

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

To: Councillors Cannon (Chair), Steward (Vice-Chair), Lisle, Cuthbertson, Kramm, Williams and Mason
Mr Mann and Mr Mendus (Independent Members)

Date: Wednesday, 6 February 2019

Time: 5.30 pm

Venue: The George Hudson Board Room - 1st Floor West Offices (F045)

A G E N D A

1. Declarations of Interest

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

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

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

2. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annex 3 to Agenda Item 8 on the grounds that it contains Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. This information is classed as exempt under paragraph 7 Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information) (Variation) Order 2006).

3. Public Participation

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Tuesday 5 February 2019**. To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

Filming, Recording or Webcasting Meetings

Please note that, subject to available resources, this meeting will be filmed and webcast, or recorded, including any registered public speakers who have given their permission. This broadcast can be viewed at: <http://www.york.gov.uk/webcasts>.

Residents are welcome to photograph, film or record Councillors and Officers at all meetings open to the press and public. This includes the use of social media reporting, i.e. tweeting. Anyone wishing to film, record or take photos at any public meeting should contact the Democracy Officer (whose contact details are at the foot of this agenda) in advance of the meeting.

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

http://www.york.gov.uk/download/downloads/id/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809.pdf

4. Minutes (Pages 1 - 12)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 5 December 2018.

5. Mazars Audit Progress Report (Pages 13 - 22)

The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

6. Mazars Audit Strategy Memorandum 2018/19 (Pages 23 - 44)

The paper attached at Annex A from Mazars, the Council's external auditors, summarises their audit approach, highlights significant areas of key judgements and provides details of the audit team.

7. Annual Grants Report 2017/18 (Pages 45 - 52)

The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

8. Counter Fraud Framework Update (Pages 53 - 102)

The council approved a new counter fraud and corruption strategy and associated action plan in 2017. This report represents the second annual review of the strategy. It updates the committee on progress against the actions set out in the strategy over the past two years and adds new actions for the next financial year. In addition the council's counter fraud risk assessment has been updated to reflect fraud risks currently facing the council.

9. Audit & Counter Fraud Plan & Consultation (Pages 103 - 108)

This report seeks Members' views on the priorities for internal audit for 2019/20, to inform the preparation of the annual audit plan.

10. Whistleblowing Policy (Pages 109 - 132)

The purpose of the report is to update the committee on whistleblowing activity in the current financial year. The report also includes a proposed new whistleblowing policy, for comment.

11. PSAS report (Pages 133 - 150)

This report presents the outcome of the recent external assessment of the council's internal audit service against the Public Sector Internal Audit Standards (PSIAS).

12. Information Governance & Complaints (Pages 151 - 192)

This report provides Members with updates in respect of:

- Information governance
- ICO decision notices
- Personal data breach
- LGSCO Complaints – December 2018 to January 2019

13. Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators (Pages 193 - 226)

This report is a statutory requirement setting the strategy for treasury management and specific treasury management indicators for the financial year 2019/20. The Treasury Management Strategy Statement and Prudential Indicators 2019/20 to 2023/24 are attached at Annex A.

14. Internal Audit Service Contract (Pages 227 - 250)

This report seeks the Committee's views on the draft Executive report (attached at Annex 1) regarding the new internal audit services contract for the period 2020-30.

15. Urgent Business

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

16. Forward Plan (Pages 251 - 258)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2019.

Democracy Officer:

Name: Laura Clark

Tel: (01904) 552207

Email: Laura.Clark@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 information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

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

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

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

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

 (01904) 551550

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City of York Council

Committee Minutes

Meeting	Audit & Governance Committee
Date	5 December 2018
Present	Councillors Cannon (Chair), Lisle, Cuthbertson, Williams (Items 1- 4 & 9), Mason (Items 5-11), D Taylor (Substitute for Councillor Kramm) and Rawlings (Substitute for Councillor Steward) Mr Mendus (Independent Member)
Apologies	Councillors Steward and Kramm Mr Mann (Independent Member)

32. **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.

33. **Public Participation**

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme.

Gwen Swinburn, a resident, spoke on Agenda Item 9, Information Governance and Complaints, and the recent inclusion of select ICO decisions. She stated that FOI's she had submitted were not vexatious, but an attempt to improve governance issues within CYC. She also referred to recent ICO decisions which had found against the Council and had not been shared with the Committee. Ms Swinburn stated that she felt this was a manipulation of the narrative by Officers and was an example of wider cultural issues, which reflected badly on CYC.

Councillor Mark Warters also spoke in relation to the item on Information Governance and Complaints, and in particular on FOI requests made by Members. He stated that he had put in 7 FOI requests over the previous year, all of which he felt he should have been able to get answers to, as a Member, without having to go through the FOI system. He suggested that the

figures in the report being considered by Members did not reflect reality.

34. Minutes

Resolved: That the minutes of the meeting held on 19 September 2018 be approved and then signed by the Chair as a correct record.

35. Key Corporate Risks Monitor (incl KCR5 - Safeguarding)

Members considered an update on the Key Corporate Risks (KCRs) for City of York Council. This included a detailed analysis of KCR5 (Safeguarding). The Principal Accountant attended the meeting to present the report, along with the Assistant Director Education & Skills and Joint Commissioning Programme Director who were present to answer questions on KCR 5 (Safeguarding).

In response to Member questions they stated:

- A 'no-deal' Brexit was not a KCR itself but an addition to financial risk. This may be added in future or covered as part of the budget strategy;
- There were a number of scorecards, linked to the KPI machine. These were reported to the Executive Member and the Children, Education & Communities Policy & Scrutiny Committee;
- Some Local Authorities 'over check' staff and certain people no longer needed a DBS, for example those who were in schools but always escorted by an adult. Job descriptions were kept up to date so that only those staff who needed them as part of their role were checked;
- CYC was an Early Adopter in engaging schools with the new Safeguarding Children Partnership. Officers were building good relationships with academies and independent schools to ensure that new arrangements were effective;
- The risk from the changes to Safeguarding Boards had been addressed by minimising the changes taking place. Outstanding aspects of the previous board had not been changed and sub-committees had been sharpened up;
- York Health and Care Place Based Improvement Partnership was a recent addition to bring together

agencies to address older people's care and support needs;

- Safeguarding referrals from schools came from the LA designated officer. Some would cross borders and it would be dealt with by the Local Authority in the incident location, not the home location. However, there was a duty responsibility to share information;
- Statutory frameworks allowed for the sharing of information in such circumstances. As with Adult Social Care there was an obligation to share necessary information;
- In relation to KCR 12 (Major Incidents) Executive had approved funds to be used for City Centre Access Measures and it was agreed the relevant Officer would provide the Committee with an update on both this and Christmas safety issues; and
- In relation to KCR 4 (Changing Demographics) lots of work had already been done on the demographic demand of the student population. This allowed CYC and the CCG to consider the impact of student health needs on services accessed by other residents.

Resolved: That Members;

1. considered and commented upon the key corporate risks included at Annex A;
2. considered and commented upon the information provided in relation to KCR5 Safeguarding included at Annex B;
3. note that the 2018/19 Monitor 4 report will include a detailed analysis of KCR6 Health and Wellbeing.

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

36. Mazars Annual Audit Letter

Members considered a paper from Mazars, the Council's external auditors, summarising the outcome of their audit of the Council's 2017/18 annual accounts and their work on the value for money conclusion. The Senior Manager and Key Audit Partner, Mazars, attended the meeting to present the report and answer Members questions.

They stated that this report drew heavily on work which had been presented to the Committee as part of the Audit Completion report. They highlighted that they had issued an unqualified opinion on the Council's financial statements for 2017/18 and on the Value for Money Conclusion. They also stated they were working through correspondence from residents, and hoped to report back to the Committee in the New Year.

In response to questions from Members they stated:

- Questions raised by the public in relation to the accounts were on a broad range of issues, some more complex than others. However, a decision was made early on that none of these had a material impact on the Value for Money conclusion or unqualified position;
- There were no areas of risk identified which would be reported to the Council;
- Data used for the VFM conclusion was not included in the report. They highlighted that they would only look in detail at areas where they had identified a significant risk and there had been none identified in their VFM conclusion;
- In all material respects the Council had arrangements in place to deliver services efficiently and effectively; and
- Benchmarking information was less readily available now but they would be willing to share a 'nearest neighbour' comparison with the Committee.

Resolved: That Members note the matters set out in the Annual Audit report presented by Mazars.

Reason: To ensure Members are aware of Mazars's progress in delivering their responsibilities as external auditors.

37. Mazars Audit Progress Report

Members considered a report from Mazars on their progress in delivering their responsibilities as auditors. The Senior Manager and Key Audit Partner, Mazars, attended the meeting to present the report and answer Member questions.

They stated this was a shorter report as they were between audit years. An audit plan would be presented at a future meeting of the Committee. They also highlighted that Mazars

were the only firm that had been consistently rated 'green' independently by Public Sector Audit Appointments Ltd.

Resolved: That Members note the matters set out in the Progress report presented by Mazars.

Reason: To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

38. Scrutiny of Treasury Management Mid Year Review and Prudential Indicators 2018/19

Members considered the Treasury Management Mid Year Review and Prudential Indicators 2018/19 report, which was presented to November Executive. This information provided Members with an update of treasury management activity for the first six months of 2018/19. The Finance & Procurement Manager attended the meeting to present the report and answer Member questions.

In response to Member questions they stated:

- The 50 year Public Works Loan Borrowing Rate was lower than the 25 year rate as this was the way the PWLB worked and CYC were just provided with the rates;
- PFI was not always negative, all PFI was individual. One of CYC's PFI schools had recently become an academy so the figures would be slightly different in the coming year;
- Not all of Capital expenditure was financed by borrowing so this would be included in the budget monitoring papers and budget strategy which were considered by Executive;
- Financial institutions were often slow to increase the rate of return following a change of interest rate. CYC could do slightly better with cash flow planning in terms of the Capital Programme and increasing returns and work was being done on this. Officers would look for benchmarking data from other Local Authorities and circulate this to the Committee;
- The LOBO loan which was redeemed early was due to a change in business direction of the lender was financially advantageous to CYC;
- In relation to external debt, the gross debt figure was the amount held in external loans, the net was this amount

less cash balances held. The prudential code required the indicator to be calculated in this way. The drop from £85.9 million in 2018/19 to £20 million in 19/20 was planned expenditure, it was not expected that cash would just sit in the account. It was noted that this was an estimate of future years and therefore could change depending on the progress made with individual capital schemes; and

- The level of slippage expected at Monitor 3 was similar to previous year. Some work needed to be done on more accurately profiling the Capital Programme over a five year period and challenging slippage.

Resolved: That Members note the Treasury Management Mid year Review and Prudential Indicators 2018/19.

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

39. Internal Audit & Counter Fraud Monitoring Report

Members considered a report providing an update on progress made in delivering the internal audit work plan for 2018/19 and on current counter fraud activity. The Head of Internal Audit attended the meeting to present the report and answer Member questions.

They stated that the external assessment discussed in the report was undertaken every five years and involved an external assessor reviewing internal audit working practices. This had been completed and the report would be presented the next Committee meeting. Confirmation had been received that Veritau 'generally conform' with public sector internal audit standards.

In response to Member questions they stated:

- They would expect that the March 2019 Audit on ICT & Cyber Security would cover the recent data breaches, however they were awaiting the results of the ICO investigation and work done by the data protection team. It

would be helpful to consider those findings in order to give the Committee assurances around the actions to be taken;

- The previous audit on arrangements around Cyber Security was given substantial assurance. This would not have looked at every app and system but at high level arrangements;
- When areas are audited follow ups are always undertaken. Where there are any issues of non-compliance they are raised with senior managers and if Veritau then had concerns they would be raised at this Committee. It was often the case that Veritau were satisfied that there was a genuine reason for actions not being completed on time and a revised target date would be set. If it did not seem the issue was being addressed in a timely manner then the issue would be escalated;
- The sickness absence report to Executive was not an just audit issue but a wider issue as to how CYC had dealt with sickness;
- At this point in the year 15% of the audit plan for the year was complete. This was based on audits completed and reports already drafted. This figure changed yearly as there was always a mix of audits, which also differed in length and complexity. They were still on track to complete the plan by the end of the year; and
- The plan was always to deliver 100%, but 93% is the target they are judged on. There are also some factors outside of their control.

Members expressed concern over detail contained in the report 'Overtime 2017 – 2018', particularly on the working time directive and potential timesheet fraud. It was agreed this would be considered in more detail at this committee or Customer and Corporate Scrutiny Management Committee (CSMC), this would be discussed with the relevant Chairs and added to the work plan.

Resolved:

1. Members are asked to note the progress made in delivering the 2018/19 internal audit work programme, and current counter fraud activity.
2. That the Internal Audit Report 'Overtime 2017 – 2018' be given further consideration at either Audit & Governance Committee or Customer and Corporate Services Scrutiny Management Committee (CSMC) in relation to:

- a. The working time directive
- b. Potential timesheet fraud

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

40. **Information Governance & Complaints**

Members considered a report providing them with updates in respect of:

- Information governance
- ICO decision notices
- Use of FOI Act exemptions including section 14
- Personal data breach
- LGSCO Complaints

The Information Governance and Feedback Team Manager attended the meeting to present the report answer Member questions. It was highlighted that the performance figures contained in the report were also subject to Internal Audit reporting and a further report on those would be coming to this Committee as part of the Veritau Internal Audit report. They stated that we received a high volume of FOI and EIR requests compared to other Councils.

In response to Member questions they stated:

- CYC differentiate between FOI and EIR requests, which not all Councils do. There is some interpretation as to which Act requests should be considered under, but York had qualified practitioners within the team to deal with these in the most appropriate manner;
- A request by a Councillor for information is first determined in respect of the purpose for the request. If the information cannot lawfully be released to the Member in that capacity, then the request can be considered under the FOI Act. If the information was released to the Member through the FOI process (and therefore it was being released into the public domain), the law would determine whether exemptions applied. The number of FOI's submitted by Councillors was very low. The exact number would be distributed to the Committee following the meeting;

- Within the FOI act, if an ordinary question was asked which could be dealt with immediately (within 5 working days) that is how it would be dealt with. It was only where it may take longer than 5 days to provide the requested information, or there may be exemptions to apply that this would be treated as an FOI;
- FOI's were never ignored, they were replied with the appropriate exemption, as necessary;
- FOI responses were published in full on the CYC website which was over and above the legal requirement;
- Service areas who were subject to repeat requests were advised to publish information, as appropriate, to try and limit the number of requests received;
- If the information requested in an FOI was already publicly available the Council would signpost this;
- Many of the FOI's received were sent to several Councils at the same time, which had a bigger impact on the figures of smaller Councils;
- It was always the aim to respond in time, the 90% response rate was partially due to the complexity of some requests meaning that gathering the information took longer; and
- FOI's came from a mixture of customers – media, researchers, residents, businesses etc.

