Figure 2 shows the investments portfolio by type split deposits in short term call accounts, fixed term investments and money market funds (MMFs). All of the MMFs are have an AAA credit rating, the call accounts are all A or AA- rated and the fixed terms investments are A rated.

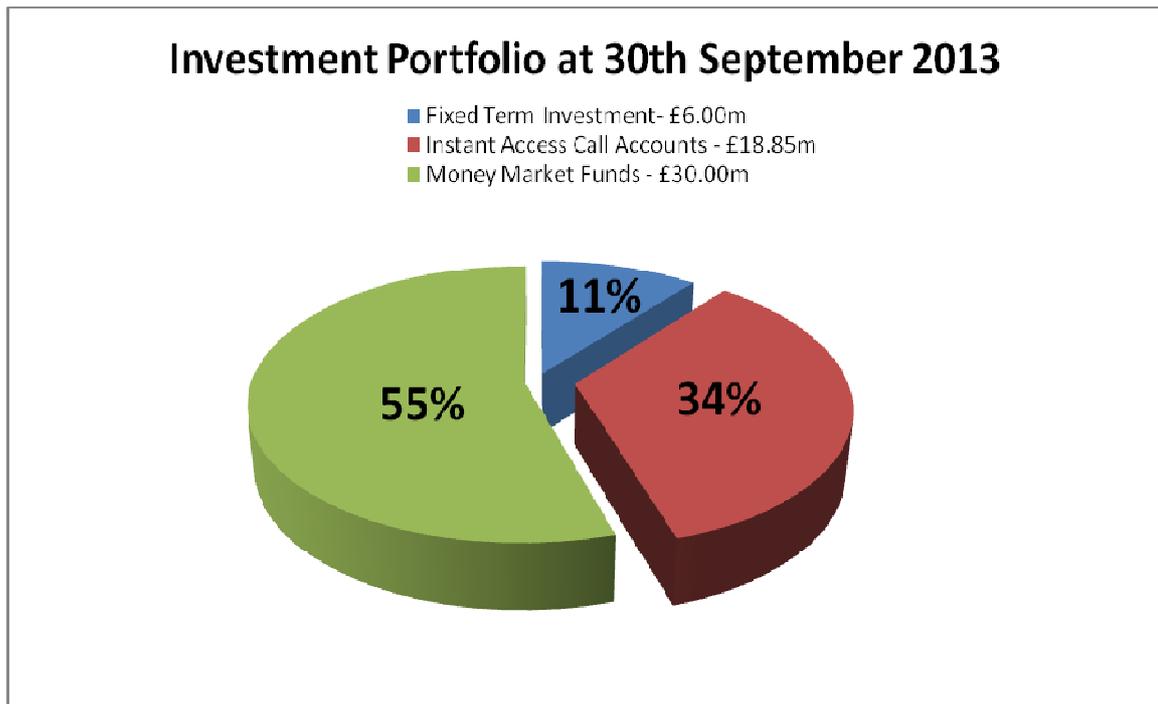


Figure 2 Investment Portfolio by type at 30 September 2013

Borrowing Portfolio

20. 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.
21. The level of borrowing taken by the Council is determined by the Capital Finance Requirement (the Councils underlying need to borrow for capital expenditure purposes). Borrowing needs to be affordable, sustainable and prudent and the treasury management budget supports the borrowing finance costs in the longer term.
22. Under regulation, the Council can borrow in advance of need in line with its future borrowing requirements in accordance with the Capital Financing Requirement. The markets will continue to be closely monitored to ensure that advantage is taken of favourable rates in 2012/13 and the increased borrowing requirement is not as dependant on interest rates in any one year.
23. 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 instead, decreasing the level of surplus funds being available for

investment. In the current interest rate environment where investment rates on holding investments are 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.

24. The treasury management function has not taken any new borrowing during 2013/14 but continues to closely monitor the borrowing environment for opportunities that arise and receive regular updates from Capita services in respect of borrowing timings and amounts.
25. The Council's long-term borrowing started the year at a level of £258.6m. No loans are due for repayment in this financial year and new borrowing has been taken in the 1st 6 months of 2012/13. The HRA amounts to 54% of the borrowing portfolio at £139.944m and the GF is 46% with borrowing at £118.671m, a total of £258.615m. Table 4 shows the Council's opening borrowing position, movements and current position for debt split by fund:

	General Fund	Housing Rev Acc	Total	Interest Rate
	£m	£m	£m	%
Opening Debt April 13	118.671	139.944	258.615	3.76
Repaid	0.000	0.000	0.000	0.00
New	0.000	0.000	0.000	0.00
Closing Debt Sept 13	118.671	139.944	258.615	3.76

Table 4 – CYCs current debt position September 13

26. Figure 3 illustrates the 2013/14 maturity profile of the Council's debt portfolio to 30 September 2013 split by general fund and HRA. The maturity profile shows that there is no large concentration of loan maturity in any one year, thereby spreading the interest rate risk dependency

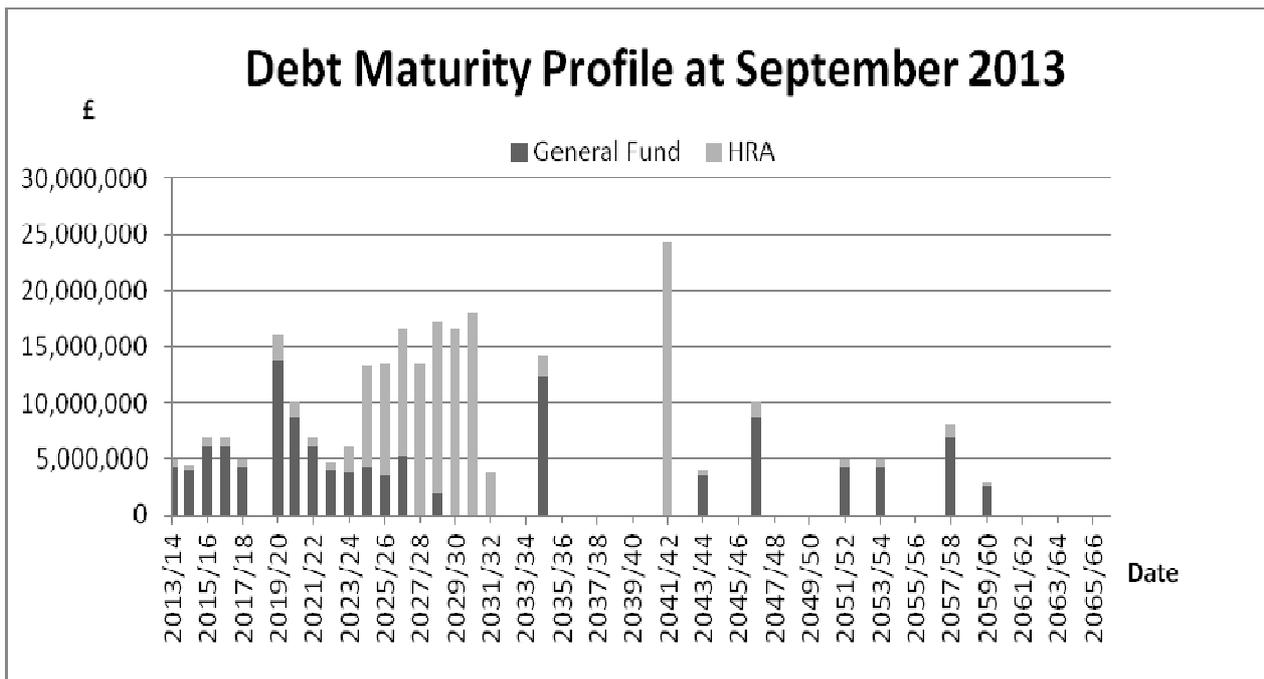


Figure 3 – Debt Maturity Profile 13/14

27. Capita Asset Services forecast that overall future Public Works Loans Board (PWLB) rates will begin to rise from their current position across all durations from September 14 onwards (as shown in table 1). As ever there is still expected to be volatility in the market over the coming months were opportunities may present themselves for borrowing at advantageous levels.

28. In general, gilt yields (on which PWLB rates are based) have risen during the year as shown in table 4, however as the year to date high and low value demonstrate there has been significantly fluctuations to the end of September 13. This is highlighted in the 3.5-4 yrs, 4-4.5 yrs and the 9.5-10 years that all have spreads of over 1%. Table 4 shows the variations in PWLB borrowing rates over the course of the year to date:

	PWLB borrowing rates by duration of loan (years)							
	1	1-1.5	2.5-3	3.5-4	4-5.5	9.5-10	24-25	49.5-50
2 Apr 13	1.12	1.15	1.35	1.53	1.75	2.84	4.08	4.23
30 Sept 13	1.30	1.42	1.87	2.19	2.50	3.66	4.45	4.48
Yr High	1.39	1.53	2.06	2.43	2.78	3.98	4.67	4.70
Yr Low	1.11	1.12	1.25	1.41	1.61	2.58	3.78	4.07

Yr Avg	1.25	1.33	1.67	1.94	2.21	3.34	4.34	4.44
Spread	0.28	0.41	0.81	1.02	1.17	1.40	0.89	0.63

Table 4 – PWLB Borrowing Rates (%) – to 30 September 13

29. Figure 4 shows the fluctuation in PWLB rates since April 2011 to the end of September 2013. PWLB rates remain relatively low at today's values compared to the historic levels seen over the last 5 years. The triangles highlight when new borrowing was taken in the financial year 2011/12.

