Veritau

Assurance Services for
the Public Sector

Governance Arrangements

City of York Council

Internal Audit Report 2018/19

Business Unit: Customer and Corporate Services
Responsible Officer: Director, Customer & Corporate Services
Service Manager: Corporate Finance & Procurement Manager
Date Issued: 20th March 2019
Status: Final
Reference: 19250/003

	P1	**P2**	**P3**
Actions	0	0	2
Overall Audit Opinion	Substantial Assurance		

CITY OF **YORK** COUNCIL

Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) publication Delivering Good Governance in Local Government Framework (2016) (the Framework) defines governance as the arrangements put in place to ensure that intended outcomes for stakeholders are defined and achieved. The Framework provides a structure and set of principles to help local authorities with their approach to governance. It includes requirements for a local code of governance and Annual Governance Statement (AGS), but provides flexibility so that local authorities can implement the Framework in a manner suitable to their size and structure.

The council has a Local Code of Corporate Governance (Local Code), derived from CIPFA's guidance, that was last updated in February 2018. It is maintained and updated by the Governance, Risk and Assurance Group (GRAG). The council annually reviews its governance arrangements and the results are published in the AGS, which also includes significant findings and areas for improvement.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- The council's Local Code complies with the elements of good governance outlined in CIPFA's Good Governance Framework.
- The council's Local Code is periodically reviewed and updated.
- The effectiveness of the council's governance arrangements is reviewed annually and reported in the AGS.
- The council's AGS complies with the requirements of CIPFA's Good Governance framework.

The audit used CIPFA's guidance to identify possible gaps and to make suggestions for improvements to the current arrangements.

Key Findings

The council's Local Code document was compared to CIPFA's guidance and schedule of good practice to assess how well the council's governance arrangements met the 7 principles outlined in the Framework.

Overall, it was found that the council's Local Code complies well and evidences many areas of good practice, as set out by CIPFA. However, several policies were found to be out of date and it appears that a protocol on the relationship between the Chief Executive and Leader of the council has not been published, despite this being included in the Local Code. There were also a number of areas in which the council could further evidence its compliance with CIPFA's recommendations on good practice. In several of these areas, the council has arrangements in place, but has not included these in the Local Code. Details of those items that should be included in the Local Code or which need to be

updated were provided to GRAG. Details of a number of other possible improvements to the Local Code were also identified. See Finding 1 for more detail.

The council's AGS was assessed against CIPFA's guidance. It was found that the AGS adheres to CIPFA's guidance. However, three areas were identified in which the council could make improvements. These are: the inclusion of an explicit opinion on the level of assurance provided by governance arrangements; timescales and responsible officers for actions; and improving the accessibility of the AGS (Finding 2).

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Evidence of governance arrangements in the council's Local Code

Issue/Control Weakness	Risk
Some items that form part of the council's governance arrangements need reviewing and updating. The council should also consider including a number of other items to show more clearly how it meets CIPFA's good practice recommendations.	Certain elements of the council's governance arrangements may be out of date, meaning that the council may not be fully adhering with CIPFA's requirements in these areas. The council may also not be evidencing how it meets CIPFA's good practice recommendations.

Findings

Overall, the council adheres to CIPFA's 7 principles well and includes many areas of good practice, as identified by CIPFA.

There are, however, eight items that require updating or inclusion in the Local Code. Of these, seven relate to policies or guidance documents available either on the council's website or intranet. These are either likely out of date, such as the guidance on partnership on the intranet dating to 2007, or are undated, such as the gifts and hospitality policy on the council's website.

The Local Code also refers to the establishment of a protocol on the relationship between the Chief Executive and the Leader of the Council. While there is a general protocol on officer-Member relations, no protocol on this specific relationship was found during the audit.

There are also a number of areas in which the council could also show in the Local Code more clearly how it meets CIPFA's recommendations for good practice in governance. Many of these are areas in which the council is currently taking action, but these items have not been included in the Local Code. These items have been provided to GRAG as suggestions for inclusion in the Local Code.

Agreed Action 1.1

The eight items noted above will be reviewed, updated and included in the Local Code. Items suggested for inclusion will be reviewed by the Governance, Risk & Assurance Group as part of the annual review of the Local Code and a decision made on whether or not to include them in it.	Priority	3
	Responsible Officer	Corporate Finance & Procurement Manager
	Timescale	31st October 2019

2 Annual Governance Statement

Issue/Control Weakness	Risk
The council's Annual Governance Statement (AGS) could more explicitly state the level of assurance provided by its governance arrangements and responsibility and timescales for actions.	The council may not adhere to all of CIPFA's requirements for Annual Governance Statements.

Findings

CIPFA requires that an action plan with responsible officers and timescales and an opinion on the level of assurance governance arrangements are included in the AGS. It states that the opinion must be that of those signing the annual governance statement on behalf of the council. The AGS should also be easily accessible to users.

The 2017-18 AGS included a conclusion stating that actions would be taken to improve governance arrangements over the coming year and a table outlining those actions. However, it was not explicit about the level of assurance that was provided, nor did it clearly state who was responsible for the actions. Some information on timescales was contained within the actions themselves, but this could be more explicitly stated.

Agreed Action 2.1

An opinion on the level of assurance provided by governance arrangements will be included in the AGS.

The action plan in the AGS will clearly set out timescales and responsible officers.

Priority	3
Responsible Officer	Corporate Finance & Procurement Manager
Timescale	31st May 2019

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	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.
Reasonable Assurance	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 Assurance	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.

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

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