In response to further questions on the data breach which had recently affected the One Planet York App they stated:

- The breach was immediately investigated and the app was switched off to protect personal data;
- The individual who reported the breach was contacted and the ICO were made aware;
- The breach was of information held on a standalone database and had not affected any other CYC system;
- CYC had asked that the data be destroyed;
- A review into the governance frame work for the website and associated apps was already underway at the time the breach took place. Learning from this breach would now be taken forward;
- The internal investigation into this breach was being undertaken by the Information Governance Team;
- In relation to a previous breach on York Open Data they stated that an update could be shared with the Committee;

- There was an email address on the CYC website for people to inform the Council of potential vulnerabilities. Information on this breach though was sent directly to the One Planet York mailbox; and
- CYC aimed to let users know as soon as possible about the breach. Delay was due to having to check the details of what had actually happened and ensure that consideration was given to the procedures/measures the ICO recommend for breaches.

During discussion several Members raised their concerns over the level of FOI's the Council was receiving and what this suggested about the level of openness and transparency in the organisation.

Benchmarking figures had been provided in response to previous requests from Members, which the Committee welcomed but suggested that it would be helpful to include these figures as a 'per head' of population figures.

Resolved: That Members note:

- (i) the sustained performance levels.
- (ii) the details contained in this report.

Reason: To keep Members updated.

41. Internal Audit Service Contract

Members received a report which sought the Committee's view on a Draft Executive Report, regarding the new internal audit services contract for the period 2020-30. The CYC S151 Officer and Head of Internal Audit left the room during this item.

The Finance & Procurement Manager presented the report and stated current contract arrangements would end in March 2020 and a decision around awarding a new contract would be made by Executive. However, it was considered appropriate for this Committee to scrutinise the draft report in order that its comments could be incorporated into the final version.

In response to Member questions they stated:

- The external assessment of Veritau would be reported to the Committee;

- A judgement had been made about including enough detail on the cost implications of not awarding the contract to Veritau without 'scaremongering';
- The vast majority of Councils had a Head of Internal Audit who was a Council employed Officer, reporting to the S151 Officer. There were now an increasing number of shared services like this one. Officers would research this after the meeting and share their findings with the Committee;
- An external review of the service had taken place in 2014 with a positive outcome;
- There were not a significant number of internal audit providers with experience of local government as it was generally done in house. This made market testing and benchmarking challenging;
- The reasons for setting up the company remained valid, particularly economies of scale and access to specialist audit skills; and
- Internal Audit was an important source of information for the S151 officer and provides the assurance necessary for the Director to discharge their statutory duties, which included ensuring the provision of an effective internal audit function. Separation was maintained by having a separate officer as the contract manager.

Members felt that they did not have enough information to make informed comments and asked Officers to bring the report back to the next meeting of this Committee. Some Members stated they had issues with the close relationship between CYC Veritau. They also expressed some concern around the governance of Internal Audit and the role of the S151 officer.

They asked for the following additional information:

- The costs/implications of not renewing this contract;
- Market testing;
- Benchmarking information;
- The external assessment report;
- Detail of usual contract lengths for similar services; and
- Timescales

Resolved: That the report be brought back to this Committee on 6 February, to include the detail agreed above.

Reason: To seek the views of Audit & Governance Committee on the proposal to provide a value for money internal audit and counter fraud function to the Council.

42. **Forward Plan**

Members considered the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2019.

- That the item 'Internal Audit Service Contract' be brought back the meeting in February following additional work as agreed at this meeting;
- That the outcome of the Veritau External Assessment be brought to the first available meeting
- That the Veritau Internal Audit Report 'Overtime 2017 – 2018' (agenda item 8 – additional documents) be given further consideration at either Audit & Governance Committee or Customer and Corporate Services Scrutiny Management Committee (CSMC) in relation to:
 1. The working time directive
 2. Potential timesheet fraud

Resolved: That the forward plan for the period to September 2019 be agreed, subject to the above amendments.

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

Councillor Cannon, Chair

[The meeting started at 5.30 pm and finished at 8.20 pm].



Audit and Governance Committee

6 February 2019

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

Mazars Audit Progress Report**Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

Background

2. The report covers:
 - a) A summary of audit progress
 - b) National publications

Consultation

3. The Plan has been consulted on with the relevant responsible officers within the Customer & Corporate Services Directorate prior to it being reported to those members charged with governance at the council.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Council Plan

6. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

7. There are no implications to this report.

Risk Management

8. Not relevant for the purpose of the report

Recommendations

9. Members are asked to:

a) note the matters set out in the Progress report presented by Mazars;

Reason

To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

Contact Details

Author:

Emma Audrain
Technical Accountant
Corporate Finance

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/ Director of CCS

**Report
Approved**



Date 28 Jan 2019

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A - Mazars CYC Audit Progress Report January 2019



External Audit Progress Report

City of York Council

January 2019





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- 2. National publications**
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This document is to be regarded as confidential to the City of York Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

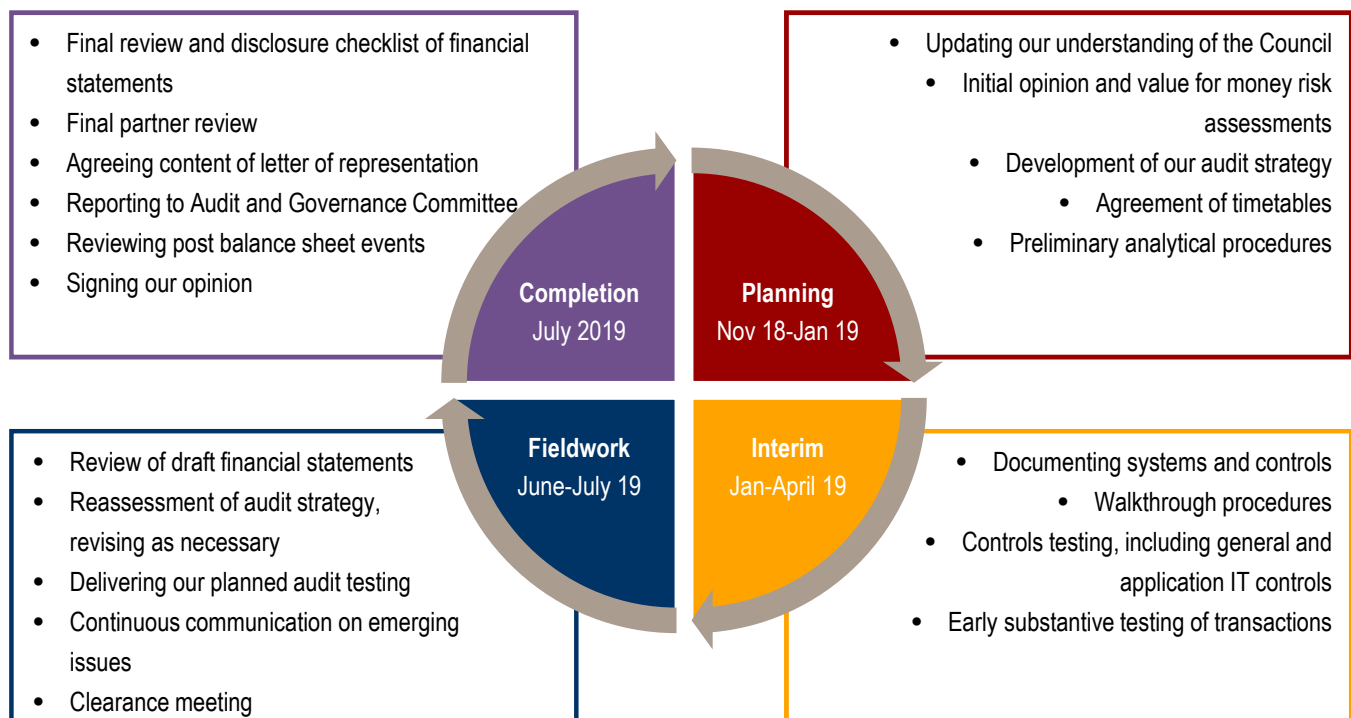
Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

Our key audit stages are summarised in the diagram shown below. Since the last Audit Committee meeting, we have completed our initial planning and risk assessment sufficient to present our Audit Strategy Memorandum to the February 2019 Audit and Governance Committee for discussion and agreement. This sets out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit. Our risk assessment is an on-going process throughout the year and we will update the Committee of any emerging audit risks through our Audit Progress Reports .

There are no significant matters arising from our work that we are required to report to you at this stage.



Financial Reporting Workshops 2019

Our Local Government Financial Reporting workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items include a revisit of 2017/18 issues including early close implications, changes in the 2018/19 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 30th January 2019 at our new Leeds Office at Wellington Place and we have invited relevant officers from the Council.

2. NATIONAL PUBLICATIONS

Publication / update	
National Audit Office (NAO)	
1.	Departmental overview – Department of Education 2017-18
2.	Adult social care at a glance
3.	Financial sustainability of local authorities 2018 visualisation
Chartered Institute of Public Finance and Accountancy (CIPFA)	
4.	Code of Practice on Local Authority Accounting / supporting guidance notes for practitioners – 2018/19 Accounts
5.	Implementation date for IFRS 16 Leases
6.	Streamlining the Accounts: Guidance for Local Authorities
Secretary of State for Housing, Communities and Local Government	
7.	Local Government Settlement for 2019-20

1. Departmental overview – Department of Education 2017-18, NAO, November 2018

The NAO has published an Overview of the Department of Education which summarises the structure of the Department, how it spends its money, commitments for the future years, key developments including Exiting the European Union and findings from recent NAO reports.

The report also focuses on five areas of importance to the Department which also include findings from NAO reports: academies, teachers, access to higher education and skills development, student loans and oversight and inspection.

<https://www.nao.org.uk/report/departmental-overview-department-for-education-2017-2018/>

2. Adult social care at a glance, NAO, July 2018

This overview updates the report 'Adult social care in England: an overview (2014)', highlighting key trends, developments and system pressures. This report includes a diagram setting out the interaction of local authority and health services amongst others.

Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. The overview summarises access to and also types of adult social care, accountability, developments in the sector since 2014, spending on social care, the needs, outcomes and market for care. The overview also summarises the various reports issued by the NAO on specific programmes and issues relating to adult social care.

<https://www.nao.org.uk/report/adult-social-care-at-a-glance/>

2. NATIONAL PUBLICATIONS

3. Financial sustainability of local authorities 2018 visualisation, NAO, November 2018

The NAO have published interactive visualisations that describe the changes in the local authorities' financial circumstances from 2010-11 to 2016-17.

The data presented shows changes in income and spending along with an analysis of factors such as budget overspends and use of reserves. These figures vary for a range of reasons such as local political priorities, changes in local demand and changes in government policy and priorities. The report warns that any comparison between places need to be undertaken with caution. The complexity of factors underlying the data means that differences in figures presented should not be viewed as indicative of the current 'performance' of an authority. Any differences between authorities is an opportunity to ask further questions to gain a better understanding of what is happening locally.

Council's can use these visualisations to explore the broad trends identified in the NAO report Financial sustainability of local authorities 2018 (July 2018) in order to increase their understanding of individual local authorities.

<https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/>

4. Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts, CIPFA, December 2018

CIPFA has published the Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts. The guidance notes detail key accounting changes introduced by the 2018-19 accounting code and provide practical support for the preparation of the year-end accounts.

Other recent and related publications from CIPFA which Council's may wish to be aware of include:

- Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2018-19 Accounts;
- Service Reporting Code of Practice for Local Authorities 2019-20;
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition);
- Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police and Fire Authorities (2018); and
- LGPS Fund Accounts 2018-19: Example Accounts and Disclosure Checklist.

<https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

5. Implementation date for IFRS 16 Leases, CIPFA, December 2018

Council will wish to be aware of this statement from the CIPFA/LASAAC Code board on the implementation date of IFRS 16 Leases. CIPFA/LASAAC have confirmed that the effective date of implementation in the Code has been deferred for one year only to 1 April 2020, for alignment with the wider public sector.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board>

6. Streamlining the Accounts: Guidance for Local Authorities

CIPFA has published guidance to local authorities to support steps to streamline both the format of their published financial statements and the year-end processes that underpin them.

This publication is based on information provided by local authorities already taking positive action and who have found that clearer and shorter financial statements can be prepared to a high standard that is accounting code compliant but with less time and reduced resources. It can be downloaded from: <https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel>

2. NATIONAL PUBLICATIONS

7. Local Government Settlement for 2019-20 , Secretary of State for Housing, Communities and Local Government, December 2018

In December 2018, the Secretary of State for Housing, Communities and Local Government, James Brokenshire, published the 2019-20 provisional settlement for local government. The provisional figures show councils in England are to share an extra £1.3 billion in 2019-20. This is reported as a real increase in core spending power from £45.1 billion in 2018-19 to £46.4 billion in 2019-20.

The settlement also allows for core council tax rises by up to 3% and this means that the threshold at which a referendum is triggered locally for rises in council tax is maintained at 3%.

The autumn budget committed a £650 million funding injection for 2019-20 for social care. This includes £240 million which will be focused on winter care pressures on adult social care, with local authorities able to use the remaining £410 million on adults or children's social care, and, where necessary, to relieve demand pressures on the NHS.

On business rates, the Secretary of State reported that local authorities will keep around £2.4 billion in business rates growth and that the government intends to distribute £180 million of the levy surplus to all local authorities and proposes to share this on the basis of need. In addition, the government is aiming to increase the level of business rates retention from its current levels of 50% to 75% from 2020. This and other reforms to the business rates retention system have been opened for consultation. In the interim, London and 15 local authorities (see authorities within the provisional settlement link below) will participate in the 75% business rate retention pilots and existing pilots in devolution deal areas will continue..