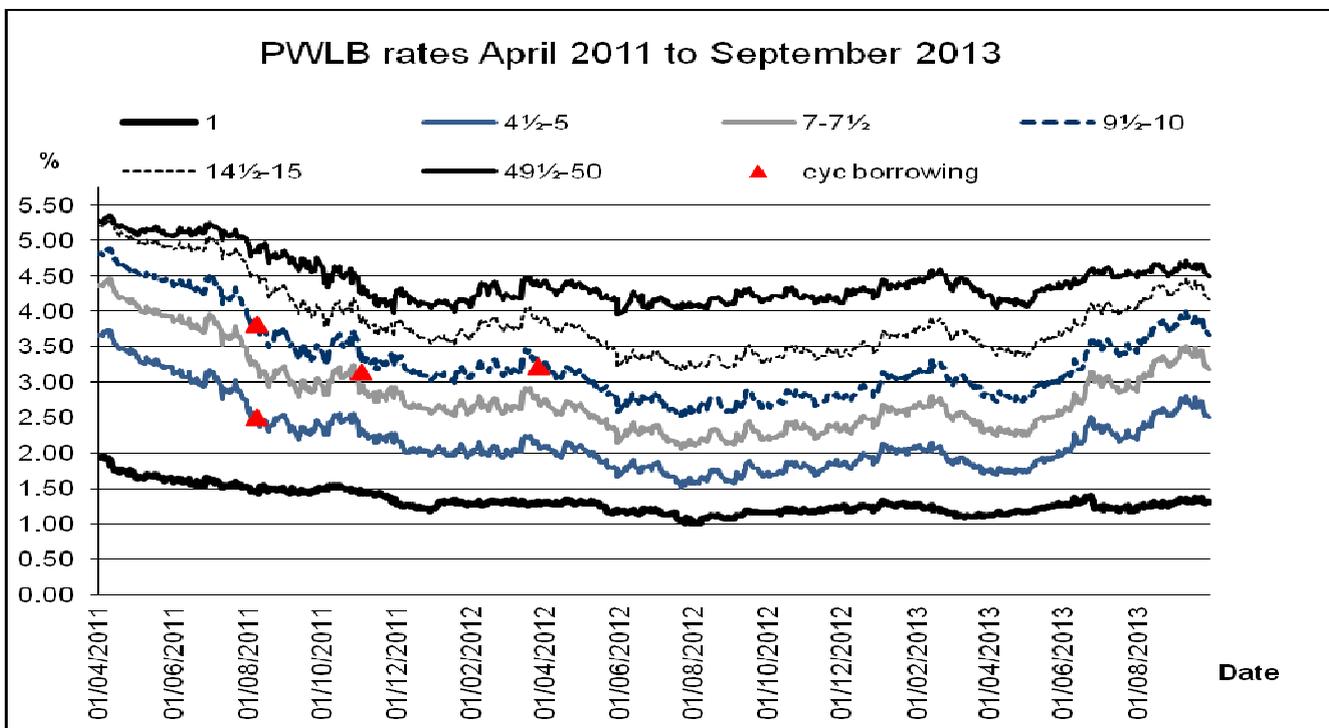


Figure 4 – PWLB rates vs CYC Borrowing Levels

Compliance with Prudential Indicators

30. The Prudential Indicators for 2013/14, included in the Treasury Management Strategy Statement are based on the requirements of the Council's capital programme and approved at Council on 23 February 2013.

31. 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 2013/14 to date the Council has operated within the treasury limits and Prudential Indicators set out.

Consultation and Options

32. The report shows the six month position of the treasury management portfolio in 2012/13. 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 - the Council's Treasury Management advisors. It is a statutory requirement to provide the information detailed in the report.

Analysis

33. The report is a statutory requirement and as such there are no specific options to analyse.

Council Plan

34. The Council Plan has five priorities which all require a budget to achieve. The treasury management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and endeavours to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.

Financial

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

Human Resources Implications

36. There are no HR implications as a result of this report.

Equalities

37. There are no equalities implications as a result of this report.

Legal Implications

38. 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.

Crime and Disorder Implications

39. There are no crime and disorder implications as a result of this report.

Information Technology Implications

40. There are no IT implications as a result of this report.

Property Implications

41. There are no property implications as a result of this report.

Risk Management

42. 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.

Recommendations

43. Members are required, in accordance with the Local Government Act 2003 (revised), to:

- Note the Treasury Management activities in 2012/13
- 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.

Contact Details

Author:	Chief Officer Responsible for the report:			
Ross Brown Principal Accountant 01904 551207	Ian Floyd Director of Customer & Business Support Services (CBSS)			
Debbie Mitchell Finance Manager 01904 554161	Report Approved	√	Date	28.10.13
Wards Affected:			All	√
For further information please contact the author of the report				

Annexes

Annex A – Prudential Indicators 2013/14

Prudential Indicators 2013/14 Mid Year Review

	Prudential Indicator		2013/14 actual	2014/15 projection	2015/16 projection	2016/17 projection	2017/18 projection
1	Capital Expenditure To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets.	GF HRA <u>Total</u>	£55.6m £17.0m £72.6m	£36.8m £8.5m £45.3m	£28.6m £8.7m £37.3m	£19.1m £8.7m £27.8m	£15.4m £7.2m £22.6m
2	Ratio of financing costs to net revenue stream An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from rents.	GF HRA <u>Total</u>	10.66% 14.26% 11.39%	11.08% 13.66% 11.72%	10.13% 12.74% 10.79%	11.19% 12.47% 11.55%	11.27% 12.21% 11.48%
3a	Incremental impact of capital investment decisions – Council Tax Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	Increase in band D Council Tax per annum	£27.34	£14.05	£4.26	£0.00	£0.00
3b	Incremental impact of capital investment decisions – Housing Rents 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.		£0.00	£0.00	£0.00	£0.00	£0.00
4	CFR as at Mid Year Review Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	GF HRA <u>Total</u>	£183.5m £140.3m £323.8m	£187.7m £140.3m £328.0m	£187.5m £140.3m £327.8m	£186.0m £140.3m £326.3m	£181.2m £140.3m £321.5m
5	External Debt To ensure that borrowing levels are prudent over the medium						

Annex A

	Prudential Indicator		2013/14 actual	2014/15 projection	2015/16 projection	2016/17 projection	2017/18 projection
	term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.	Gross Debt	£263.7m	£283.5m	£303.4m	£328.2m	£328.1m
		Invest	£60.0m	£30.0m	£25.0m	£25.0m	£25.0m
		Net Debt	£203.7m	£253.5m	£278.4m	£303.2m	£303.1m
6a	Authorised Limit for External Debt 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 for 3 financial years.	Borrowing Other long term liabilities Total	£342.3m £20.0m £362.3m	£342.9m £20.0m £362.9m	£342.9m £20.0m £362.9m	£342.2m £20.0m £362.2m	£341.0m £20.0m £361.0m
6b	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.	Borrowing Other long term liabilities Total	£332.9m £20m £352.9m	£332.9m £20m £352.9m	£332.9m £20m £352.9m	£332.9m £20m £352.9m	£331.0m £20m £351.0m
7	Adoption of the CIPFA Code of Practice for Treasury Management in Public Services		✓				
8a	Upper limit for fixed interest rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to		130%	112%	109%	108%	108%

Annex A

	Prudential Indicator		2013/14 actual	2014/15 projection	2015/16 projection	2016/17 projection	2017/18 projection
	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.						
8b	Upper limit for variable rate exposure The Council sets limits to its exposures to the effects of changes in interest rates for 3 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.		-30%	-12%	-9%	-8%	-8%
9	Upper limit for total principal sums invested for over 364 days The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.		£0	£0	£0	£0	£0
10	Maturity structure of new fixed rate borrowing To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Maturity profile of debt against approved limits	Maturity Profile	Debt (£)	Debt (£)	Approved Minimum Limit	Approved Maximum Limit
			Less than 1 yr	£9.5m	4%	0%	30%
			1 to 2 yrs	£5.0m	2%	0%	30%
			2 to 5 yrs	£14.0m	5%	0%	40%
			5 to 10 yrs	£37.7m	15%	0%	40%
			10 yrs and above	£192.4m	74%	30%	90%
			Total	£258.6m	100%	-	-

This page is intentionally left blank



Audit & Governance Committee**6 November 2013**

Report of the Director CBSS

Key Corporate Risk Monitor Two 2013/14**Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key corporate risks, and to highlight in more detail any emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

Background

2. The risk management process at York ensures that all key and emerging risks are reported regularly to A&G and on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies, understands and effectively manages its key risks. The detailed corporate risk register containing the key high and critical corporate risks is provided to A&G members in advance of the committee meeting.

Current Risk Issues

3. With regards to the waste project, the appeal court refused the Judicial Review appeal by Marton-cum-Grafton parish council on October 15th 2013 and therefore Allerton Park Waste Recovery Plant has planning permission. City of York Council along with North Yorkshire County Council will now work with AmeyCespa on the final stage of the project leading to Financial Close when the costs and value for money will be confirmed. It is anticipated that this will be in late spring next year.

Highways Risk Management

4. Further to Risk Monitor One which provided some detail around the efficiency savings which had been identified within the Highways department, Members requested an update in relation to whether those savings have had a detrimental impact on the numbers of claims received and the number that have had to be settled.
5. Please see the table below showing the Highways claims history for the past five years.

Policy Year	Number of Claims	Claims Closed	Paid	Closed with no payment	Repudiation rate %
2009/2010	237	228	£72,561.96	219	96
2010/2011	208	199	£86,880.15	183	92
2011/2012	123	112	£18,033.75	106	95
2012/2013	197	113	£15,030.27	102	90
2013/2014	65	3	£400.00	2	66

Note – the repudiation rate is only a snapshot at that time until all the claims are closed for that year. It is also a little inaccurate in that even though we may have successfully defended a claim, we may have incurred legal costs and as such would not be settled with nil payment.