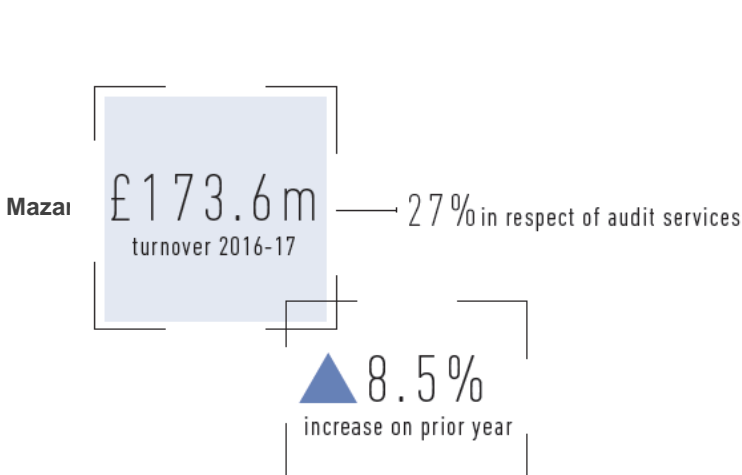
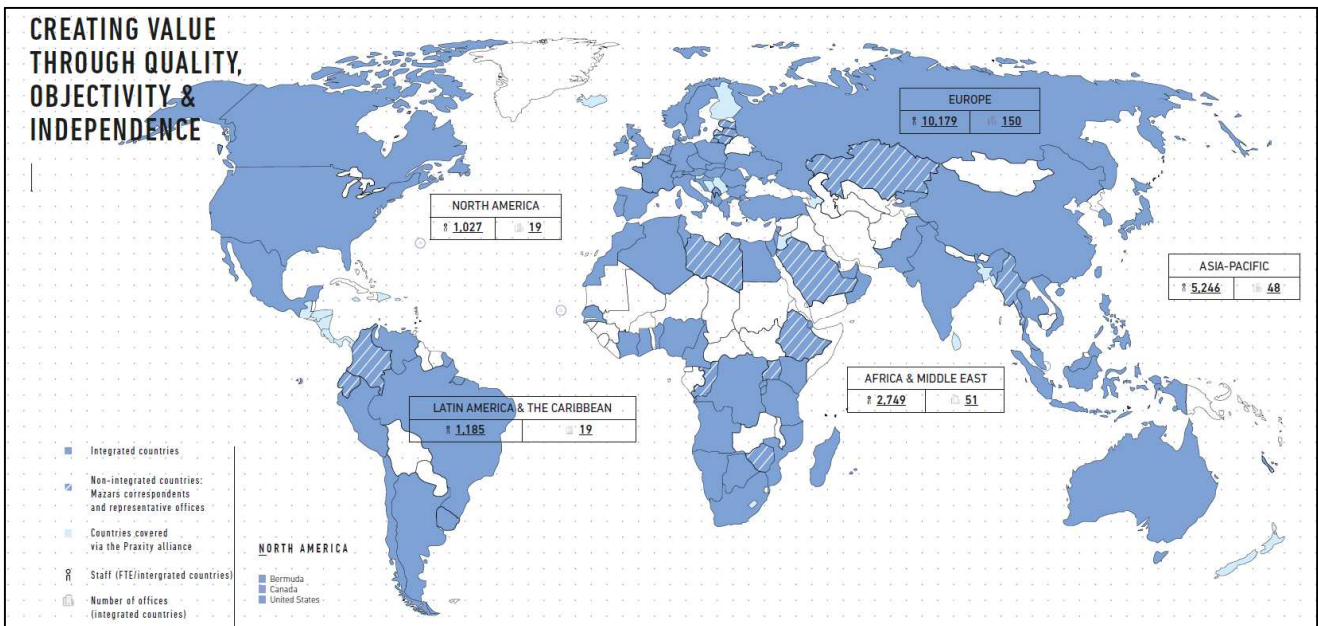
The Secretary of State also announced plans to eliminate the £152.9m negative revenue support grant in 2019-20 by reducing its share of business rates receipts. Negative revenue support grant is where changes or a complete loss of revenue support grant funding from the government have led to a downward adjustment in local authorities' business rates or tariff. With this proposal, the government intends to prevent these adjustments which it considers may be detrimental to local growth.

<https://www.gov.uk/government/speeches/provisional-local-government-finance-settlement-2019-to-2020-statement>

MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand



CONTACT

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Audit and Governance Committee

6 February 2019

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

Mazars Audit Strategy Memorandum Report**Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, summarises their audit approach, highlights significant areas of key judgements and provides details of the audit team.

Background

2. The report covers:
 - a) Engagement and responsibilities summary
 - b) Audit engagement team
 - c) Audit scope, approach and timeline
 - d) Significant risks and key judgement areas
 - e) Value for money work
 - f) Fees for audit and other services
 - g) Our commitment to independence
 - h) Materiality and misstatements

Consultation

3. The Plan has been consulted on with the relevant responsible officers within the Customer & Corporate Services Directorate prior to it being reported to those members charged with governance at the council.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Council Plan

6. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

7. There are no implications to this report.

Risk Management

8. Not relevant for the purpose of the report

Recommendations

9. Members are asked to:

- a) note the matters set out in the Progress report presented by Mazars;

Reason

To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

Contact Details

Author:

Emma Audrain
Technical Accountant
Corporate Finance

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/ Director of CCS

**Report
Approved**



Date 28 Jan 2019

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A - Mazars Audit Strategy memorandum YE 31 March 2019

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Audit Strategy Memorandum

City of York Council

Year ending 31 March 2019





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for money conclusion
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment

This document is to be regarded as confidential to the City of York Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Audit and Governance Committee
City of York Council
City Hall
Norfolk Gardens
Bradford
BD1 1UH

6 February 2019

Dear Audit and Governance Committee Members

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for the City of York Council for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the City of York Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 387 8850.

Yours faithfully

Mark Kirkham
Mazars LLP

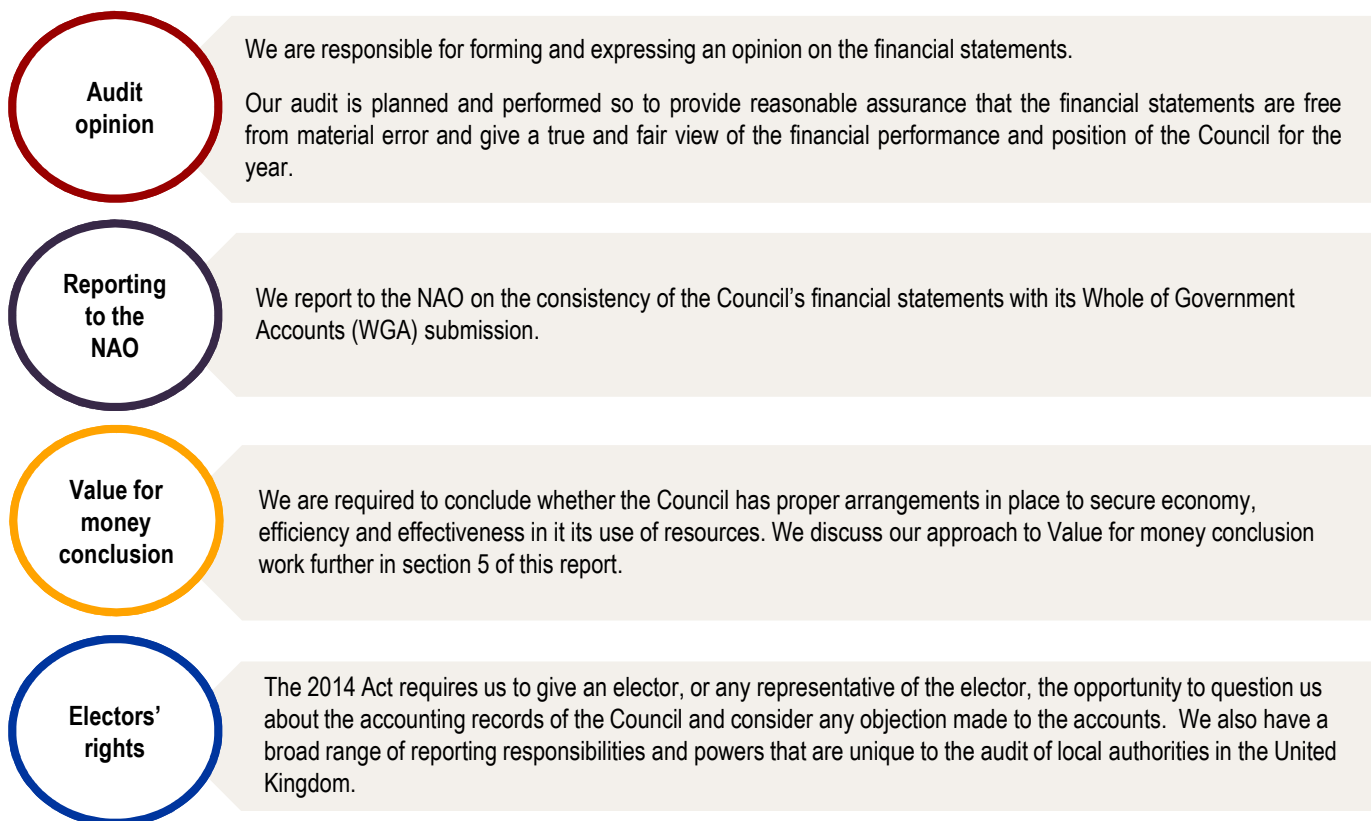
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the City of York Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

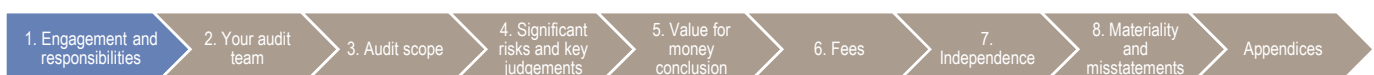
Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:



Our audit does not relieve management or the Audit and Governance Committee (as those charged with governance), of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.



2. YOUR AUDIT ENGAGEMENT TEAM



- Mark Kirkham, Partner and Engagement Lead
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- 0113 387 8850



- Mark Dalton, Senior Manager
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- 0113 387 8735



- Keith Illingworth, Assistant Manager
- Keith.illingworth@mazars.co.uk
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- Martin Baird – IT Audit, Director – Technology Solutions
- martin.baird@mazars.co.uk
- 0191 838 6317

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

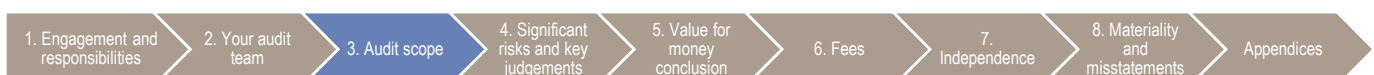
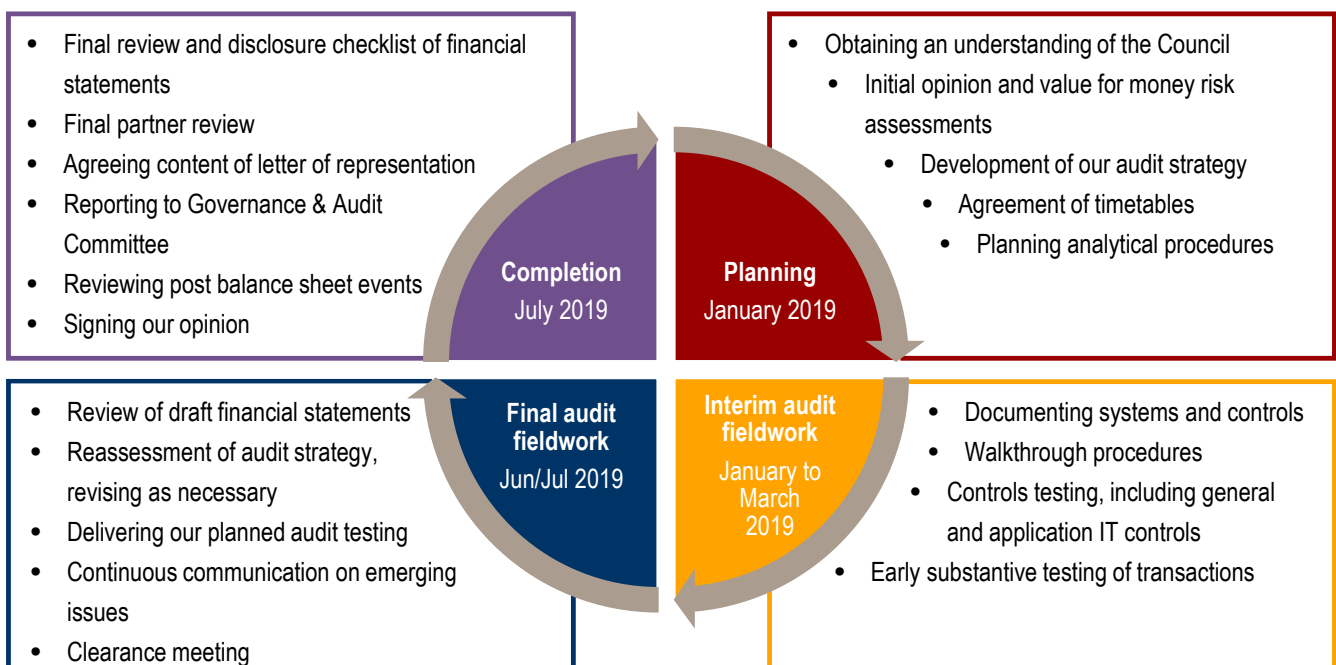
Audit approach

Our audit approach is risk-based and primarily driven by the matters that lead to a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

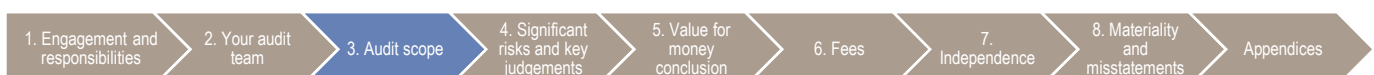
Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

We are not planning to rely on the work of internal audit, but should we do so, we would evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit pension assets and liabilities	AON Hewitt Actuaries	PwC, consulting actuary, on behalf of National Audit Office
Property, plant and equipment	Internal valuer from the Council.	Gerald Eve, consulting valuer, on behalf of National Audit Office
Financial instrument disclosures	Link Asset Services	NAO.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

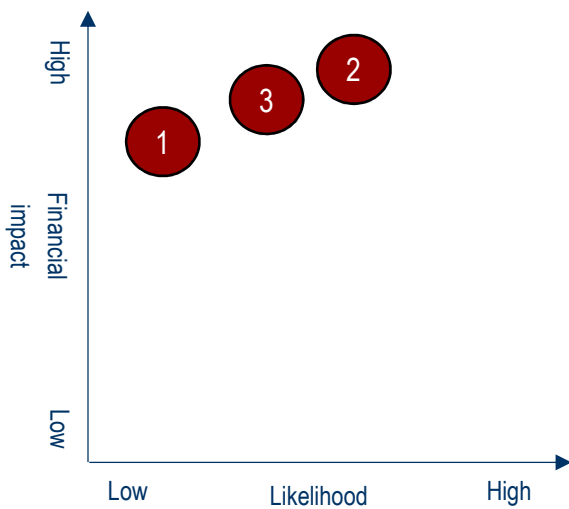
Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

- Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

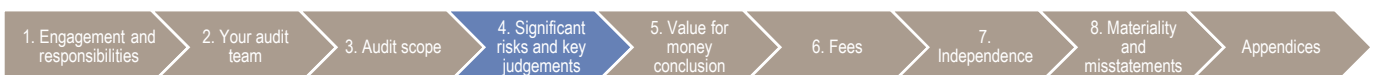
- Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:
 - key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
 - other audit assertion risks arising from significant events or transactions that occurred during the period.

- Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Significant Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

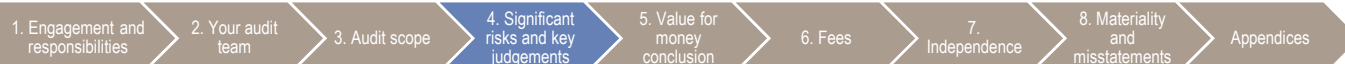


4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement on all audits.</p> <p>Our audit methodology incorporates this risk as a standard significant risk at all audits. Based on our cumulative knowledge and 2018/19 planning discussions, we do not consider this risk at the Council to be unusually high or require enhanced audit procedures.</p>	<p>We plan to address the management override of controls risk by performing audit work in respect of: accounting estimates; journal entries; and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Property, plant and equipment valuation</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE because of the significant judgements and number of variables involved in providing valuations.</p> <p>In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>	<p>We will consider the Council's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's in-house valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>In relation to the assets which have been revalued during 2018/19 we will review the valuation methodology used, including testing the underlying data and assumptions. We will compare the valuation output with market intelligence provided by Gerald Eve, our expert and consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.</p> <p>We will review the approach that the Council has adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's in-house valuers.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p>



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
3	<p>Defined benefit liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>	<p>As part of our work we will review the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of the scheme Actuary, AON Hewitt.</p> <p>We will review the appropriateness of the methodology applied, and the key assumptions included within the valuation, compare them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We will review the methodology applied in the valuation of the liability by AON Hewitt.</p>

Revenue recognition

International Auditing Standard (ISA) 240 includes a rebuttable presumption that the fraud risk from revenue recognition is a significant audit risk.

We recognise that the nature of revenue in local government differ significantly to the sources of income in the private sector which have driven the requirement in the ISA. We also note that the incentives in local government include the requirement to meet regulatory and financial covenants rather than share based management concerns.

Based on our understanding of the Council's revenue streams we do not consider this to be a significant risk. We have therefore rebutted this risk and do not incorporate specific work into our audit approach in this area over and above our standard procedures.



5. VALUE FOR MONEY CONCLUSION

Our audit approach

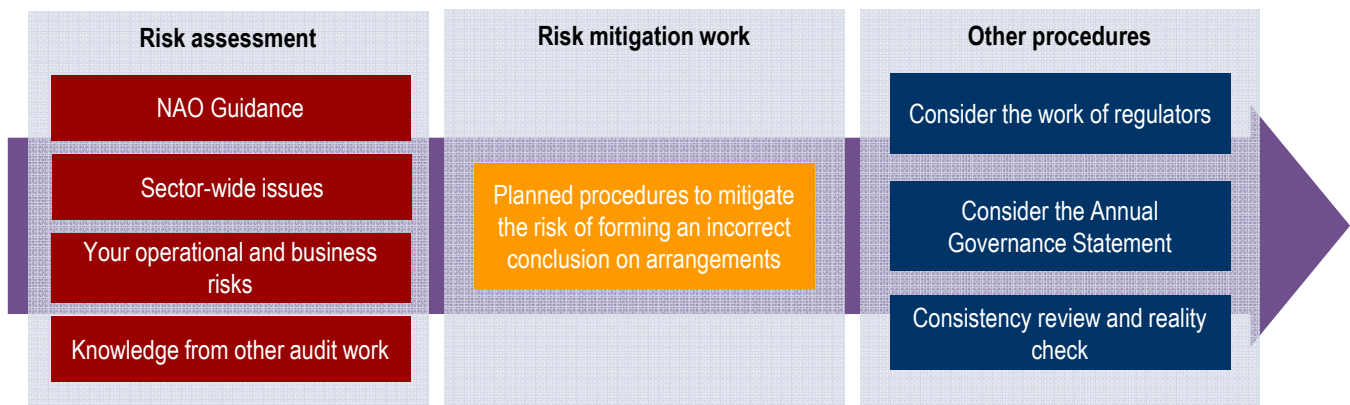
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

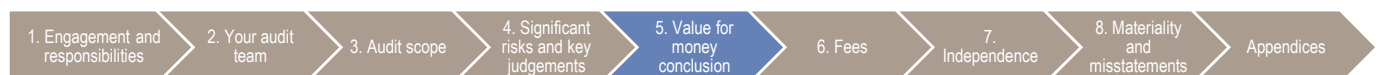
A summary of the work we undertake to reach our conclusion is provided below:



Significant risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a significant risk exists. Risk, in the context of our value for money (VFM) work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

	Description of significant VFM risk	Planned response
1	<p>Financial sustainability</p> <p>The Council's medium term financial plan (MTFP) sets out the financial challenges the Council faces in the medium term. The mid-year financial position for 2018/19 indicates that the Council is forecasting delivery of a balanced budget for the year. There are, however, financial pressures within Adult Social Care and Children's services such that delivering a balanced budget is likely to require the use of contingencies and non-recurrent income. Whilst this is consistent with the MTFP, this use of one-off resources to support service delivery is indicative of the financial pressures faced by the Council.</p> <p>The continuing challenges the Council faces are not new and are not unique to the City of York Council. The challenges do, however, present a significant audit risk for our consideration of the arrangements in place to manage demand in your key service areas and deliver financial sustainability over the medium term.</p>	<p>Building on our work in previous years, we will review the arrangements the Council has in place for ensuring financial resilience. Specifically that the medium term financial plan has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We will also review the arrangements in place to monitor progress in delivering the budget and related savings plans.</p>



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 27 March 2018.

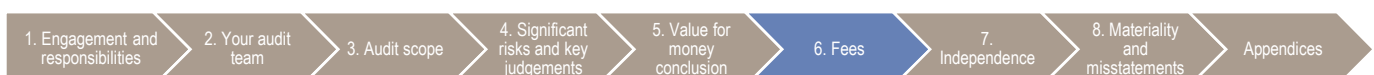
Service	2017/18 fee	2018/19 fee
Code audit work	£101,607	£78,237

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2017/18 fee	2018/19 fee
Housing benefit subsidy certification	£11,679*	£11,500
Teachers' Pension return	£5,000	TBC

* As highlighted within our fee letter of 27th March 2018, previously we have carried out work as an agent of PSAA on the Council's Housing Benefit Subsidy return. This work now falls outside of the scope of our work as the Council's appointed auditor and PSAA no longer set an indicative fee for this work. For comparison, we have included the PSAA scale fee for this work in 2017/18.



7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

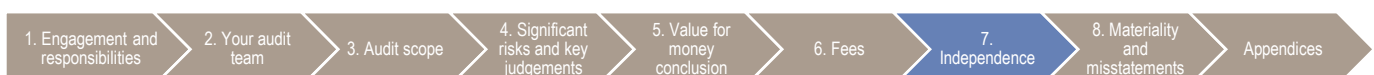
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards are set out below. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Issue	
Housing benefit subsidy certification and Teachers' Pension return	<p>We have considered threats and safeguards as follows:</p> <ul style="list-style-type: none"> • Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars; • Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis; • Management: The work does not involve Mazars making any decisions on behalf of management; • Advocacy: The work does not involve Mazars advocating the Council to third parties; • Familiarity: Work is not deemed to give rise to a familiarity threat given this piece of assurance work used to fall under the Audit Commission / PSAA certification regimes and was the responsibility of the Council's appointed auditor; and • Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold
Overall materiality	£8,000,000
Trivial threshold for errors to be reported to the Audit Committee	£240,000

For some sensitive items of account and related disclosures we will apply a specific lower materiality. This includes Senior Officer Remuneration (including Exit Packages), Members Allowances and Related Party Transactions.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

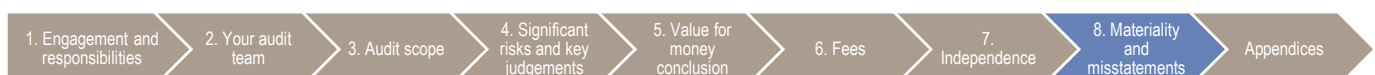
The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Materiality (continued)

Our provisional materiality is set based on a benchmark of the 2017/18 gross expenditure at the cost of services level. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

We consider that gross expenditure at the cost of services level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We have set our materiality threshold at 2% of the benchmark based on the 2017/18 audited financial statements.

Based on the 2017/18 financial statements (in which gross expenditure at the cost of services level is circa £420m) we anticipate the overall materiality for 2018/19 to be £8m (£8.2m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

Reporting Misstatements Threshold

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £240k based on 3% of overall materiality.

Reporting to the Audit and Governance Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Governance Committee:

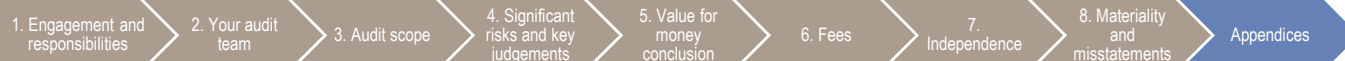
- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

International Standards on Auditing (ISA) (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs.

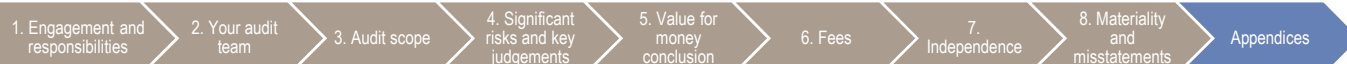
For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21	<p>CIPFA has confirmed that the new leasing standard will be adopted by the Code for the 2020/21 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council (and its schools) are party to.</p>



APPENDIX C – MAZARS’ CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



1. Engagement and responsibilities	2. Your audit team	3. Audit scope	4. Significant risks and key judgements	5. Value for money conclusion	6. Fees	7. Independence	8. Materiality and misstatements	Appendices
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Audit and Governance Committee

6 February 2019

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

Mazars Grants Report**Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

Background

2. The report covers:
 - a) Summary and findings
 - b) Fees
 - c) Contact details

Consultation

3. The Plan has been consulted on with the relevant responsible officers within the Customer & Corporate Services Directorate prior to it being reported to those members charged with governance at the council.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Council Plan

6. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

7. There are no implications to this report.

Risk Management

8. Not relevant for the purpose of the report

Recommendations

9. Members are asked to:

a) note the matters set out in the Progress report presented by Mazars;

Reason

To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

Contact Details

Author:

Emma Audrain
Technical Accountant
Corporate Finance

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/ Director of CCS

**Report
Approved**



Date 28 Jan 2019

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A - Mazars CYC Grants Report January 2019

Grants report 2017/18
City of York Council
January 2019





CONTENTS

1. Summary and findings
2. Fees
3. Contact details

This document is to be regarded as confidential to City of York Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. SUMMARY AND FINDINGS

Summary

This report summarises our work in respect of the Council's grant claims and returns for 2017/18. We carry out this work both as an agent of Public Sector Audit Appointments (in relation to the Housing Benefits Subsidy return) and through being engaged directly by the Council to undertake assurance work on two other 2017/18 returns (Teachers' Pensions and Homes England).

In respect of the Housing Benefits Subsidy return, we certified the return on the 29th November 2018, in line with the end of November 2018 deadline. The return was subject to some relatively minor amendments identified from our work, and this year we also submitted a qualification letter setting out our consideration of a number of other issues we identified from our testing. These are discussed in more detail below.

For the Teachers' Pensions return we issued our report on 30 November 2018. Again we identified a number of amendments that were required to be made to the return and a few exceptions in relation to the agreed upon procedures were noted in our report to the Teachers' Pensions Agency.

We issued our report on the Homes England grant to the Homes and Communities Agency on 5 September 2018. No significant issues were raised in our report.

Background

For the Housing Benefits Subsidy return, on completion of the specified work we issue a certificate. The certificate states the return has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the return is amended by the Council, the grant paying body (DWP) may withhold or claw-back subsidy.

For claims and returns that fall outside of the Public Sector Audit Appointments regime, we issue an assurance report or provide assurance in accordance with the requirements of the grant-paying body (Teachers Pensions Agency and Homes and Communities Agency).

Findings: Housing Benefits Subsidy return

Return	Value of return - 2017/18	Value of return - 2016/17
Housing Benefits Subsidy return	£36,881,419	£40,484,425

The Housing Benefits Subsidy return for 2017/18 was subject to both amendment and a qualification letter.

There were a small number of amendments made to the return as a result of errors identified during testing where it was possible to quantify the full error and therefore amend the return. These amendments increased subsidy for 2017/18 by £1,328.

Other errors, where it was not possible to quantify the full error, were reported in our qualification letter. The qualification letter detailed the following:

- an information only tick had been incorrectly applied to a claimant's state retirement pension amount, but the error had no impact on subsidy and further testing indicated that this was an isolated case;
- an error in the calculation of claimant earned income was identified from our initial testing, resulting in underpayment of benefit. Further testing of an additional sample did not identify any further errors; and
- a modified scheme case where the calculation performed by the benefits software could not be determined and additional investigations are now being conducted by officers with the software supplier.

We do not expect any of these reported issues to result in a reduction to the 2017/18 subsidy. Nevertheless, officers have said that they have considered these points and have put in place a new exception report for information only ticks that will be run regularly; are confident that given the small value of the earned income error (£0.07) that current QA checks are sufficient; and that they are waiting for a response on the modified scheme case from the software supplier.

1. SUMMARY AND FINDINGS - CONTINUED

Findings: Teachers' Pension return

Return	Value of return - 2017/18	Value of return - 2016/17
Teachers' Pension return	£8,386,193	£9,643,503

Our work on the Teachers' Pensions return for 2017/18 identified a number of minor amendments and other exceptions that we are required to include in our report to the Teachers' Pensions Agency. These are summarised below.

Amendments were made to the form that increased the value of the return / total contributions paid by £292 and ensured that:

- the return values agreed to payroll records and supporting working papers; and
- the contributions paid value on the return agreed to the value in the accounts and the amount that Teachers' Pensions had advised as being received by them from the Council for 2017/18.

These amendments relate to relatively simple errors between supporting records and the values on the return and these have been identified in each of the previous two years. Officers have agreed to consider how such errors can be avoided in the future.

Other exceptions:

- We identified an issue in that several teachers' service records had not be updated on the employer portal, which is believed to be because of an issue with the submission of the 2017/18 annual return data. Officers have been in contact with Teachers' Pensions regarding this and have put plans an action to rectify the situation.

Findings: Homes England return

The grant relates to the Glen Lodge Scheme York, Sixth Avenue which started in July 2016 and was completed in November 2017.

The Homes and Communities Agency requires us to complete an audit assurance checklist in relation to the Homes England grant funding received since the start of the scheme. There were no significant findings or issues identified from our completion of this checklist.

We submitted our report to the Homes and Communities Agency on 5 September 2018.

2. FEES

Fees for certification work: Housing Benefits Subsidy return

PSAA set an indicative fee for our work on the Council's Housing Benefit Subsidy return. This indicative fee, and the final fee charged for 2017/18, is detailed in the table below:

2017/18 scale fee	2017/18 planned fee	2016/17 actual fee
£11,679	£11,679	£11,415

From 2018/19, the Subsidy return is no longer subject to oversight by PSAA. Instead the Council are able to tender for the work and appoint an auditor. We have been appointed to undertake the work in 2018/19 at an indicative fee of £11,500.

Fees for assurance work: Teachers' Pension return

2017/18 actual fee	2017/18 planned fee	2016/17 actual fee
£5,000	£5,000	£5,000

The assurance work for this return is not subject to oversight by PSAA i.e. the Council directly engages us to carry out the agreed-upon procedures for this return as specified by the Teachers' Pension Agency.

Fees for assurance work: Homes England return

The agreed fee for the work was £2,500.

The assurance work for this return is not subject to oversight by PSAA i.e. the Council directly engages us to carry out the agreed-upon procedures for this return as specified by the Homes and Communities Agency.

3. CONTACT DETAILS

Please let us know if you would like further information on any items in this report.

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Audit and Governance Committee

6 February 2019

Report of the Head of Internal Audit

Counter Fraud Framework Update

Summary

- 1 The council approved a new counter fraud and corruption strategy and associated action plan in 2017. This report represents the second annual review of the strategy. It updates the committee on progress against the actions set out in the strategy over the past two years and adds new actions for the next financial year. In addition the council's counter fraud risk assessment has been updated to reflect fraud risks currently facing the council.