6. The average time from the incident occurring to the claim being reported is 87 days with some being reported some considerable time later than that. With this in mind, the fact that the figures do not yet show deterioration is no surprise.
7. I would expect the increased numbers and costs to filter through in the next 12-18 months when the missed inspections are identified and exploited by the claimant fraternity. In addition, claims will be submitted through the portal and therefore subject to the reduced timescales with the potential for incurring greater costs should we fail to comply.

Critical Key Corporate Risks

8. The position of the council's three critical key corporate risks as at the end of September are set out below:

KCR0019 Safeguarding

Safeguarding (Eoin Rush)

“In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next year include, implementation of the Keeping Families Together; Keeping Families Safe vision for childrens social care, apply the learning from the CYSCB peer review and refresh the city wide information sharing lists with all schools.”

KCR 0022 Financial Pressures

Reduction in Revenue Budgets (Ian Floyd)

“The requirement to respond to the public sector spending reductions/deal with demographic cost pressures, presents a financial challenge the scale of which the Council has never experienced. Reductions of some £40m from 2011-14 are required, and further savings will be needed in the future. Whilst long term financial planning provides a key control, critical to the organisation being able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and through making difficult choices in the way services are delivered. Achievement of the savings will also require both a full commitment across the organisation and a robust approach to the ongoing monitoring of the savings programme.”

KCR 0016 Capital Programme

Financial contribution from tenant clubs (Tim Atkins)

“This is a risk regarding the occupying of the stadium and the rental income required from the two tenant clubs. If the clubs refuse to occupy or refuse deals that provide a realistic income the affordability target of the project may become unachievable causing bidders to withdraw or force the Council to provide extra funds to support the stadium running costs. Rents under

discussion are at a level that is affordable for the clubs, allows bidders to still meet the targets but that will not cover the running costs thus impacting the financial affordability of the project. Bidders at this stage believe they can still work within these parameters without further financial input from CYC and can therefore meet the affordability target for the project. The risk is critical impact rated, as, if we do not meet the affordability target for the project we cannot progress.”

Risk Management Work Plan

9. A work plan has now been developed in relation to the work required to reinvigorate risk management. It is recognised that there has previously been a significant amount of work been done in this area but we now need to review, update and make the process fit for purpose.
10. The work plan has been put together from our own perspective around what is required and the recommendations made by Zurich as part of the Whole Risk Diagnostic. It is not intended to be set in stone but to evolve as the work is undertaken to ensure it accurately reflects the requirements and aspirations of the business areas as they begin to engage more with the process.
11. A copy of the work plan can be found at Annex A. It is anticipated that some consultancy support will be purchased from Zurich to assist with delivery of the objectives. The funding for this will come from a ring fenced budget that was created as part of the insurance renewal for the purpose of risk management. Should these funds not be invested in risk management consultancy, it will be converted into premium. It is therefore in the authority’s interests to derive maximum benefit from the funds.

Directorate Risk Reports

12. The risks in respect of Customer and Business Support Services are attached to this paper at Annex B. Officers from this Directorate are in attendance to answer any queries you have in respect of the risks contained within the annex.

13. The timetable for risk reports from the other council directorates is set out below:

<u>A&G Committee Date</u>	<u>Directorate</u>
12 February 2014	Communities and Neighbourhoods City and Environmental Services
16 April 2014	Adults, Children and Education

Options

14. Not applicable.

Council Plan 2011 - 2015

15. The effective consideration and management of risk within all of the council's business processes helps support achieving 'a confident collaborative organisation' and aid the successful delivery of the five priorities.

Implications

- (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

16. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this

report will contribute to improving the council's internal control environment.

Recommendations

17. A&G are asked to:

(a) Consider and comment on the issues set out in this paper.

Reason

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

Contact Details

Author:

Lisa Nyhan
Corporate Transactional
and Business Services
Manager
Phone No. 01904 552953

Chief Officer Responsible for the report:

Ian Floyd
Director Customer and Business
Support Services

Report Approved ✓ **Date** 29.10.13

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Key Corporate Risk Monitor One 2013/14.

Annexes

Annex A – Workplan

Annex B – Customer and Business Support Risk Report

RISK MANAGEMENT VISION AND WORKPLAN 2013/14

City of York Council have had a Risk Management Policy and Strategy in place for some years. However, whilst the idea of risk management is reasonably embedded throughout the organisation, it is very much a paper exercise that has become somewhat stale as a result of a distinct lack of centralised coordination.

It is the aim of the Risk Management function to reinvigorate the process and encourage the council to use the risk management as a tool to better inform and enable them to carry out their business.

To this end a development and workplan has been created to provide some clarity around what is required and the likely timescales involved.

The first column considers the tasks required under each of the headings, then the second column provides timescales for completion whilst the third identifies the owner.

<u>Risk Register/Magique</u>	<u>Target Date for completion/Implementation</u>	<u>Owner</u>
<ul style="list-style-type: none"> • Undertake a review of all risk information contained within Magique as many risks are poorly defined, out of date, do not have a risk owner. Information must be up to date and accurate to facilitate 	<p>March 2014</p>	<p>Lisa Nyhan/Stephanie Kelly</p>

<ul style="list-style-type: none"> • Deliver training to the members on Audit and Governance Committee to enable them to carry out their role with regards to Risk Management effectively. • Refresher training for the DMTs to enable them to understand the principals and therefore be more effective in their identification and management of their departmental risks. 	<p>March 2014</p> <p>January 2014</p>	<p>Lisa Nyhan</p> <p>Lisa Nyhan</p>
<p><u>Documentation</u></p> <ul style="list-style-type: none"> • Risk management policy and strategy documents – review needed to ensure they reflect any new processes implemented and also to see if we can improve their ease of reading. • Review RM guide and Key Corporate Risk guide to ensure it 	<p>End October 13</p>	<p>Lisa Nyhan</p>

<p>fits the requirements of the potential audience.</p> <ul style="list-style-type: none"> Magique user guide – consider if we are to do all updates centrally is this required? If so, ensure meets needs of target audience. 	<p>End October 13</p> <p>End October 13</p>	<p>Lisa Nyhan</p> <p>Lisa Nyhan/Stephanie Kelly</p>
<p><u>Register Review/Reporting</u></p> <ul style="list-style-type: none"> A&G Reports - quarterley Put in place quarterly reviews with each of the DMT's Review all the risks every three months Take a report to CMT on KCR annually/bi-annually Take KCRs to CLG bi-annually for refresh if appropriate 	<p>Ongoing</p> <p>Jan 2014</p> <p>August 2013</p> <p>June 2014</p> <p>March 2014</p>	<p>Lisa Nyhan</p> <p>Lisa Nyhan</p> <p>Stephanie Kelly</p> <p>Lisa Nyhan</p> <p>Lisa Nyhan</p>

Directorate Risks – CBSS

This note looks at the main risks within CBSS, and focuses upon a generic overarching risk of reduced funding, and then more specific service based issues.

1) Reduced Funding

In looking at the overall risks facing the Directorate, the overwhelming major risk area is that of reduced funding and the implications that brings to the Directorate.

The scale of the funding reductions, and the level of savings required is unprecedented, and is on the back of major reductions that have already taken place.

Within CBSS efficiency savings of some £7m have already being achieved in the last 4-5 years (incl. approved savings for 14/15). This has been achieved through restructuring, consolidation of services, and additional income.

Looking ahead however, further savings will be expected of the Directorate in 15/16 and beyond.

This brings with it risks in a number of ways, and in particular there are two broad themes to these risks

- Reduced staff levels which mean lower service levels, impacting on both internal and external customers
- Impact on staff morale, due to ongoing restructuring/potential job loss
-

Each of these areas is discussed more below

- **Reduced staffing levels, and the implications for service delivery**

Key services are provided by the CBSS Directorate, covering Finance, ICT, HR, Legal, Customer Services, Benefits, Democratic Services, Asset Management Facilities Management, and Procurement. These services are provided to both internal customers (e.g. other departments), to the Council as a whole (e.g. financial

management/democratic) and to external customers (e.g. benefits/customer centre)

At a time of major change, and financial pressures, many of these “support” services are in greater need than they have been. For example the need for sound financial advice, for HR support in dealing with staffing changes, and in ICT in delivering more efficient solutions which are essential to other services to achieve greater efficiency. This brings with it a huge challenge – in simple terms the demands and expectations of the services are increasing but the resources available to deliver those are declining.

There are natural risks in all of this – a failure to deliver some of these critical services, due to reduced resource levels, could lead to further implications and cost. Failure to manage budgets effectively, or to properly address the HR implications of major change, could result in added cost pressures. Failure to manage major projects could have significant implications.

In respect of external customers, the expectations of Customers are increasing, with people expecting more ways to interact with the Council, and at different times. This brings with it potential resource issues, and also related ICT implications in developing new solutions. In respect of benefits, there is a huge national agenda, with complex changes in the benefits system, alongside increased client numbers seeking assistance.

The risks are clear then, and the challenge is how best to respond, as the one certainty is that we face reduced funding.

The Directorate has to date shown its ability to deliver major efficiency changes, and structural change. Major restructuring has taken place in recent years; including major reductions in senior management (all the AD posts for example now have considerably increased portfolios of responsibility than say 2-3 years ago). Work in relation to income collection/debt management has been very successful, along with wide ranging changes in all areas.

Opportunities are being reviewed to see what areas of service we could trade to other organisation (i.e. attract income), and to see how we can work with other authorities. The Directorate has lead on the establishment of City of York Trading, and the Work with York service run through the company.

There will be continued detailed review of all service areas, to seek out opportunities for efficiency. However, it's clear that not all savings can be delivered through "efficiency", there will need to be a significant element of "cuts". Managing those cuts, and prioritising service delivery, will need very careful handling to mitigate the potential risks.