Background

- 2 Fraud is a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order to protect income and assets public sector bodies must continuously develop their counter fraud activity.
- 3 This report documents the annual review of the council's counter fraud framework which includes a counter fraud strategy and action plan, counter fraud policy and fraud risk assessment. In addition it informs the committee of national and local counter fraud developments.

National Picture

- 4 CIPFA's annual Fraud and Corruption Tracker report (annex 1) was recently released. The report details levels of fraud detected by local authorities across the UK in 2017/18. Key findings of the report include the following.
 - Procurement fraud remains the highest perceived area of threat to local authorities. While only 142 cases were reported

nationally the average loss per case exceeded £36k. Of these cases, 25% related to insider fraud and a further 20% to serious and organised crime.

- The fastest area of growth in fraud detected was in business rates with a 142% increase nationally (£4.3m in 2016/17 increased to £10.4m in 2017/18). The rise in the value of fraud detected could be as a result of more authorities participating in business rates data matching activities, uncovering more cases of fraud that had previously gone unnoticed.
 - Housing fraud is still seen as a significant area of potential loss for local authorities due to the value of housing stock held. The number of illegally sublet properties detected fell but the number of fraudulent right to buy (RTB) applications increased by 18%. CIPFA found that the average discount in fraudulent RTB applications was in excess of £60k.
 - The number of Adult Social Care (ASC) fraud cases detected nationally increased by 65% between 2016/17 and 2017/8. Although the average value of losses in these cases is relatively low (the average loss per case fell from £12.5k to £9k between 2016/17 and 2017/18). This is somewhat different to the experience of social care fraud at York which tend to be some of the higher value cases investigated (average value £31.8k in 2018/19).
- 5 Procurement fraud, business rates fraud, adult social care fraud and right to buy applications are all areas of focus for the counter fraud team in 2019/20 and specific actions are contained within the counter fraud strategy action plan (annex 2) and the counter fraud risk assessment (annex 3).
 - 6 Central government is increasingly concerned about levels of fraud within the public sector. In October 2018 they launched the Government Counter Fraud Profession (GCFP) which is a framework for counter fraud activity across government departments and related organisations. The government is investing in over 10,000 counter fraud specialists to tackle fraud within central government. The GCFP does not currently involve local authorities, but it may be expanded in the future.
 - 7 The Department of Work and Pensions (DWP) wrote to local authorities in October 2017 to propose joint working between local authority counter fraud officers investigating council tax support (CTS) fraud and DWP officers investigating housing benefit (HB) fraud and other national benefits. Joint working may provide some

benefits to the council - providing additional support to investigate some cases, and giving access to the Crown Prosecution Service to undertake prosecutions in those cases. However it is unknown how this will work in practice. City of York Council expressed their interest in exploring joint working following the request from the DWP in 2017. A national rollout began in September 2018 and is due to begin in the Yorkshire and Humber region in May 2019.

Local Trends

- 8 In York, total levels of fraud detected by the counter fraud team have increased over the last year. Around £245k of losses were identified by the counter fraud team in the first three quarters of the current financial year - compared to £238k in the whole of 2017/18. Comparing fraud losses at 31 December 2017 (£245k) and 2018 (£150k) the increase is 63%. It is not possible to say whether this is indicative of increased fraud activity generally, or due to improved reporting and detection of fraud.
- 9 The increase in losses detected within Council Tax and Business Rate fraud is significant, and reflects the trend nationally (see paragraph 4). In 2017/18 £26k in loss was recorded for the year compared to £91k at quarter 3 in the current year. The year on year comparison at quarter 3 shows a 469% increase (£16k to £91k). This has been an area of focus for the counter fraud team over a number of years, including activities such as fraud awareness training and data matching. The council is believed to have become the first local authority nationally to prosecute someone for Small Business Rate Relief fraud in May 2018.
- 10 Where losses due to fraud are stopped or repaid this results in actual savings for the council. While losses have increased this year, there has also been a corresponding increase in savings. At the end of quarter 3, actual savings were £288k - a year on year increase of 72% compared to the same point in 2017/18. The team is on track to exceed the savings of £298k recorded in 2017/18.

Counter Fraud Framework Review

- 11 The council's Counter Fraud and Corruption Strategy 2017-19 was approved in February 2017. The strategy takes into account the national collaborative counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally). No changes are required to the strategy itself, however the associated action plan, in annex 2, has been updated to reflect action taken, and the

addition of new objectives for 2019/20. A new national counter fraud strategy for local government is expected to be released in 2020. This will be used as the basis for review of the council's counter fraud strategy.

- 12 It is recognised good practice for councils to assess their risk of fraud on a regular basis. The overall counter fraud risk assessment for the council is updated annually - the latest update is included in restricted annex 3.
- 13 A review of the council's Counter Fraud Policy has also been undertaken in January 2019 although no changes are currently required. New legislation (the Investigatory Powers Act 2018) and joint working with the DWP may necessitate an update to the policy in 2019/20.

Consultation

- 14 Not relevant for the purpose of the report.

Options

- 15 Not relevant for the purpose of the report.

Analysis

- 16 Not relevant for the purpose of the report.

Council Plan

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

Implications

- 18 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

19 The council will fail to comply with proper practice if counter fraud and corruption arrangements are not reviewed periodically.

Recommendations

20 Members are asked to;

- comment on the updated Counter Fraud and Corruption Strategy Action Plan in annex 2

Reason

In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.

- comment on the updated Fraud Risk Assessment and proposed priorities for counter fraud work set out in Annex 3.

Reason

To ensure that scarce audit and counter fraud resources are used effectively.

Contact Details

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Veritau Limited
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552940

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive
Customer and Corporate Services
Telephone: 01904 551100

**Report
Approved**



Date 25 January
2018

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Fighting Fraud & Corruption Locally - The local government counter fraud and corruption strategy 2016 - 2019

Annexes

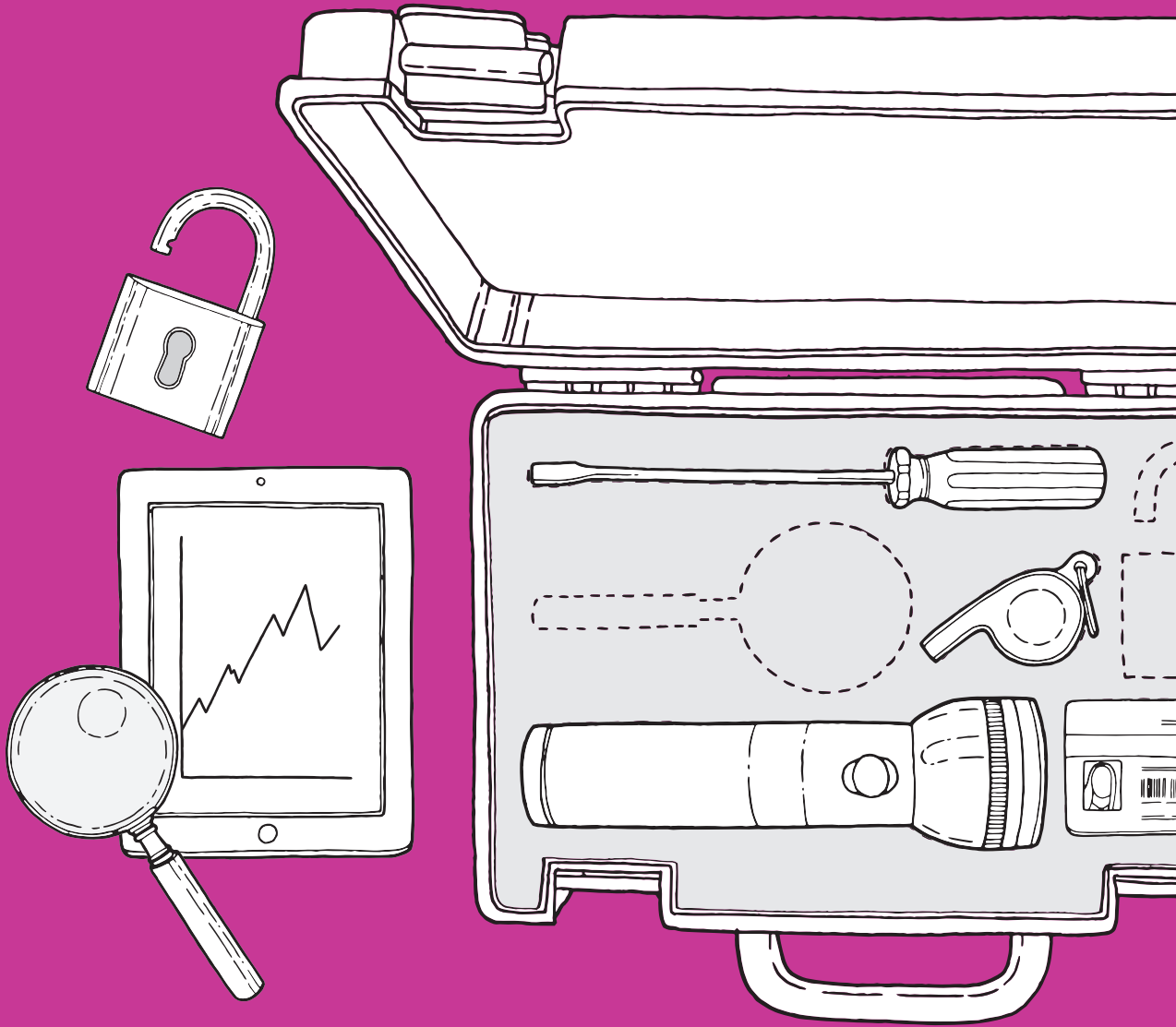
Annex 1 – CIPFA Fraud and Corruption Tracker 2018

Annex 2 – Counter Fraud and Corruption Strategy Action Plan

Exempt Annex 3 - Counter Fraud Risk Assessment (This information is classed as exempt under paragraph 7 Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information) (Variation) Order 2006).)

fraud and corruption tracker

Summary Report 2018



**CIPFA COUNTER
FRAUD CENTRE**

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- 3** Foreword
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 - Council tax
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Foreword

As guardians of public resources, it is the obligation of every public sector organisation in the UK to fight fraud and corruption. Taking effective measures in counter fraud amounts to much more than simply saving money, as illegitimate activities can undermine the public trust, the very social licence, which is essential to the ability of organisations to operate effectively.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey aims to help organisations, and the public at large, better understand the volume and type of fraudulent activity in the UK and the actions which are being taken to combat it.

With support from the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), these insights reflect the current concerns of fraud practitioners from local authorities in a bid to create a focus on trends and emerging risks.

Key findings this year, such as the continued perception of procurement as the area at most susceptible to fraud, and the growing cost of business rates fraud, should help councils allocate resources appropriately to counter such activity.

For this reason, the 2018 CFaCT survey should be essential reading for all local authorities as part of their ongoing risk management activity. It provides a clear picture of the fraud landscape today for elected members, the executive and the professionals responsible for countering fraud, helping their organisations benchmark their activities against counterparts in the wider public sector.

When councils take effective counter fraud measures they are rebuilding public trust, and ensuring our increasingly scarce funds are being used effectively to deliver services.

Rob Whiteman

Chief Executive, CIPFA

The survey was supported by:



The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission. Building on CIPFA's 130-year history of championing excellence in public finance management, we offer training and a range of products and services to help organisations detect, prevent and recover fraud losses.

We lead on the national counter fraud and anti-corruption strategy for local government, Fighting Fraud and Corruption Locally, and were named in the government's Anti-Corruption Plan (2014) as having a key role to play in combatting corruption, both within the UK and abroad.



Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies/best practices, including:

- Local Government Association
- Solace
- Home Office
- The Fighting Fraud and Corruption Locally board
- Salford City Council
- Sandwell Council

Introduction

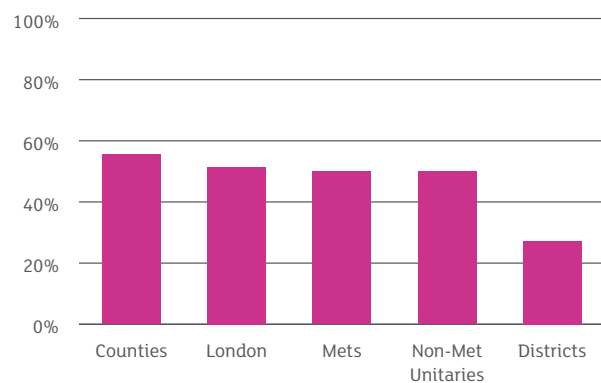
CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2013, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

In May 2018, CIPFA conducted its fourth annual CFaCT survey, drawing on the experiences of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. This survey aims to create a national picture of the amount, and types of fraud carried out against local authorities.

The results were received from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

Response rate



This report highlights the following:

- the types of fraud identified in the 2017/18 CFaCT survey
- the value of fraud prevented and detected in 2017/18
- how to improve the public sector budget through counter fraud and prevention activities
- how the fraud and corruption landscape is changing including emerging risks and threats.

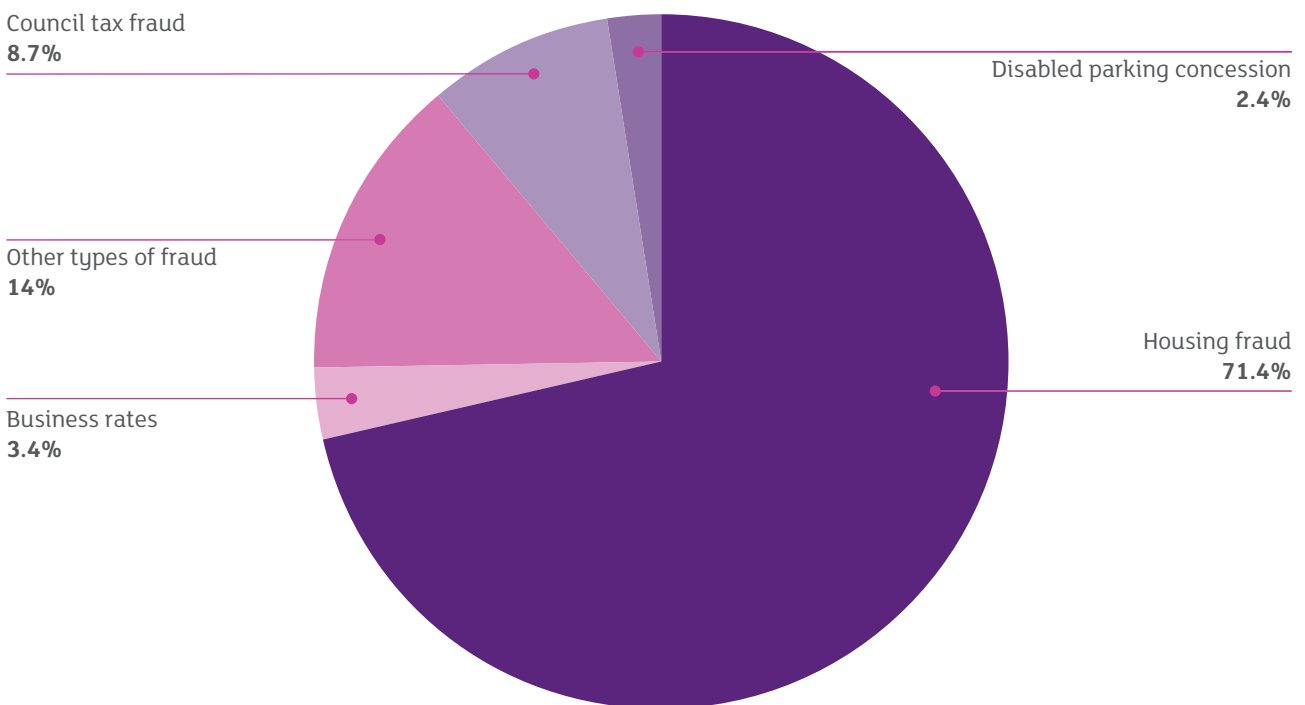
Executive summary

CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.