Part of this assessment is the need to ensure that core statutory service activity is maintained at a high level. In some respects much of the core activities (e.g. final accounts, governance, and internal controls) often do not attract the highest attention, but these remain the core elements of service which require the highest attention. Other examples of the need to deliver include Payroll, benefits, core ICT systems, customer services – all of which have daily activity which is critical for both the Council and its customers.

The Council is also involved in a number of complex major projects, including the Community Stadium and the EPH programme. These major projects also have significant resource requirements and present challenges in terms of managing workload.

- Impact of Staff Morale

In order to achieve high levels of service, during a time of reduced resource, there is a need to ensure that staff remain committed and deliver services to the highest standards.

However, with the considerable change, and at times uncertainty that staff are facing, there is a natural danger that morale suffers and that this leads to some implications in terms of service.

Throughout such periods it is important to be open with staff, and to engage with them, and this is something the Directorate seeks to achieve at all times. Close working exists with the Unions, and the Directorate is committed to avoid compulsory redundancies wherever possible. It is also more than ever important that staff feel valued, and are also encouraged to innovate.

2) Other Directorate Risks

Significant specific tasks which the Directorate lead upon are summarised below, with brief comment about the main risks (these only covered some main select risks within the Directorate, and are not a comprehensive list)

- **Developing the financial strategy** – linked to earlier comments, the challenges facing the Council are major in terms of the impact of funding changes, increased costs, and unavoidable pressures. There are risks in the non achievement of savings, and risks in terms of service delivery with reduced funding. ***(High Impact and Medium Likelihood – further reductions in funding almost certain, with significant implications on all Council services, high financial values,)*** Mitigation – through effective long term planning, risk assessment of savings.
- **Budget Monitoring** – risk of non achievement of the budget in year. ***(High impact, medium likelihood – Council has managed expenditure within budget in recent year, but each years cuts place further pressure on budgets, impacts on services if savings not delivered requiring alternative actions)*** Mitigation – regular monitoring, detailed verification of all savings
- **Final Accounts** – linked to earlier general comments, the pressures on reduced staff could potentially lead to delays to final accounts productions/errors in production. ***(High Impact – Low Likelihood - direct financial risk, risk is more in reputational risk in terms of accounts being qualified.)*** Mitigation – effective project planning, and ensuring staff are adequately trained and understand accounting legislation
- **Council Tax Benefit Changes** – major changes in the funding of council tax benefits, require ongoing monitoring of collection, and also on the spend side of benefit costs where all additional claims have cost implications ***(Medium impact- Low Likelihood, potential financial implications if system is not managed effectively)***. Mitigation – regular monitoring of collection and expenditure.
- **Localisation of Business Rates** – this brings with it both the potential to benefit from additional income, but also places any shortfalls in collection upon the Council. This was recognised as an area where greater resource needed to be targeted, and the income team was reviewed accordingly. ***(Medium impact, Low likelihood - financial impacts if collection levels not maintained)*** Mitigation – effective monitoring, and staffing of the income team

- **Ensuring Legal Compliance** – general ongoing need to ensure that all the Council does is in line with legislation, ***(High Impact, Low Likelihood - individual issues can be high risk, particularly major projects)*** Mitigation – effective internal team that is adequately resources/skilled
- **HR Issues** – significant changes in terms of roles being undertaken by staff, major restructuring, and significant numbers of staff being made redundant/taken voluntary redundancy. These all require effective HR to mitigate any risks. ***(Medium impact, medium likelihood - implications if restructuring/redundancy not handled effectively, continual pressures on the service given the scale of changes mean there are significant demands upon the service)*** Mitigation – effective policies and procedures and close working with services
- **ICT** – all services rely upon ICT, and any period without systems would impact on service delivery. ***(High impact, low likelihood – impact of major loss of ICT would have high impact on service delivery.)*** Mitigation – adequately resourced and skilled team, plus disaster management procedures.
- **Customer Services** – handle complex range of customer issues, including council tax, benefits, and various service issues across the Council. Risk of not being able to deliver services effectively to customers. ***(High impact, medium likelihood)*** Mitigation – ensuring sufficient resources, implementing new technology, and various channels of interaction
- **Major Projects** – Directorate supports or leads on a number of major projects, including Community Stadium, EPH review, each of these has their own risk assessment and are monitored through appropriate project teams. Key risks naturally involve issues in terms of ensuring schemes stay within budget, within timescale, and deliver the project objectives. ***(High impact, medium likelihood – projects involve many millions of pounds delivering highly visible projects with complex procurements)*** Mitigation – effective project planning, effective financial/legal and procurement resources.

This page is intentionally left blank

**Audit and Governance Committee**

06 November 2013

Report of the Head of Internal Audit

Internal Audit Follow Up Report

Summary

1. This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

Background

2. Where weaknesses in systems are found by internal audit, the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for issues to be dealt with. The auditors then carry out follow up work to check that the issue has been resolved once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.
3. A summary of the findings from follow up work is presented to this committee twice a year. The current report covers agreed actions with target dates up to 30 September 2013.

Consultation

4. Details of the findings of follow up work are discussed with the relevant service managers and chief officers.

Follow up of internal audit agreed actions

5. A total of 119 actions have been followed up since the last report to this committee in April 2013. A summary of the priority of these actions is included in figure 1, below.

Figure 1: actions followed up as part of the current review

Priority of actions*	Number of actions followed up
1	6
2	32
3	81
Total	119

* The priorities run from 1 (high risk issue) to 3 (lower risk)

6. Figure 2 below provides an analysis of the actions which have been followed up, by directorate.

Figure 2: actions followed up by directorate

Priority of actions	Number of actions followed up by directorate				
	Chief Executives	City and Environmental Services	CANS	ACE	CBSS
1 (High)	0	0	1	1	4
2 (Medium)	0	3	3	9	17
3 (Low)	0	5	4	48	24
Total	0	8	8	58	45

7. Of the 119 agreed actions 96 (80.7%) had been satisfactorily implemented and 3 (2.5%) were no longer needed¹.
8. In a further 17 cases (14.3%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (eg due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary

¹ For example because of other changes to procedures or because the service has ended or changed significantly.

they will be raised with senior managers in accordance with the escalation procedure. Figure 3 below shows the priority of these actions.

Figure 3: priorities of actions with revised implementation dates

Priority of actions	Number of actions with a revised implementation date
1 (High)	1
2 (Medium)	5
3 (Low)	11
Total	17

9. In three cases (2.5%) no suitable action had been taken by the responsible officer to address the issue raised; all three actions were from the same report. Following a restructure of the relevant department, these actions were escalated in October 2013 to the Assistant Director who now has responsibility for this service area.

Conclusions

10. The follow up testing undertaken confirms that in general good progress has been made by council departments to rectify weaknesses in control identified through internal audit work. This is an ongoing process and progress in implementing agreed actions will continue to be monitored and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee at this time.

Options

11. Not relevant for the purpose of the report.

Analysis

12. Not relevant for the purpose of the report.

Corporate Priorities

13. This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

14. There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management

15. The council will fail to properly comply with Public Sector Internal Audit Standards (PSIAS) if it does not establish procedures to follow up on audit recommendations and report progress to the appropriate officers and members.

Recommendations

16. Members of the Audit and Governance Committee are asked to:
- consider the progress made in implementing internal audit agreed actions as reported above (paragraphs 5 – 10)

Reason

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

Contact Details

Author:

Chief Officer Responsible for the report:

Max Thomas
Head of Internal Audit
Veritau Ltd
Telephone: 01904 552940

Ian Floyd
Director of Customer and Business
Support Services
Telephone: 01904 551100

**Report
Approved**



Date 25/10/2013

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers:

None

Annexes

None

This page is intentionally left blank

**Audit and Governance Committee**

6 November 2013

Report of the Head of Internal Audit

Audit & Counter Fraud Monitoring Report

Summary

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2013/14 and on current counter fraud activity.

Background

- 2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are reported to this committee. This is the first monitoring report for 2013/14.

Internal Audit

- 3 To date, internal audit has delivered 37% of the 2013/14 audit plan based on reports issued. This is slightly ahead of the position at this point last year. It is anticipated that the 93% target for the year will be exceeded by the end of April 2014 (the cut off point for 2013/14 audits).
- 4 Details of the audits completed and reports issued since the last report to this committee in July 2013 are given in annex 1.
- 5 A number of variations to the audit plan have been approved by the Director of CBSS since the start of the year. Details are included in annex 2.

Counter Fraud

- 6 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides a summary of the work undertaken.

Breaches of Financial Regulations

- 7 A number of breaches of the council's financial regulations have been identified during the course of recent audit work. Details of these breaches are summarised in annex 4. The most significant issues relate to reconciliation procedures for Markets income, as set out in the table in annex 1.

Consultation

- 8 Not relevant for the purpose of the report.

Options

- 9 Not relevant for the purpose of the report.

Analysis

- 10 Not relevant for the purpose of the report.

Council Plan

- 11 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

- 12 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**

- **Property**

Risk Management Assessment

- 13 The council will fail to properly comply with the PSIAS if the results of audit work are not reported to those charged with governance.

Recommendation

- 14 Members are asked to:

- (a) Note the progress made in delivering the 2013/14 internal audit work programme, and current counter fraud activity.

Reason

To enable Members to consider the implications of audit and fraud findings.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
01904 552940

Chief Officer Responsible for the report:

Ian Floyd
Director of CBSS
Telephone: 01904 551100

**Report
Approved**



Date 25/10/13

Specialist Implications Officers: Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2013/14 Internal Audit, Counter Fraud, and Information Governance Plan

Annexes

- Annex 1 – 2013/14 Audits Completed and Reports Issued
- Annex 2 – Variations to the Audit Plan
- Annex 3 – Counter Fraud Activity
- Annex 4 – Breaches of Financial Regulations

This page is intentionally left blank

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>
2	<p>Action considered necessary to improve or implement system controls so as to ensure an</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system</p>

Priority

Long Definition

Short Definition – for use in Audit Reports

effective control environment exists to minimise exposure to significant risks such as financial or other loss.

objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

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

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

Draft Reports Issued

Nine internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows:

Opinion	Number
High Assurance	3
Substantial Assurance	2
Moderate Assurance	3
Limited Assurance	1
No Assurance	0
Not given	0

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in July 2013. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Development Management	14/06/2013	Moderate Assurance	6	0	The key findings of the audit were: <ul style="list-style-type: none"> Inconsistencies in the categorisation of documents uploaded onto Idox (the planning document management system).

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<ul style="list-style-type: none"> • Electronic enforcement files did not all contain all the necessary supporting documentation. • No management checks are undertaken to ensure the correct fees are being charged • No reconciliation is currently performed between the fees input on the planning database and the council's finance system. • Monitoring of section 106 agreements is taking place infrequently and monitoring action is not being thoroughly recorded.
Council Tax and NNDR	20/06/2013	High Assurance	2	0	No significant issues identified.
Treasury Management	20/06/2013	High Assurance	0	0	No significant issues identified.
Debtors	20/06/2013	High Assurance	1	0	No significant issues identified.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Archbishop of York Junior School	21/06/2013	Substantial Assurance	3	0	A schools audit, no significant weaknesses were identified.
Payroll	03/07/2013	Moderate Assurance	4	0	<p>The payroll system was generally found to be working satisfactorily with payroll documentation being completed, authorised and input accurately onto the iTrent payroll system. Areas of improvement noted during the audit were:</p> <ul style="list-style-type: none"> • Insufficient detail is sometimes retained to support salary advances made. • Incorrect authorisation procedures were being followed in 2 departments. • The spreadsheet used to record salary overpayments to staff had not been recently updated.
Ordering and Creditor Payments	04/07/2013	Moderate Assurance	5	0	It was found that progress has been made with the levels of compliance with raising purchase orders and the early indications are that the 'No Purchase Order, No Payment' policy will result in further improvements.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					However, problems remain with achieving the efficiencies intended in the P2P system and total numbers of invoices that are processed automatically for payment remain low. Continuous monitoring and improvement action is likely to be needed to fully achieve the objectives of the P2P system.
Naburn Primary School	11/07/2013	High Assurance	3	0	A schools audit, no significant weaknesses were identified.
VAT Accounting	24/07/2013	Substantial Assurance	6	0	While no major weaknesses were identified, improvements were agreed in relation to the monitoring of VAT coding at schools, checking supplier VAT registration numbers, and making better use of standard charge codes when raising debtors invoices.
Tenants Choice	05/08/2013	Moderate Assurance	5	1	Controls were working well in most areas, although a number of issues were identified: <ul style="list-style-type: none"> • A waiver was not obtained for cost quality split used when the Tenants Choice contracts were tendered.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<ul style="list-style-type: none"> • Inaccurate or out of date information was found on the database used to monitor the age and condition of properties. • Specifications for work could be improved to reduce numbers of variation orders • Performance indicators had not been developed to monitor contractor performance.
Recruitment Procedures	16/08/2013	Moderate Assurance	2	0	The retention of documents has improved since the last audit, but some weaknesses remain. There is also a lack of evidence available to document which staff have attended recruitment training courses.
Markets	03/09/2013	No Assurance	8	1	The main concern identified during the audit was that the daily cashing up procedures were weak. No reconciliations are performed to confirm that the money being banked matches the cash collected as per the receipts book. The standard of records maintained is also so poor that it was not possible to perform these reconciliations retrospectively.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<p>Other weaknesses identified during the audit were:</p> <ul style="list-style-type: none"> • Improvements were needed to banking and safe procedures. • Insufficient records were maintained of discounts given to traders and the way stalls have been allocated to casual traders. • No reconciliation of invoices raised and income received is performance between the markets database and the council's financial system. • Insufficient record is currently kept of casual trader rent arrears.
Ordnance Lane	03/09/2013	Substantial Assurance	3	0	An establishment audit of the Ordnance Lane hostel. No major weaknesses were identified but some improvements to petty cash procedures and rent arrears monitoring were agreed.
Performance Management	11/09/2013	Moderate Assurance	7	0	<p>The main issues identified were:</p> <ul style="list-style-type: none"> • A lack of awareness of the council's policy and performance framework, resulting in a lack of

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<p>consistency in performance management across the council</p> <ul style="list-style-type: none"> • Explicit links to the council's priorities were not always present in appraisals and personal development plans • Key priorities are not always made explicit and performance information is not always fed back individual teams.
Scarcroft Primary School	14/10/2013	High Assurance	4	0	A schools audit, no significant weaknesses were identified.
Freedom of Information	16/10/2013	Limited Assurance	7	1	Details of the audit findings were included in the report on FOI brought to Audit and Governance Committee in September 2013.

VARIATIONS TO THE 2013/14 AUDIT PLAN

Additions to the plan are considered where:

- specific requests are received from the S151 Officer which are necessary for him to discharge his statutory responsibilities.
- new or previously unidentified risks result in changes to the priority of audit work
- significant changes in legislation, systems or service delivery arrangements occur which have an impact on audit priorities
- requests are received from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management
- urgent or otherwise unplanned work arises as a result of investigations into fraud and other wrongdoing identifying potential control risks.

Additions to the audit plan are only made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been agreed by the Head of Internal Audit.

Audits are deleted from the plan or delayed until later years where:

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable
- the initial reason for inclusion in the audit plan no longer exists
- it is necessary to vary the plan to balance overall resources.

To reflect the contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Director of CBSS. Any significant variations will then be communicated to the Audit and Governance Committee for information.

2013/14 Audit Plan Variations

The following variations have been approved by the Director of CBSS since the beginning of the year. They represent a net allocation of 71 days from the audit contingency and do not affect the overall planned audit days.

Audit	Days	Reason For Variation
Additions to the Audit Plan		
Freedom of Information	20	To review arrangements for handling freedom of information requests.
Democratic Services	20	To review current arrangements against good practice in areas such as publicising details of public meetings, reporting, and the use of social media.
Markets	20	To review cash handling and accounting arrangements at the request of management.
Contract Audit	2	Additional allocation of time to audit contract management arrangements.
Health and Safety	7	Additional allocation of time required to cover a number of specific areas requested by the service.
Huntington Secondary School	2	Additional allocation of time for school audit, to look at payroll procedures operated directly by the school.
	71	

This page is intentionally left blank

COUNTER FRAUD ACTIVITY 2013/14

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed to date. The indicators include the full range of counter fraud work undertaken.

	2013/14 (as at 30/09/13)	2013/14 (Target: Full Yr)	2012/13 (Actual: Full Yr)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	59%	30%	47%
Number of investigations completed	101	320	262

Caseload figures for the period are:

	As at 1/4/13	As at 30/09/13
Awaiting allocation	22	38
Under investigation	147	191

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>A total of 9,600 data matches have been received from the Audit Commission as part of the National Fraud Initiative. The council was recommended to prioritise the review of 2,000 of these matches by the Audit Commission and this work has now been completed. With the exception of 13 investigations, which are ongoing, the matches have resulted in:</p> <ul style="list-style-type: none"> • £11,000 in benefit overpayments being identified • 403 bus passes and 55 disabled blue badges being cancelled, following identification that the customer had died. <p>Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team has received 305 HBMS referrals this year. HBMS referrals have resulted in 2 benefit fraud prosecutions and 2 sanctions to date in 2013/14.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to robustly respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Housing fraud – working in conjunction with housing officers, 15 properties have been recovered since April. In addition, 8 properties were prevented from being let where the prospective tenants had provided fraudulent information in their housing applications. This is almost twice the number of properties recovered and four times the number of applications

Activity	Work completed or in progress
	<p>blocked than at this time last year. There are 48 current investigations in this area. In September the team launched a regional anti-housing fraud drive joining up with four housing associations and four other local authorities in North Yorkshire.</p> <ul style="list-style-type: none"> • Internal fraud - the team has received 10 referrals for internal frauds between 1st April and 30th September. Five cases are still under investigation. • Benefit fraud - 7 people have been prosecuted for benefit fraud offences and a further seven have received formal sanctions (cautions and administrative penalties). Benefits have been corrected in a further 14 cases. Over £20,000 has been recovered for the council since April from fraudulent and incorrect benefit payments. • Social care fraud – There are currently 11 ongoing investigations in this area and fraud awareness training is ongoing. • Parking fraud – Four cases of blue badge misuse have been referred to the team since April. • Council Tax fraud – there is one ongoing investigation in this area.

This page is intentionally left blank

ANNEX 4

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS IDENTIFIED
DURING INTERNAL AUDIT WORK COMPLETED IN THE PERIOD**

Description of Breach	Instances
Lack of segregation of duties	1
Insufficient or unclear delegation of authority	1
No waiver obtained for price/quality ratio used in tender	1
Incorrect petty cash procedures	1
Inadequate safe procedures	1
Incorrect VAT procedures	1
Inadequate income reconciliation procedures	2
Inadequate income collection procedures	1

This page is intentionally left blank

**Audit and Governance Committee**

6 November 2013

Report of the Head of Internal Audit

Internal Audit Charter

Summary

- 1 The committee is asked to review the proposed internal audit charter and approve its adoption.

Background

- 2 Standards for internal audit services in local government are set by the Chartered Institute of Public Finance and Accountancy (Cipfa). From 1 April 2013 Cipfa introduced a new set of standards, jointly with other standard setters across the public sector. These new Public Sector Internal Audit Standards (PSIAS) require the council to adopt an audit charter setting out the purpose, authority and responsibility of internal audit.