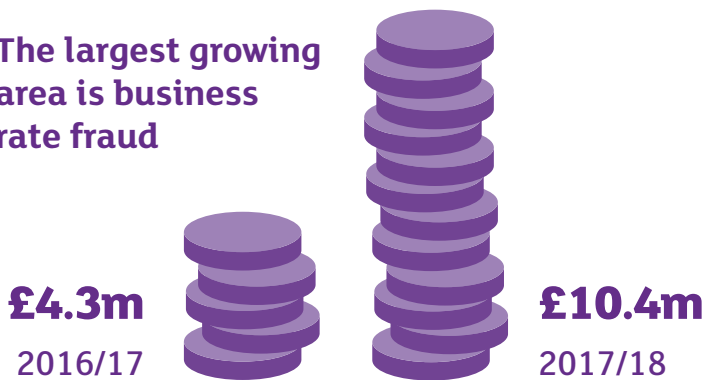
Respondents report that approximately 80,000 frauds had been detected or prevented in 2017/18, which is a slight increase from just over 75,000 frauds in 2016/17. The number of serious and organised crime cases, however, has doubled since 2016/17. This increase may

suggest that fraud attacks are becoming more complex and sophisticated due to fraud teams becoming more effective at prevention. Alternatively, fraud teams may have developed a more effective approach for detecting or preventing such frauds.

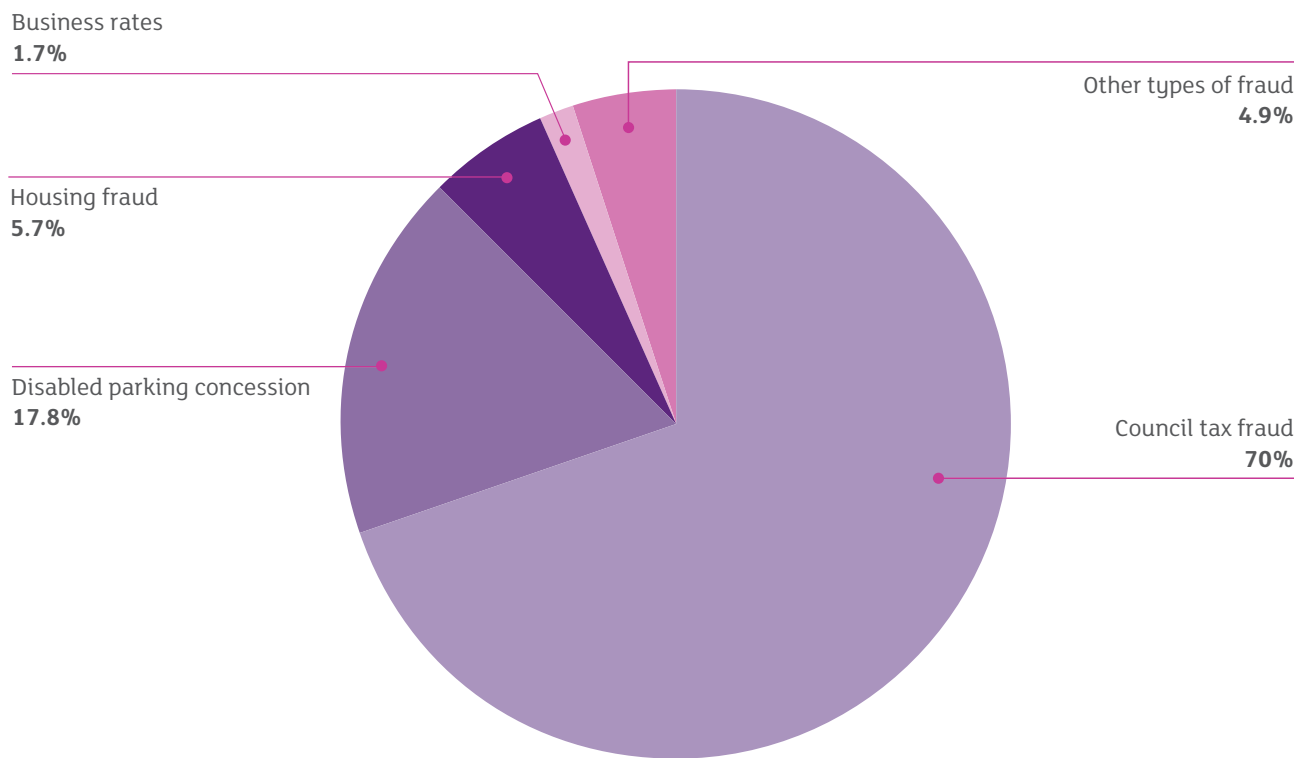
Estimated value of fraud detected/prevented



The largest growing area is business rate fraud



Detected fraud by estimated volume



For 2017/18, it has been highlighted that the three greatest areas of perceived fraud risk are procurement, council tax single person discount (SPD) and adult social care.

The largest growing area is business rates fraud, with an estimated £10.4m lost in 2017/18 compared to £4.3m in 2016/17. This is followed by disabled parking concession (Blue Badge) which has increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.

Two thirds of identified frauds related to council tax fraud (66%), with a value of £9.8m, while the highest

value detected/prevented from investigations was housing fraud, totalling £97.4m.

None of the respondents reported any issues with needing greater public support for tackling fraud, but some agreed that there needs to be an increased priority given within councils to tackling fraud.

Historically, it is shown that the more effective and efficient authorities are at detecting and preventing fraud, the more they will discover. This means that even if the levels of detection and prevention have increased, this is more likely due to a greater emphasis towards battling fraud rather than weak controls.

Main types of fraud

The 2017/18 CFaCT survey indicates that there are four main types of fraud (by volume) that affect local authorities:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. business rates.

Council tax

Council tax fraud has consistently been the largest reported issue over the last four years. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

It has traditionally been an area of high volume/low unit value, and this year's results reflect that trend. Council tax fraud represents the highest number of fraud cases reported by local authorities (66%), however, the total value of the fraud, estimated at £26.3m in 2017/18, accounts for only 8.7% of the value of all detected fraud.

The number of detected/prevented cases in the area of council tax SPD has reduced from 2016/17 levels, but we see a rise in the number of incidents and value in council tax reduction (CTR) and other forms of council tax fraud.

Estimated council tax fraud

	2016/17		2017/18	
	Volume	Value	Volume	Value
SPD	50,136	£19.5m	46,278	£15.8m
CTR	6,326	£4.8m	8,759	£6.1m
Other	674	£1.1m	2,857	£4.5m
Total	57,136	£25.5m	57,894	£26.3m



Council tax fraud represents the highest number of fraud cases reported, but only 8.7% of the detected value.



Housing and tenancy fraud

Housing is expensive in many parts of the country, particularly in the South East of England, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud using different valuations, ranging from a notional cost of replacing a property set by the National Fraud Initiative (NFI) to the average cost for keeping a family in bed and breakfast accommodation for a year.

The difference in approach can lead to substantial differences. For example, two years ago, the NFI increased its standard notional figure to include other elements, and this increased the figure to £93,000, which is substantially larger than the previous figure of £18,000. This means that authorities may be using differing notional figures to calculate their average valuation of loss, which in turn leads to variations.

As housing has become increasingly expensive, the value of right to buy fraud is evidently higher than the other types of housing fraud. The value of this type of fraud is higher in London than in other parts of the country, with an estimated average of £72,000 per case compared to the rest of the UK combined, which has an estimated total of £50,000 per case.

However, the overall value and value of right to buy fraud has continued to decline – see table below.

Estimated housing fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Right to buy	1,284	£111.6m	1,518	£92.0m
Illegal sublet	1,829	£78.5m	1,051	£55.8m
Other*	2,825	£73.3m	2,164	£68.3m
Total	5,938	£263.4m	4,733	£216.1m

*Other includes tenancy fraud that are neither right to buy nor illegal sublet, and may include succession and false applications.

Disability Faculty Grant and housing fraud

Ms C used her disabled child as a means of requesting money from the local authority to fit a downstairs bathroom in their home. This request was rejected but Ms C appealed and the matter was taken to court where it was revealed that she owned multiple properties and was actually living in a different county, where she was also claiming disability benefits. The appeal was denied and Ms C was instructed to pay over £16,000 in court costs within half a year.

Since 2016/2017, right to buy value has decreased by

18%

£216m

the estimated total value loss from housing fraud investigated during 2017/18

Disabled parking (Blue Badge)

Fraud from the misuse of the Blue Badge scheme has increased for the first time since CIPFA began running the survey, with the number of cases rising by over 1,000 between 2016/17 and 2017/18. The survey also indicates that 49% of Blue Badge fraud cases in 2017/18 were reported by counties.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest more in counter fraud resource.

The cost of parking in London results in a higher value to case ratio, which is shown in the average value per case reported – £2,150 in comparison to counties who had an average of £449 per case.

In the event that a Blue Badge misuse is identified, the offender is often prosecuted and fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution, resulting in a loss of funds. This potential loss could explain why authorities do not focus as much attention on this type of fraud.

Blue Badge fraud is often an indicator of other benefit-related frauds, such as concessionary travel or claims against deceased individuals by care homes for adult social care.

49%

of Blue Badge fraud cases in 2017/18 were reported by counties

The average value per case reported is:

£2,150

in London

£449

in counties

Business rates

Business rates are a key cost for those who have to pay the tax and is the largest growing risk area in 2017/18; district councils have identified this as their fourth biggest fraud risk area for 2017/18 after housing fraud, council tax and procurement.

Business rates fraud represented 0.9% of the total number of frauds reported in 2016/17, with an estimated

value of £7m. In 2017/18, this increased to 1.7%, with an estimated value of £10.4m.

The rise in the number and value of fraud detected/prevented since 2016/17 could be as a result of more authorities participating in business rates data matching activities, uncovering more cases of fraud that had previously gone unnoticed.

Data matching uncovers business rates fraud

The fraud team at Salford City Council undertook a business rates data matching exercise with GeoPlace. They used geographical mapping and other datasets to identify businesses that were not on the ratings list and were hard to find. The results identified seven potential business and the cases were sent to the Valuation Office Agency. Of the three returned to date, one attracted small business rate relief and rates on the other two were backdated to 2015, generating a bill of £90,000.

Other types of fraud

Fraud covers a substantial number of areas and within organisations these can vary in importance. This part of the report looks at specific areas of fraud that did not appear as major types of fraud within the national picture but are important to individual organisations. These include the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud and manipulation of data.

Adult social care

The estimated value of adult social care fraud cases has increased by 21%, despite a fall in the average value per case – £9,000 in 2017/18 compared to £12,500 in 2016/17. This is a product of the significant rise in the number of frauds within adult social care which are not related to personal budgets. In recent years, many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets, which has resulted in a reduction of the estimated value per case to under £9,800 in 2017/18 compared to over £10,000 in 2016/17.

This year's survey also highlights a decline in the number of adult social care insider fraud cases, with 2% of cases involving an authority employee, compared to 5% last year.

Estimated adult social care fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Personal budget	264	£2.7m	334	£3.2m
Other	182	£2.8m	403	£3.5m
Total	446	£5.5m	737	£6.7m
Average value per fraud		£12,462		£9,123

Insurance fraud

The number of insurance frauds investigated has decreased to 117 with an average value of over £12,000, which explains the significant decline also in the total value of fraud detected/prevented. The total estimated value of loss in 2017/18 is £3.5m compared to £5.1m in 2016/17.

Respondents who identified insurance fraud also reported two confirmed serious and organised crime cases and two insider fraud cases.

Considerable work has been done in the area of insurance fraud, and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system, which seems to be effective given the steady decline in volume and value of cases reported.

The Insurance Fraud Bureau was one of the first to use a data analytical tool to identify fraud loss through multiple data sources in the insurance sector. This best practice is now being applied to local government, for example by the London Counter Fraud Hub, which is being delivered by CIPFA.

Procurement fraud

In last year's survey procurement was seen as one of the greatest areas of fraud risk and this remains the same for 2017/18.

Procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be significant difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

In 2016/17, there was an estimated 197 prevented or detected procurement frauds with an estimated value of £6.2m, which has now decreased to 142 estimated fraudulent cases with an estimated value of £5.2m. Twenty-five percent of reported cases were insider fraud and a further 20% were serious and organised crime.

Estimated procurement fraud

2016/17		2017/18	
Volume	Value	Volume	Value
197	£6.2m	142	£5.2m

CIPFA is working with the Ministry of Housing, Communities and Local Government (MHCLG) in an effort to understand more about procurement fraud and how we can develop more solutions in this area.

The [Fighting Fraud and Corruption Locally Strategy 2016 to 2019 \(FFCL\)](#) recommends that local authorities have a procurement fraud map and use it to define the stages at which procurement fraud can happen. This enables authorities to highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority has produced a [free online tool](#) that studies the data fed in against bidder behaviour and price patterns, allowing the public sector to identify areas of higher risk within procurement. It then flags areas where there could be potential fraud and which should be investigated.

Welfare assistance and no recourse to public funds

In 2016/17 the estimated number of fraud cases related to welfare assistance was 74, increasing to an estimated 109 in 2017/18.

The number of cases in no recourse to public funding cases has reduced to an estimated 334 in 2017/18. The value of the average fraud has more than halved, falling to an estimated £11,500 in 2017/18 from £28,100 in 2016/17. This is reflected by the overall decrease in total value of the fraud to an estimated £4.3m.

Economic and voluntary sector (grant fraud) and debt

As funds become more limited for this type of support, it is even more important for fraud teams to be aware of the risks within this area.

In the 2016/17 survey, there were 17 actual cases of grant fraud reported, which increased to 24 cases with an average estimated loss of £14,000 per case for 2017/18.

Debt had 38 reported cases in 2017/18 valued at over £150,000, with one case of insider fraud.

Payroll, expenses, recruitment and pension

If we combine all the estimated results for these four areas, the total value of the fraud loss is an estimated £2.1m.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. As a result, some organisations could be less likely to investigate or report investigations in these areas.

Payroll has the highest volume and value of fraud out of these four areas for 2017/18, and 51% of the cases investigated or prevented were reported as insider fraud.

Recruitment fraud has the second highest estimated average per case of £9,400. This is quite an interesting area for fraud practitioners given their work is often not recorded as a monetary value as the application is refused or withdrawn. So, it is more likely the figure represents the estimated cases of fraud that were prevented in 2017/18.

Estimated fraud

Type	2016/17		2017/18	
	Volume	Value	Volume	Value
Payroll	248	£1.0m	167	£1.01m
Expenses	75	£0.1m	34	£0.03m
Recruitment	46	£0.2m	52	£0.49m
Pension	228	£0.8m	164	£0.57m
Total	597	£2.1m	417	£2.10m

Manipulation of data (financial or non-financial) and mandate fraud

CIPFA estimates that across the UK there have been 23 cases of manipulation of data fraud, which is less than half of the estimated cases in 2016/17.

There were 257 estimated cases of mandate fraud in 2017/18 compared to 325 estimated cases detected or prevented in 2016/17.

These areas of fraudulent activity are on the decline and advice from organisations such as Action Fraud is useful.



Serious and organised crime

The survey question on serious and organised crime was requested by the Home Office and was included in the 2017/18 survey in order to help establish how it is being tackled by local authorities.

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The 2017/18 survey identified 56 cases of serious and organised crime which was over double the figures reported in 2016/17 – 93% of these cases were reported by respondents from metropolitan unitaries. This shows that in the bigger conurbations, there is higher serious and organised crime activity (as one would expect) which is why some of the emerging counter fraud hubs are using predictive analytics to detect organised crime.

The responses indicate that organisations share a great deal of data both internally and externally – 34% share with the police and 16% share with similar organisations (peers). In addition, of the organisations that responded, 47% identified serious and organised crime risks within their organisation's risk register.

93%

the percentage of respondents who share data externally



Key data sharing partners are the police and other similar organisations.



Whistleblowing

This year, 74% of respondents said that they annually reviewed their whistleblowing arrangements in line with PAS 1998:2008 Whistleblowing Arrangements Code of Practice.

Of those questioned, 87% confirmed that staff and the public had access to a helpdesk and 71% said that the helpline conformed to the BS PAS 1998:2008. Respondents reported a total of 560 whistleblowing

cases, made in line with BS PAS 1998:2008; representing disclosures in all areas, not just with regard to suspected fraudulent behaviour.

Resources and structure

Fraud teams are detecting and preventing more frauds despite reductions in their resources. It is therefore unsurprising to see 14% of respondents have a shared services structure; this approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

We have also seen a rise in authorities who have a dedicated counter fraud team – from 35% in 2016/17 to 51% in 2017/18. It is worth noting that there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

For organisations that do not go down the shared service route, the 2017/18 survey showed no growth in staff resources until 2020. This position would appear to be a

change from 2016 when some respondents had hoped to increase their staff numbers.

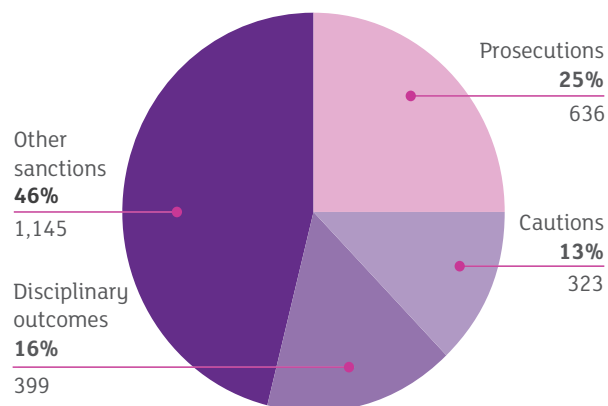
The number of available in-house qualified financial investigators has dipped slightly from 34% in 2016/17 to 31% in 2017/18. In addition, the percentage of authorities that do not have a qualified financial investigator increased from 35% in 2016/17 to 41% in 2017/18, which continues to show that resources for fraud are stretched.

Sanctions

Below are some of the key findings regarding sanctions:

- 636 prosecutions were completed in 2017/18 and of these, 15 were involved in insider fraud and 14 of those were found guilty
- the number of cautions increased from 9% in 2016/17 to 13% in 2017/18
- the percentage of other sanctions dropped from 53% in 2016/17 to 46% in 2017/18.

Outcome of sanctions



Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally Strategy 2016–2019 (FFCL Strategy) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The FFCL Strategy is available for councils to use freely so that everyone can benefit from shared good practice and is aimed at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

The FFCL Board put forward specific questions to be included in the CFaCT survey to help measure the effectiveness of the initiatives in the FFCL Strategy and the responses are reflected in the diagrams below. The more confident respondents are about how fraud is dealt with in their organisation, the higher they marked the statement; the lower scores are towards the centre of the diagram.

Counter fraud controls by country



Over the past four years the same three issues have arisen when we have asked the question: *what are the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption at your organisation?* These are:

- capacity
- effective fraud risk management
- better data sharing.

The FFCL’s 34 point checklist covers each one of these areas and provides a comprehensive framework that can be used to address them. It can be downloaded from the CIPFA [website](#).

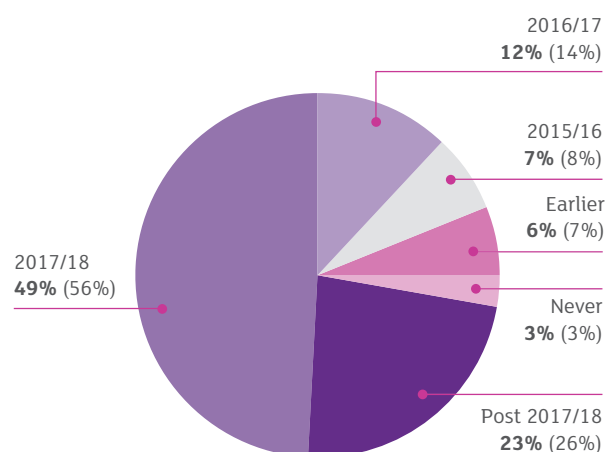
The FFCL Strategy recommends that:

There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority’s business and includes activities undertaken by contractors and third parties or voluntary sector activities.

By producing a plan and resources that is agreed by the leadership team, management are able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

Last year, 10% of respondents did not know when their counter fraud and corruption plan was last approved, and this year this has dropped slightly to 9%. Of those who responded to the survey, 56% agreed their counter fraud and corruption plan was approved within the last 12 months, and 21% stated that their plan would be approved post 2017/18.

When did you last have your counter fraud and corruption plan approved?



CIPFA Recommends

- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported.
- Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results.
- All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
- Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement.
- The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero-tolerance approach.



Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2017/18.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	57,894	70.0%	£26.3m	8.72%	£455
Disabled parking concession	14,714	17.8%	£7.3m	2.43%	£499
Housing	4,722	5.7%	£215.7m	71.43%	£45,677
Business rates	1,373	1.7%	£10.4m	3.45%	£7,580
Other fraud	1,165	1.4%	£10.9m	3.61%	£9,355
Adult social care	737	0.9%	£6.7m	2.23%	£9,124
No recourse to public funds	378	0.5%	£4.3m	1.43%	£11,445
Schools frauds (excl. transport)	285	0.3%	£0.7m	0.24%	£2,537
Insurance claims	281	0.3%	£3.5m	1.15%	£12,317
Mandate fraud	257	0.3%	£6.6m	2.18%	£25,618
Payroll	167	0.2%	£1.0m	0.33%	£6,030
Pensions	164	0.2%	£0.6m	0.19%	£3,492
Procurement	142	0.2%	£5.2m	1.71%	£36,422
Welfare assistance	109	0.1%	£0.0m	0.01%	£337
Debt	91	0.1%	£0.4m	0.12%	£3,948
Children social care	59	0.1%	£0.9m	0.31%	£15,800
Economic and voluntary sector support	57	0.1%	£0.8m	0.26%	£13,467
Recruitment	52	0.1%	£0.5m	0.16%	£9,510
Expenses	34	0.0%	£0.2m	0.01%	£867
School transport	30	0.0%	£0.1m	0.04%	£3,857
Manipulation of data	23	0.0%	N/A	N/A	N/A
Investments	2	0.0%	£0.0m	–	–

Appendix 2: Methodology

This year's results are based on responses from 144 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority. For each type of fraud, an appropriate universal measure of size has been selected such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of the measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of

housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

Appendix 3: Glossary

Adult social care fraud

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

Blue Badge fraud

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination.

Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.

Business rates fraud

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.

Cautions

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

Council tax fraud

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections.

- **council tax single person discount (SPD)** – where a person claims to live in a single-person household when more than one person lives there
- **council tax reduction (CTR) support** – where the council tax payer claims incorrectly against household income
- **other types of council tax fraud** – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Debt fraud

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

Disciplinary outcomes

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.

Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

Housing fraud

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy.

Insurance fraud

This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

Mandate fraud

Action Fraud states that: "mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

Manipulation of data fraud

The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

No recourse to public funds fraud

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

Organised crime

The Home Office defines organised crime as "including drug trafficking, human trafficking and organised illegal immigration, high value fraud and other financial crimes, counterfeiting, organised acquisitive crime and cyber crime".

Procurement fraud

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

Right to buy

Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.

Welfare assistance

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

Whistleblowing

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.



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Annex 2: Counter Fraud and Corruption Strategy Action Plan

Ongoing Activity:

Ref	Action Required	Responsibility	Update	Status
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should highlight links to existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	Chief Finance Officer / Veritau	<p>A new counter fraud strategy was introduced in 2017 and has been subject to annual review since then.</p> <p>The strategy is expected to be updated in 2020 when the Fighting Fraud Locally board issues a revised counter fraud strategy for local government.</p>	Annual Review
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements.	Chief Finance Officer / Veritau	<p>An updated counter fraud policy was approved in February 2017. Annual reviews have been undertaken in January 2018 and January 2019.</p> <p>No changes are required at this time, however the Investigatory Powers Act 2018 is expected to grant local authorities additional powers to gather telecommunications data. Also expected in the current financial year are joint working proposals from the DWP. Both these factors may require an update to the policy in the next year.</p>	Annual Review

Ref	Action Required	Responsibility	Update	Status
3	Review and update counter fraud risk assessment.	Veritau	A risk assessment is presented annually to the Audit and Governance Committee (see annex 3 for the 2019 update).	Annual Review
4	Develop regional / local data matching and counter fraud exercises.	Veritau	Data matching is an important area within local authority counter fraud work. It facilitates the detection of frauds that would not normally be detected by members of staff or the public. Data matches can be undertaken internally, with regional partners, and nationally through exercises like the National Fraud Initiative. The counter fraud team is currently developing new projects to highlight fraud within Adult Social Care, Housing, Parking and Council Tax. Current priorities are highlighted in the one-off development section of this plan (see refs 2, 3, 5).	Ongoing
5	Undertake specific fraud awareness training for priority service areas.	Veritau	<p>Training is delivered on a rolling basis depending on priorities and emerging fraud risks. Area specific training has been delivered to the Social Care, Benefits, Council Tax, Business Rates and Parking teams in 2018/19.</p> <p>In addition specific risks and examples of frauds occurring nationally have been flagged to staff through regular email alerts.</p>	Ongoing

Ref	Action Required	Responsibility	Update	Status
6	Review the extent to which counter fraud risks are identified through service risk management arrangements. Assess whether arrangements can be strengthened with additional specialist counter fraud input (eg through risk workshops).	Veritau / Service managers	Service managers are responsible for maintaining service level risk registers. Fraud risk is considered in some areas but not universally. The council's risk management team will be undertaking an exercise to encourage services to review and update risk registers in 2019/20. As part of the exercise managers will be asked to consider fraud risks. Veritau will assist service managers in assessing fraud risks where required.	Ongoing
7	Raise awareness of cyber security issues and promote good practice.	Veritau / ICT department	Veritau monitors national guidance to help raise awareness of cybercrime issues within the council. Veritau will work with the ICT team to coordinate projects to deliver key messages to staff.	Ongoing
8	Review wider governance and other policies (eg employee related policies, gifts, interests, financial regulations) to ensure they: <ul style="list-style-type: none"> • cover all required areas • are consistent with the counter fraud strategy and policy. 	Veritau / relevant policy owners	Council policies are regularly reviewed in the course of Internal Audit work. Any inconsistencies or weaknesses in terms of fraud detection and prevention are flagged to the counter fraud team.	Ongoing

One Off and Developmental Activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Review and update whistleblowing policy and procedures.	March 2019	Veritau / HR / Monitoring Officer	The outcome of the review and an updated policy are being presented to the Audit and Governance Committee in the current session.
2	Increase ability to detect procurement fraud.	N/A ¹	Veritau	<p>The counter fraud team is exploring the use of the Competition and Markets Authority's cartel screening tool to detect fraud within council procurement exercises.</p> <p>There are technical issues to overcome to load the software onto council systems. These issues have affected organisations nationally and the CMA is reviewing the product in 2019.²</p> <p>Once resolved, Veritau will liaise with the relevant departments to develop use of the tool.</p>
3	Improve prevention and detection strategies for Right to Buy Fraud	March 2020	Veritau / Service departments	National reports of detected RTB fraud continued to increase between 2016/17 and 2017/18 ³ . False applications to the Right to Buy scheme remain a significant source of potential financial loss to local authorities. Building on successful strategies employed with other Veritau clients, the counter fraud team will

¹ Revised from March 2019

² United Kingdom Anti-Corruption Strategy 2017-22 – Year One Update

³ CIPFA Counter Fraud and Corruption Tracker 2018

Ref	Action Required	Target Date	Responsibility	Notes
				deliver training and utilise data matching to increase the likelihood that fraud in this area is detected.
4	Ensure that up to date policies are in place to enable the council to undertake covert surveillance under the Regulation of Investigatory Powers Act (RIPA) and employee monitoring outside of RIPA	August 2019	Veritau / Legal Department / Trading Standards	Covert surveillance and employee monitoring are powerful tools that assist in the investigation of fraud and criminality against and within the council. Up to date policies are necessary for the council to be able to undertake these actions. The counter fraud team will review council policy and recommend changes to ensure that action can be taken should the need arise.
5	Participate in a regional bid to pilot business rates data matching with the National Fraud Initiative	October 2019	Veritau	The Council successfully bid to participate in the pilot alongside a group of councils in North, South and West Yorkshire. Results were returned in October 2018. Matches have been reviewed and positive results already recorded. A number of matches are still under investigation by the counter fraud team and being reviewed by the Council's business rates team and the Valuation Office Agency.

Completed Activities:

Ref	Action Required	Responsibility	Update
1	Identify tools available for estimating potential fraud exposure / losses. Assess their effectiveness and appropriateness for use as part of counter fraud risk assessment.	Veritau	Discussions have been held with colleagues from other councils and a review conducted to identify potential tools available on the market to estimate local fraud levels. No solutions have been found but we will continue to monitor this area.
2	Consider whether specific targets can be set under each of the Fighting Fraud Locally themes.	Veritau	<p>Fighting Fraud Locally 2016 recommended six themes to measure performance on. Actions already undertaken (and planned) cover all of the themes, although specific targets have not been set. The themes, and examples of activity, are listed below.</p> <p>Culture - The council has appropriate policies and strategy in place. Veritau promotes a counter fraud culture through newsletters and alerts as well as targeted fraud awareness.</p> <p>Capability / Competence – All of Veritau Investigation Officers are Accredited Counter Fraud Specialists.</p> <p>Capacity – The council has access to dedicated counter fraud resources (through Veritau).</p> <p>Communication – Fraud issues are routinely communicated to members, managers and staff at the council. The Counter Fraud Team works with service departments in preventing and investigating fraud.</p>

Ref	Action Required	Responsibility	Update
			<p>Collaboration – The council works collaboratively with a number of other local authorities, and other partners including the police and DWP.</p>
3	Launch and promote regional fraud hotline.	Veritau	A new 0800 regional fraud hotline number was introduced in 2017.
4	Liaise with HR officers to incorporate general counter fraud awareness training into induction training for all new employees.	Veritau	Veritau working with the Council's Workplace Development Unit put in place a counter fraud e-learning package in 2018 which is now available to new and existing employees.