Consultation

- 3 Not relevant for the purposes of the report.

Options

- 4 Prior to April 2013 the council had set out its requirements for internal audit in terms of reference. These were in line with the former standards set by Cipfa in the Code of Practice for Internal Audit in Local Government in England and Wales (2006).
- 5 The new PSIAS require that the council adopts an internal audit charter instead. The purpose of the charter is broadly similar to the terms of reference although some of the detail required is different. For example, the new standards are more explicit about how the Head of Internal Audit reports to

the “board” (represented by the Audit and Governance Committee in York).

- 6 The proposed audit charter is attached at Annex 1. This has been prepared in accordance with the PSIAS and additional guidance from Cipfa.

Analysis

- 7 Not relevant for the purpose of the report.

Council Plan

- 8 The work of internal audit supports the council’s overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 9 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 10 The council will not comply with the requirements of the Accounts and Audit (England) Regulations (2011) if it does not adopt an audit charter in accordance with proper practice for internal audit (the PSIAS).

Recommendation

- 11 Members are asked to;
- consider the proposed internal audit charter at annex 1 and approve its adoption on behalf of the council.

Reason

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

Contact Details

Author: **Chief Officer Responsible for the report:**

Max Thomas
Head of Internal Audit
Veritau Limited
Telephone: 01904
552940

Ian Floyd
Director of Customer & Business
Support Services
Telephone: 01904 551100

Report Approved **Date** 25 October 2013

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- The Public Sector Internal Audit Standards
<http://www.cipfa.org/-/media/Files/Publications/Standards/Public%20Sector%20Internal%20Audit%20Standards.pdf>
- Cipfa local government application note for the United Kingdom Public Sector Internal Audit Standards (contact the report author to view this document)

Annexes

- Annex 1 – proposed internal audit charter

This page is intentionally left blank



City of York Council Internal Audit Charter

6 November 2013

1 Introduction

- 1.1 There is a statutory duty on the council to maintain an adequate and effective internal audit of its accounting records and of its system of internal control. The Accounts and Audit (England) Regulations 2011 also require that internal audit is undertaken in accordance with proper practices. The Chartered Institute of Public Finance and Accountancy (Cipfa) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2013 Cipfa adopted new Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and Cipfa's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at City of York Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the council's constitution and financial regulations.

2 Definitions

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

"Board" – the Audit and Governance Committee fulfil the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Director of

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

CBSS in his role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the council individually (including the Chief Executive) or collectively as Council Management Team (CMT) in relation to:

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

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

3 Application of the standards

3.1 The PSIAS defines internal audit as follows.

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

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

4 Scope of internal audit activities

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

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

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

5 Responsibilities and objectives

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

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

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

- adopt an overall strategy setting out how the service will be delivered in accordance with this charter
- draw up an indicative risk based audit plan on an annual basis which takes account of the requirements of the charter, the strategy, and proper practice.

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

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

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

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

- the code of ethics in the PSIAS

- the codes of any professional bodies of which they are members
- standards of conduct expected by the council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

- 6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.
- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
 - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice
 - seeking external oversight of any audit of functional activities managed by the Head of Internal Audit through Veritau client management arrangements.

7 Accountability, reporting lines, and relationships

- 7.1 Internal audit services are provided under contract to the council by Veritau. The company is a separate legal entity. Staff undertaking internal audit work are employed by Veritau or are seconded to the company from the council. The Assistant Director CBSS (finance asset management & procurement) acts as client officer for the contract, and is responsible for overall monitoring of the service.

- 7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:
- Council, Cabinet, or any committee (including the Audit & Governance Committee)
 - Chief Executive
 - Director of CBSS (s151 officer)
 - monitoring officer
 - other directors, assistant directors and managers.
- 7.3 The Director of CBSS (as s151 officer) has a statutory responsibility for ensuring that the council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Director of CBSS. This is included in Appendix 1.
- 7.4 The Head of Internal Audit will report independently to the Audit and Governance Committee³ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - his/her annual opinion on the council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the Audit and Governance Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 The Audit and Governance Committee will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The committee will also protect and promote the independence and rights

³ The committee charged with overall responsibility for governance at the council.

of internal audit to enable it to conduct its work and report on its findings as necessary⁴.

8 Fraud and consultancy services

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

9 Resourcing

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are sufficient to meet the requirements to provide an opinion on the council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Director of CBSS and to the Audit and Governance Committee.

10 Rights of access

⁴ The relationship between internal audit and the Audit and Governance Committee is set out in more detail in Appendix 2.

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

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

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

11 Review

11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Director of CBSS and the Audit and Governance Committee, for approval.

**Relationship between the Director of CBSS
(the s151 Officer) and internal audit**

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

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

Relationship between the Audit and Governance Committee and internal audit

- 1 The Audit and Governance Committee plays a key role in ensuring the council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the committee.
- 2 The Audit and Governance Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions

escalated to the committee in accordance with the approved escalation policy.

(vii) Approval (but not direction) of the annual internal audit plan.

4 In relation to the Audit and Governance Committee, the HoIA will:

(i) attend its meetings and contribute to the agenda

(ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the committee

(iii) provide an annual summary of internal audit work, and an opinion on the council's control environment, including details of unmitigated risks or other issues that need to be considered by the committee

(iv) establish whether anything arising from the work of the committee requires consideration of the need to change the audit plan or vice versa

(v) highlight any shortfall in the resources available to internal audit and to make recommendations to address these to the committee

(vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the committee

(vii) participate in the committee's review of its own remit and effectiveness

(viii) consult with the board on how external assessment of the internal audit service will be conducted (required once every five years).

5 The Head of Internal Audit will informally meet in private with members of the Audit and Governance Committee, or the committee as a whole as required. Meetings may be requested by committee members or the HoIA.

This page is intentionally left blank

**Audit and Governance Committee**

6 November 2013

Report of the Head of Internal Audit

Audit and Governance Committee Effectiveness – Action Plan Update

Summary

- 1 The purpose of this report is to provide details of the progress made to address the items included in the effectiveness action plan.

Background

- 2 The committee established a task group to undertake a review of its own effectiveness. The task group reported its findings on 12 December 2012 and concluded that the committee fulfilled its responsibilities and complied with best practice in many areas. However, a number of areas were identified where it was felt that the committee's own effectiveness could be improved or other changes made to support the functioning of the committee. An action plan was subsequently agreed by the committee at the meeting on 19 March 2013.

Action Plan - Update

- 3 Details of the progress made to date are attached in Annex 1.

Council Plan

- 4 The Audit and Governance Committee forms an important component of the council's corporate governance framework. As such it supports the overall aims and priorities of the council by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 5 There are no implications to this report in relation to:
 - **Finance**

- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 6 The Committee may fail to fully and properly discharge its responsibilities if it fails to function effectively.

Recommendations

- 7 Members are asked to consider the progress made to address the items included in the effectiveness action plan (attached at annex 1).

Reason

To ensure that the Audit and Governance Committee remains effective.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
Telephone: 01904 552940

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support
Services
Telephone: 01904 551100

**Report
Approved**

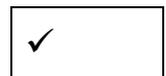


Date 28 October 2013

Specialist Implications Officers: Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers: None

Annexes

Annex 1 – Action Plan arising from the recommendations of the A&G Committee Task Group

Audit & Governance Committee's Effectiveness Task Group – Action Plan

Details of the action(s) taken or proposed are shown for each issue.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
1	The Audit and Governance Committee's existing terms of reference need to be revised in order to comply with CIPFA recommended best practice. Revised terms of reference were considered by the Committee at their meeting on 2 April 2012 but they were not approved.	Revised terms of reference for the Committee will be presented to the meeting on 17 April 2013, prior to submission to Full Council on 18 July 2013 for approval	July 2013	Assistant Director Governance & ICT (Andrew Docherty)	Completed. The Committee agreed revised terms of reference at its meeting on 9 July 2013. The revised terms of reference were subsequently approved by Full Council on 18 July 2013.
2	The Council has approved the Audit and Governance Committee's terms of reference. However, the terms of reference are not formally reviewed and updated on a regular	The Committee's terms of reference will be reviewed annually. Any changes to be submitted to Full Council for approval.	April 2013 and ongoing.	Assistant Director Governance & ICT (Andrew Docherty)	Ongoing. The terms of reference will be reviewed on an annual basis, with the next review due in June 2014.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
	basis.				
3	<p>The Audit and Governance Committee could benefit by extending its membership to include co-opted Members with relevant technical expertise and/or a thorough knowledge of corporate governance. This has been a longstanding recommendation of the committee.</p> <p>Some concerns were expressed regarding the need to ensure that Members are free to act independently and that influence is not placed on them to adopt a party line. The appointment of independent co-opted Member(s) may help to</p>	<p>A report will be presented to the Audit and Governance Committee on 17 April 2013 setting out the arrangements for appointing co-opted Members to the Committee. The objective will be to adopt a process which will enable the Committee to appoint up to two independent co-opted Members.</p>	April 2013	Assistant Director Governance & ICT (Andrew Docherty)	<p>The recruitment arrangements were agreed by the Committee on 19 March 2013. A panel comprising the chair, vice-chair and the Head of Internal Audit was established to shortlist and interview prospective members, prior to making a recommendation to the Committee</p>
		<p>Adverts seeking expressions of interest from potential members of the public will be placed in April with a deadline for responses of</p>	June 2013	Head of Internal Audit (Max Thomas)	<p>The recruitment exercise was undertaken and Mr Martin Whiteley was subsequently</p>

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
	address this issue.	30 April 2013. A panel comprising the chair, vice-chair and two officers will then shortlist and interview prospective members and make a recommendation to the Committee. The objective will be to confirm the appointments at the June meeting of the Committee.			appointed as an independent member of the committee by Full Council on 18 July. The appointment is for two years. A further recruitment exercise is planned in the new year with a view to filling the second position.
		The requirement for members of the Committee to act independently will be covered at the training event being organised on 18 June 2013. It will also be included in future training provided to the Committee.	June 2013 and ongoing.	Head of Internal Audit (Max Thomas)	Completed. The need for members to act with independence and objectivity was covered at the training session held on 18 June 2013.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
4	<p>The role and work of the Audit and Governance Committee is not given sufficient priority and recognition by Full Council.</p> <p>The Audit and Governance Committee should work more closely with the Corporate and Scrutiny Management Committee and the Joint Standards Committee.</p>	<p>The Assistant Director Governance & ICT is investigating whether the current arrangements can be adapted to enable the Committee to coordinate its work more closely with the CSMC and the Joint Standards Committee (for example, by arranging for the Chairs and Vice-Chairs of these committees to meet on a periodic basis).</p>	April 2013	Assistant Director Governance & ICT (Andrew Docherty)	Ongoing
5	<p>Some concerns were expressed as to the committee's responsibilities for ensuring that the council's scrutiny arrangements are working effectively. It was noted that, if the committee identified any weaknesses in this area,</p>	<p>The Assistant Director Governance & ICT will present a report to the April meeting of the Committee explaining the current scrutiny arrangements so as to enable the Committee to properly consider the effectiveness of the council's arrangements</p>	April 2013	Assistant Director Governance & ICT (Andrew Docherty)	A report on the council's scrutiny arrangements is due to be presented to the committee on 11 December 2013.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
	they should report this in the Annual Governance Statement.	and the overall governance around scrutiny.			
6	It is over a year ago since the Audit and Governance Committee reported on its work and performance to Full Council.	The draft annual report is presented as a separate item on this agenda, prior to submission to Full Council.	April 2013	Chair of the Audit & Governance Committee	Completed. The annual report of the committee for the period to 17 April 2013 was received by Full Council on 18 July.
7	New Committee members are provided with training but more could be done to ensure that Members have the appropriate skills and knowledge to discharge their responsibilities effectively.	The terms of reference for the Committee (see item 1 above) will include a requirement that induction and annual update training will be compulsory for all members of the Committee (including substitutes).	April 2013	Assistant Director Governance & ICT (Andrew Docherty)	To be considered when the terms of reference are reviewed in June 2014.
		The training needs assessment has been completed. The results of the survey are shown	Completed	Head of Internal Audit (Max Thomas)	Completed. The results of the survey will be used to inform

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
		at annex 2 and will be used to inform the planned training day on 18 June 2013.			future training for members of the committee.
		<p>A training event for audit committee members is being organised for 18 June 2013. The training will take place at West Offices and will cover:</p> <ul style="list-style-type: none"> • working with internal and external auditors • Public Sector Internal Audit Standards (PSIAS) • corporate governance & Annual Governance Statements • strategic risk management • value for money • counter fraud • reviewing the financial statements 	June 2012	Head of Internal Audit (Max Thomas)	Completed.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
		<ul style="list-style-type: none"> • treasury management scrutiny • pension fund governance <p>A programme of ongoing training for Members of the Committee will also be prepared.</p>			
8	<p>The Council's S151 officer regularly attends meetings of the Committee. The Committee also receives ongoing support from other officers. The Committee previously had a named officer who provided dedicated support and attended all meetings and Chair's briefings. This provided continuity. However, the post was deleted earlier in 2012 as part of the council's restructure.</p>	<p>The Director of Customer and Business Support is considering how the Audit and Governance Committee should best be supported in the future.</p>	April 2012	The Director of Customer and Business Support (Ian Floyd)	The Director of Customer and Business Support will coordinate support to the committee.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
9	<p>The Audit and Governance Committee now considers the draft Annual Governance Statement (AGS) in June. The AGS is then presented again as part of the accounts in July and September. In previous years, there has occasionally been a debate around particular sentences within the AGS. When this has occurred, there has then been insufficient time to consider and make the necessary changes. The Committee therefore recognises that there is a need to raise any issues with the wording and contents of the AGS at an early stage. The new reporting timetable for the annual statement of</p>	<p>The Committee will be reminded to raise issues with the wording and content of the 2012/13 AGS at the earliest opportunity.</p>	June 2013	The Director of Customer and Business Support (Ian Floyd)	<p>The 2012/13 Annual Governance Statement was approved by the committee on 9 July 2013, in advance of the deadline for approving the accounts. The intention is to continue to allow the committee sufficient time to raise issues about the content of the AGS.</p>

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
	accounts should reduce the likelihood of these problems occurring in the future.				
10	Risk management reports are presented regularly to the Audit and Governance Committee but they focus on specific service areas and/or projects. Whilst it is acknowledged that the full risk report is e-mailed to Members separately from the agenda papers, it was felt that more could be done to ensure that Members are made aware of the council's strategic risks and the overall risk management arrangements. The Chair also gave an update on the recommendation by external audit that risk	The Committee to be given the opportunity to feed into the review of risk management arrangements currently being undertaken by Zurich Municipal.	April 2013	Head of Financial Procedures (David Walker)	Completed.
		A risk identification session will be held with the Committee to enable Members to identify and comment on key corporate risks.	July 2013	Head of Financial Procedures (David Walker)	This was covered in the session with Zurich Municipal.
		Members to be given more information about scoring systems and how the council's risks are identified and evaluated.	July 2013	Head of Financial Procedures (David Walker)	The first key corporate risk monitor was presented to the committee on 31 July 2013. The second monitor is on the agenda for

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
	might be approached in a different way. This could include a specific member-led session to identify and review key risks.				this meeting and further monitors are due to be presented in December 2013 and February 2014. These reports will include this information.
11	The Audit and Governance Committee considers the council's annual statement of accounts. As part of the new reporting arrangements, the accounts are presented to the Committee in July for consideration prior to audit. The accounts are then presented again for approval in September. However, Members noted that errors in wording and grammar	Officers will undertake a final proof read prior to the final accounts being presented to the Committee in September.	September 2013	The Director of Customer and Business Support (Ian Floyd)	This was done and the final accounts were approved by the committee on 26 September 2013.

Ref	Issue	Action Taken or Proposed	Target Date	Owner	Progress to date
	are not necessarily identified during proof reading prior to the accounts being presented.				
12	CIPFA briefing papers are circulated on an occasional basis. Members would however benefit from more regular technical updates.	Copies of CIPFA and other technical guidance will be circulated to Members of the Audit and Governance Committee on a regular basis.	Ongoing	Head of Internal Audit (Max Thomas)	Ongoing
13	Opportunities currently exist for Members of the Committee to meet with the Head of Internal Audit and the External Auditor in private. However, it would be helpful for a private meeting with both to be scheduled into the Committee's calendar of meetings.	Arrangements will be made to enable the Members of the Committee to meet privately on an 'informal' basis with both the External Auditor and the Head of Internal Audit. Meetings will be held at least annually.	February 2013	Assistant Director Governance & ICT (Andrew Docherty) / Head of Internal Audit (Max Thomas)	Arrangements will be made during 2013/14 to enable this to be done.

This page is intentionally left blank



Audit and Governance Committee6th November 2013Report of the Monitoring Officer

Petitions Scheme

Summary

- 1 This report seeks Members' support for changes to the Petitions Scheme which has been in operation for the last three years.

Background

- 2 In 2009 the Council approved an approach to handling petitions which included a centrally administered petitions register and the introduction of an e-petitions facility. In 2010 the previous Government introduced a legal requirement to produce a petitions scheme. A legal requirement to host an e-petitions facility was also introduced. The incoming Government signalled an intention to withdraw those requirements and did so through provisions in the Localism Act.
- 3 The e-petitions facility has now been used in excess of fifty times. A total of twelve petitions (including six in respect of the local plan) have gathered sufficient signatures to trigger or be considered as part of a debate at full Council.
- 4 It is anticipated that the Council would wish to maintain the best of the current arrangements. In the light of experience though and with the flexibility afforded by the legislative change some amendments are now being proposed to the petitions scheme. The changes are highlighted in the annexed scheme but in summary they include:
 - Increased clarity to the circumstances in which a petitions will be regarded as inappropriate

- A requirement that paper petitions include the details of the petition on each page thus ensuring that each signatory has signed up to the same wording
 - Including a reference to merging paper and e-petitions
 - Removal of the provision to petition to call Officers to account
 - Making provision for alerting the relevant Cabinet member to a petition which is due to go live.
- 5 Members will be aware of ongoing discussions relating to the conduct of the Council meeting. It is possible that these will result in changes to the way petitions are debated and any such changes will need to be incorporated into the scheme in due course.

Consultation

- 6 This report is coming to this Committee for consultation prior to it being presented to Council for approval.

Options

- 7 The Committee may express support for the current proposals or suggest amendments or additions.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Priorities

- 9 This report contributes to the corporate objective of making the Council an effective organisation.

Implications

- 10 **Legal** – the Council no longer has a statutory duty to have a petitions scheme and therefore has greater flexibility in decision making on this issue.

Recommendation

- 11 Members are asked to:

- (a) Recommend to Council that the revised scheme set out in the annex to this report be adopted as the Council's arrangements for handling petitions.

Reason

To ensure that the Council has clear arrangements in place to deal with petitions.

Contact Details

**Author and Chief Officer
Responsible for the report:**

Andy Docherty
Assistant Director, Governance and
ICT
Telephone: 01904 551004

**Report
Approved**



Date 25/10/13

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annex A

Petitions Scheme

This page is intentionally left blank

Petitions Scheme

City of York Council is committed to involving local people in its decision making. For some years, it has been operating a public participation scheme enabling members of the public to attend meetings and speak on an issue. It has also responded to petitions from the public, received in an number of ways e.g. through a ward Councillor submitting a petition on behalf of a constituent or by a resident submitting one direct to a council office by post/hand. As part of [its approach to petitions](#), the Council [has also](#) [introduced](#) an ePetitions facility, providing another way in which a particular issue can be brought to [the](#) attention of Councillors.

Deleted: this petitions

Deleted: scheme

Deleted: ¶

Deleted: is

Deleted: now

Deleted: cing

Deleted: ¶

Through this Petitions Scheme, the Council is making a commitment to:

- Enable anyone who lives, work or studies in the local authority area to organise and submit a petition either on paper or electronically
- Respond to the concerns raised within a petition
- Review its handling of a petition where a lead petitioner believes it has not been dealt with in accordance with this scheme.

To support the scheme, the Council has:

- Set a low threshold on the number of petitioners to enable as many valid local opinions to be heard as possible
- Provided an ePetitions facility to enable those who want to, to create their petition on line and allow others to sign it electronically

Petitions Not Covered By This Scheme

[This scheme does not cover petitions which:](#)

- [Relate to a planning or licensing application – in this case a petition will be referred to the relevant decision maker](#)
- [Relate to matters where there is a legal right to seek a review or appeal](#)
- [Respond to a public consultation organised by the Council – in this case a petition will be referred to the decision maker](#)
- [Seek to criticise the performance or conduct of an identifiable individual or individuals – where appropriate the lead petitioner will be directed to the most appropriate route for raising such concerns with the Council.](#)
- [The Council's Monitoring Officer, acting in consultation with the Chief Executive, considers to be vexatious, abusive or otherwise inappropriate](#)

Deleted: if a petition relates to a planning or licensing application, is a statutory petition e.g.¶ requesting a referendum on having an elected mayor, or on a matter where there is¶ already an existing right of appeal, such as council tax banding and non-domestic¶ rates, other procedures apply. If this is the case, the petition organiser will be¶ informed and provided with information on the relevant procedure.¶ Petitions which are considered to be vexatious1, abusive or otherwise inappropriate¶ by the council's Monitoring Officer will not be accepted.¶

[In addition to these rules where a petition has resulted in a debate at a meeting of full Council, the Council will not hold a further debate in response to a petition which the Lord Mayor consider to be substantially similar within a period of two years.](#)

Formatted: Indent: Left: 1.27 cm

[During the period leading up to a local or national election the Council may temporarily suspend the hosting of e-petitions or delay holding debates,](#)

Formatted: Indent: Left: 0 cm, Hanging: 1.27 cm

Deleted:

Submitting A Petition

Paper Petitions

Paper petitions can be submitted via a number of routes e.g. via a ward councillor, by post or hand delivered to one of the Council office buildings.

Paper petitions handed in to a ward councillor are presented at Full Council and then [passed](#) to a senior officer within the relevant Directorate. Those that come directly in to a council office building are also [passed](#) to the appropriate senior officer.

[Paper petitions should contain the details of the petition on the front of each sheet so that it is clear that each signatory has responded to identical wording.](#)

ePetitions

All ePetitions submitted to the Council must:

- Include a clear and concise statement covering the subject of the petition
- State what action the petitioners wish the council to take

The [ePetition](#) organiser will need to provide us with their name, postal address including postcode, email address and contact telephone number. [The name of the petition organiser \(but no other contact details\) will be published alongside details of the petition.](#)

The [ePetition organiser](#) will also need to decide how long their petition will be open for signatures. Most [ePetitions](#) run for six months, but it can be a shorter or longer timeframe, up to a maximum of 12 months.

When an ePetition is created, it may take up to five working days before it is published online. This is because we have to check that the content of the [ePetition](#) meets the guidelines before it is made available for signature.

[The relevant Cabinet Member will be advised of the publication of any e-petition relating to his or her service area.](#)

If a petition does not follow the guidelines set out above, or if we need clarification on any issues raised within an ePetition, we will contact the ePetition organiser within 5 working days of receipt to explain.

We will also contact the ePetition organiser if we [feel](#) we cannot publish an ePetition for any reason, and where possible, we will offer assistance to change and resubmit it.

If the required clarification is not provided, or if an ePetition that we cannot publish is not re-submitted within 14 days, a summary of the ePetition and the reason why it has not been accepted will be published under the 'rejected petitions' section of the Council's ePetitions facility.

Deleted: Understanding the Scheme¶

¶ Through a few simple questions which follow, you will find out:¶

- How to submit a petition¶
- How to sign an ePetition¶
- Ways in which the Council may respond to your petition¶
- How to get involved when your petition is being considered¶
- What happens next¶

¶ 1 Definition of 'Vexatious' - persistent and/or not reasonable i.e. where the request is likely to cause¶ distress, disruption or irritation without any proper or justified cause¶

Formatted: Font: Bold

Deleted: delegated

Deleted: ¶

Deleted: delegated

Formatted: Font: Bold

Deleted: p

Deleted: y

Deleted: p

Deleted: p

Deleted: p

Deleted: ¶

Deleted: Initial contact will be made by email, but as the¶ deadline approaches, we will attempt to contact the ePetition organiser by telephone.¶

It is therefore important that the petition organiser provides their full contact details as listed above.

How To 'sign' an ePetition

An individual wanting to sign an ePetition, will be asked to provide their name, address and postcode, plus a valid email address. They will then receive an email containing a link which they must click on in order to confirm their email address is valid. Once this step is completed their 'signature' will be added to the ePetition.

NB: Anyone viewing an e-petition will only be able to see the names of those who have signed - **no contact details will be visible.**

All ePetitions currently available for signature on the Council's website can be viewed at <http://democracy.york.gov.uk/mgePetitionListDisplay.aspx?bcr=1>

How will the council respond?

Within 14 days of a petition being received or of an ePetition being closed to signatories, we will send acknowledgement to the petition organiser, providing information on when they can expect to hear from us again and how we plan to respond.

Deleted: to the petition

Our response will depend on what the petition/[ePetition](#) asks for and how many people have signed it, but may include one or more of the following:

Deleted: ¶

- taking the action requested in the petition
- considering the petition at a meeting of Full Council
- holding an inquiry into the matter
- undertaking research into the matter
- holding a public meeting
- holding a consultation event
- holding a meeting with petitioners
- calling a referendum
- writing to the petition organiser setting out our views about the request in the petition
- referring the petition for consideration by a council committee or body

If the petition/[ePetition](#) is about something over which the council has no direct control e.g. the local railway or hospital, we *may* refer it to the council's relevant partner organisation, and where appropriate, may work with them to respond to the petition.

Deleted: ¶

Securing a Full Council Debate

Where a petition/[ePetition](#) contains more than 1000 signatures it will be debated by the full council. This means that the issue(s) it raises will be discussed at a meeting which all Councillors can attend.

Formatted: Font: Not Italic

Deleted: ¶

Deleted: d in the petition

Deleted: at

Deleted: d and vote.

In determining whether a petition has received the required number of signatures the Council will combine paper petitions with other paper petitions and with any e-petition if requested by the petition organiser to do so and if the wording on each petition is identical.

The council will decide how to respond at this meeting. For example, they may decide:

Deleted: to the petition

.to forward the petition/ePetition to a meeting of the Cabinet for a decision (most decision making power in the Council rests with the Cabinet), or ask the appropriate decision maker to consider the views expressed in the debate when reaching a decision

Formatted: Font: (Default) Arial, 12

• to take the action the petition/ePetition requests if it is something which, by law, is a decision which can be taken at a full Council meeting;

Deleted: ,

- not to take the action requested for reasons put forward in the debate or;
- to commission further investigation into the matter e.g. requesting an officer report be produced for consideration by the relevant Overview & Scrutiny Committee;

Deleted: • forward the petition to a meeting of the Executive for a decision

Getting Involved When Your Petition Is Considered

A petitioner may choose to attend any meeting where their petition/ePetition is to be considered to listen to the debate, or register to speak at the meeting via the Council's [Public Participation Scheme](#). This scheme enables participants to address Councillors before they debate the issues raised.

Deleted: Calling An Officer To Account

If your petition contains at least 500 signatures, you may ask for a senior council officer to give evidence at a public meeting about something for which the officer is responsible as part of their job. For example, your petition may ask a senior council officer to explain progress on an issue, or to explain the advice given to elected members to enable them to make a particular decision. The following senior staff can be called to account:

- Chief Executive
- Chief Finance Officer
- Monitoring Officer
- Directors of Service

What happens next?

The petition/ePetition organiser will receive notification of the outcome of their petition.

Where a petition/ePetition has been considered at a public meeting, information on the [related](#) decisions will be made available electronically via the meeting Minutes published online. It will also be possible to track the implementation of any actions arising from them, via the online committee management system.

You should be aware that the committee may decide that it would be more appropriate for another officer to give evidence instead of the officer named in the petition.

What if I feel the petition has not been dealt with properly?

If a petition organiser feels that we have not dealt with their petition properly, they have the right to request that the Council's [Corporate & Scrutiny Management Committee](#) review the steps that the Council has taken in response to their petition. The committee will consider a request within 30 days of receiving it.

Deleted: written

Deleted: ¶

Deleted: taken in relation to the petitions

Should the Committee determine we have not dealt with a petition adequately, it may use any of its powers to deal with the matter. These powers include:

Deleted: your

Deleted: ¶

Deleted: your

- instigating an investigation

Deleted: ¶

- making recommendations to the Council's [Cabinet](#)
- arranging for the matter to be considered at a meeting of the Full Council.

Deleted: Executive

Once the review has been considered the petition organiser will be informed of the results within 5 working days, and the results of the review will also be published on our website via the Minutes of the meeting.

This page is intentionally left blank