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Audit and Governance Committee

6 February 2019

Report of the Head of Internal Audit

Internal Audit Plan Consultation

Summary

- 1 The purpose of the report is to seek members' views on the priorities for internal audit for 2019/20, to inform the preparation of the annual audit plan.

Background

- 2 Internal audit standards and the council's audit charter require internal audit to draw up an indicative audit plan at the start of each financial year. The plan must be based on an assessment of risk. In coming to a view on the risks facing the council, the opinions of the Audit and Governance Committee and senior council officers are taken into account. The plan is also informed by the council's risk registers, information shared through local government audit networks and the results of recent audit work. The council's external auditors are also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity.

2019/20 Audit Plan

- 3 The council continues to face significant budgetary pressures, increasing demand for services and a number of other challenges. To reflect this, the 2019/20 planning process continues the approach adopted over the last few years, by targeting higher risk systems in areas including those:
 - where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential

- areas of known concern, where a review of risks and controls will add value to operations
 - areas of significant change. This may include providing direct support / challenge to projects, reviewing project management arrangements, or consideration of the impact of those changes on the control environment for example where the reduction in resources may result in fewer controls.
- 4 Internal Audit resources are limited and the audit plan is intended to ensure the available resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the council’s priorities and objectives.
- 5 Figure 1 below sets out a number of areas considered to be a priority for internal audit for 2019/20 as a result of our initial analysis and horizon scanning. Consultation meetings with senior officers are ongoing; therefore this should not be regarded as the complete list of audits. The draft plan will be presented to the next meeting of this committee for approval.
- 6 Members views are sought about whether:
- the approach to determining priorities for the 2019/20 audit plan, as set out above, continues to be reasonable
 - there are areas in addition to those listed in figure 1 which should be considered as a priority for review.

Figure 1 – Priorities for Audit 2019/20

Area	Possible Work
Corporate & cross-cutting	<ul style="list-style-type: none"> • Overtime • Health and safety • Assurance mapping • Procurement • Risk management • Corporate complaints • Apprenticeships • Brexit planning and preparation • Financial planning and resilience

Information Governance	<ul style="list-style-type: none"> • Information security checks • Data quality • Records management
Main financial systems	<ul style="list-style-type: none"> • Main accounting system, creditors, debtors • Payroll • Council Tax / NNDR • Council Tax support and housing benefits
Project Management	<ul style="list-style-type: none"> • Support and review of significant projects • Project risk management
Health, Housing and Adult Social Care	<ul style="list-style-type: none"> • Public health • Safeguarding • Budget management (High cost placements, market management, internal provision) • Homelessness • Housing delivery • Housing rents • Older people's accommodation • Integrated care partnerships • Community safety
Economy and Place	<ul style="list-style-type: none"> • York Central • Household waste • Taxi licensing • Cash handling • Environmental health • Contract management (gully repairs, street column replacement)

Children, Education and Communities	<ul style="list-style-type: none"> • Schools procurement & financial processes • Free early education funding • Schools funding • Special Educational Needs (Alternate provision, transport) • Adoption (regional adoption partnership, allowances, Special Guardianship Orders) • Contract management • Home to school transport • Use of agency staff and consultants • Joint Targeted Area Inspection action plan
ICT	<ul style="list-style-type: none"> • Licence management • Change management • Server administration & security • Communications security

Consultation

- 7 This report is part of the ongoing consultation with stakeholders on priorities for internal audit work.

Options

- 8 Not relevant for the purpose of the report.

Analysis

- 9 Not relevant for the purpose of the report.

Council Plan

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

Implications

- 11 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

- 12 The council will fail to comply with proper practice if appropriate officers and members are not consulted on the content of audit plans.

Recommendations

- 13 Members are asked to;
- Comment on the proposed approach to internal audit planning for 2019/20 and identify any specific areas which should be considered a priority for audit.

Reason

To ensure that scarce audit resources are used effectively.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Corporate
Services
Telephone: 01904 551100

**Report
Approved**



Date 25 Jan 2019

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



Audit and Governance Committee

6 February 2019

Report of the Head of Internal Audit

Whistleblowing Update

Summary

- 1 The purpose of the report is to update the committee on whistleblowing activity in the current financial year. The report also includes a proposed new whistleblowing policy, for comment.

Background

- 2 As a local authority, it is essential that the council complies with legal and ethical standards. Those working for the council are often best placed to raise awareness about concerns that such standards are not being met. It is also important that anyone raising concerns is listened to and that they are adequately protected. The whistleblowing policy provides a framework for employees and contractors to raise concerns which they believe are in the public interest and may relate to illegal, improper or unethical conduct. This report provides an update on whistleblowing arrangements at the council and a summary of the numbers of whistleblowing concerns raised in 2018/19 to date.
- 3 Veritau took over responsibility for providing support to the council with whistleblowing arrangements in 2018. A review of the current policy and arrangements against best practice has subsequently been completed. This includes the Government's Whistleblowing: Guidance for Employers & Code of Practice (Department for Business Innovation & Skills, March 2015) and the National Audit Office's Assessment Criteria for Whistleblowing Policies (January 2014). Veritau is currently working with council officers to introduce an updated policy and guidance. The proposed new policy is included in this report, for comment.

Whistleblowing update

- 4 The Public Interest Disclosure Act 1998 (PIDA) introduced amendments to the Employment Rights Act 1996 (ERA). PIDA was later amended by the Enterprise and Regulatory Reform Act 2013. PIDA provides protections to workers who report serious issues within an organisation. Employers who subject workers to detriment (such as dismissal or unfair treatment) due to them “blowing the whistle” can be ordered to pay compensation at an employment tribunal. Workers who do not feel that their concerns have been addressed are entitled to raise their concerns outside of their organisation to relevant prescribed bodies as detailed within legislation (for example the Health and Safety Executive and OFSTED).
- 5 Whistleblowing is seen as an important and essential part of maintaining good governance, encouraging high standards of ethical behaviour and promoting an anti-fraud culture within an organisation. CIPFA cite having effective and accessible whistleblowing policy as a demonstration of local government’s commitment to integrity, ethics, and respect for the rule of law.¹ It is important that the council has a clear whistleblowing policy which encourages employees to raise serious concerns and reassures them that they will not be adversely affected by doing so. The council’s current whistleblowing policy (annex 1) was last updated in 2014.
- 6 Since its inception Veritau has acted as a secondary point of contact for whistleblowers when they are reluctant to contact their managers or senior managers. The HR department provides support to council managers when they request assistance in dealing with whistleblowing reports. Both Veritau and the HR department log all reports they receive, however, neither Veritau nor HR have a complete record of all whistleblowing reports made within the council. The number of reports logged by Veritau and HR during the last three financial years are relatively low.

2016/17	2017/18	2018/19 ²
7	4	2

¹ CIPFA – Delivering Good Governance 2016

² As at 31/12/18

New whistleblowing policy

- 7 When Veritau assumed overall responsibility for whistleblowing arrangements last year, it instigated a review of the current policy taking into consideration national guidance and best practice. The review found that the existing policy was effective, and reflects the current legislative framework. But some further improvements could be made to take into account recent best practice guidance from the Government, NAO and the charity Public Concern at Work.
- 8 A proposed new whistleblowing policy is included at annex 2. This is being shared with the committee at the draft stage, for comment, prior to a final version being taken forward for approval. Consultation on the policy has already been undertaken with HR and Legal Services and consultation with the Unison, GMB and Unite unions is underway. Further consultation with the portfolio holder for HR and with CMT is planned, before formal approval of the policy by the Chief Executive.
- 9 The proposed new policy (and guidance) at annex 2 builds on the aims, principles and information set out in the current policy. Areas updated include the following.
 - Further clarification for employees of the types of issues that may be reported and the protections the law affords them.
 - The introduction of more detailed guidance for managers on how to respond when a whistleblowing report is made to them.
 - The introduction of central reporting and recording requirements for all whistleblowing allegations.
 - Clarification of reporting requirements to senior officers and to members.
- 10 Once the new policy is in place an awareness campaign will be undertaken for both members of staff and managers. The HR department and Veritau will continue to provide ongoing support and advice to all parties. Veritau will regularly report relevant whistleblowing activities to the Chief Executive, Section 151 Officer and Monitoring Officer. Veritau will also report annually to the Audit and Governance Committee, detailing numbers of reports, any significant trends, and

further details of any reports that lead to significant issues being uncovered.

Consultation

- 11 Consultation has already taken place with key departmental stakeholders – Human Resources and Legal Services. Consultation is underway with Unison, GMB, and Unite. Further consultation with the portfolio holder for HR and with CMT will be undertaken.

Options

- 12 Not relevant for the purpose of the report.

Analysis

- 13 Not relevant for the purpose of the report.

Council Plan

- 14 Robust whistleblowing arrangements help to support overall aims and objectives by enabling concerns about working practices to be addressed through creating an environment where employees and those working on behalf of the council can raise issues with confidence.

Implications

- 15 There are no implications to this report in relation to:
 - **Finance**
 - **Human Resources (HR)**
 - **Equalities**
 - **Legal**
 - **Crime and Disorder**
 - **Information Technology (IT)**
 - **Property**
- 16 There are no direct implications from this report in relation to HR or legal matters. There are however wider implications for the council in relation to whistleblowing matters. Workers who make a 'protected disclosure' can make a claim to an

employment tribunal if they have been treated badly or dismissed - which could result in compensation. For example a claim for detrimental treatment (by the council or colleagues) or unfair dismissal, as a result of whistleblowing.

Risk Management Assessment

- 17 It's important to have appropriate whistleblowing arrangements in place to help protect employees and the council. A clear procedure provides guidance to employees on what to do and the circumstances under which they enjoy the protection of the law. Having clear guidance for managers helps to ensure that concerns are dealt with appropriately and employees are not subject to detriment as a result of whistleblowing.

Recommendations

- 18 Members are asked to;
- Note the whistleblowing activity during 2018/19 and provide comments on the proposed new policy and guidance.

Reason

In accordance with the committee's responsibility to assess the effectiveness of the council's counter fraud arrangements including the whistleblowing policy and other relevant counter fraud policies and plans.

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**Report
Approved**



Date 29 Jan 2019

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Department for Business Innovation & Skills – Whistleblowing
Guidance for Employers and Code of Practice (2015)

National Audit Office – Whistleblowing Policies & Assessment
Criteria for Whistleblowing Policies (2014)

CIPFA – Delivering Good Governance (2016)

Public Concern at Work – The Whistleblowing Commission –
Codes of Practice (2014)

Annexes

Annex 1 – CYC Whistleblowing Policy 2014 (current)

Annex 2 – CYC Whistleblowing Policy 2019 (proposed)

CITY OF YORK COUNCIL

WHISTLEBLOWING POLICY

1. INTRODUCTION

1.1 The City of York Council is proud of its track record of probity and high ethical standards. However, we are not complacent and we recognise that malpractice can occur. Any of us at one time or another may have concerns about what is happening at work. Most concerns are easily resolved. However, it might be more difficult to know what to do if the concern related to one of the following: -

- conduct which is an offence or a breach of the law,
- disclosures related to miscarriages of justice,
- health and safety risks, including risks to the public as well as other employees
- the abuse of a vulnerable person
- damage to the environment
- the unauthorised use of public funds
- misreporting of performance information
- possible fraud and corruption
- other unethical conduct

1.2 The Council wants you to feel able to raise your concerns about such malpractice at an early stage and in the right way. We would rather that you raised the matter when it is just a concern rather than wait for proof. Staff working in children's homes have a legal duty to report concerns about the welfare or safety of children accommodated there and following this policy would meet that duty.

1.3 This Whistle-blowing Policy is primarily for concerns where the interests of others or the organisation itself are at risk and there is a public interest in you making the disclosure. The kinds of issues described in paragraph 1.1 are obvious examples. If your concerns are about your own employment position though then it is more likely that the Grievance or the Prevention of Bullying, Harassment and Discrimination at Work Procedure should be used. You can get this from your manager, from Human Resources or the Council's intranet. Sometimes your concern may have elements of both. For example if you were being told to drive for an excessive number of hours this would affect both you and the wider community. We would prefer you to raise such concerns rather than worry about the appropriate procedure.

If in doubt-raise it!

2. OUR ASSURANCES TO YOU

2.1 Your safety

The Council are committed to this policy. If you raise a genuine concern under this policy (even if it proves to be mistaken) you will not be at risk of losing your job or suffering any form of

retribution as a result. Not only is the Council committed to this but you also have legal protection under the Public Interest Disclosure Act 1998. Of course we do not extend this assurance to someone who maliciously raises a matter they know is untrue. If you make an allegation, frivolously or for personal gain, disciplinary action may be taken against you.

2.2 Your confidence

We will not tolerate the harassment or victimisation of anyone raising a genuine concern. Disciplinary action may be taken against those who victimise a person reporting a concern. A whistleblower may have the right to sue anyone involved in such conduct and the Council could be held liable if it has not taken all reasonable steps to prevent the victimisation.

We hope that you will feel able to raise concerns openly as this will make it much easier to resolve any issues. We also know that others may well try to deduce the source of any complaint. However we recognise that you may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not normally disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court) we will discuss with you whether and how we can proceed. Despite your request for confidentiality, there may be circumstances therefore, where the Council must disclose your identity.

Anonymous complaints

- 2.3 Remember that if you do not tell us who you are, it will be much more difficult for us to look into the matter or to protect your position or to give you feedback. Accordingly, while we will consider anonymous reports, this policy is not well suited to concerns raised anonymously.

3. HOW WE WILL HANDLE THE MATTER

- 3.1 Once you have told us of your concern, we will look into it to assess initially what action should be taken. This may involve an internal inquiry or a more formal investigation. We will tell you who is handling the matter, how you can contact them and whether your further assistance may be needed. If you request it, we will write to you summarising your concern and setting out how we propose to handle it.
- 3.2 When you raise your concern you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, we ask that you tell us at the outset. If your concern falls more properly within another policy we will tell you.
- 3.3 While the purpose of this policy is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can. If requested, we will confirm our response to you in writing. Please note, however, that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.

4. HOW TO RAISE A CONCERN

- 4.1 Concerns may be raised orally or in writing. Whether a written or oral report is made it is important that relevant information is provided covering:-
- your name and a contact point. As referred to above it will be more difficult for the Council to pursue issues if concerns have been expressed anonymously.

- the background and history of the concern (giving relevant dates and names and positions of those who may have contributed to your concern.
- the reason why you are particularly concerned about the situation.

4.2 You may invite your trade union, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

5. HOW TO REPORT A CONCERN INTERNALLY

5.1 Step One

If you have a concern about malpractice, we hope you will feel able to raise it first with your line manager or, if not, with your Director or Assistant Director. For school based staff your head of department, headteacher or Chair of Governors would be your normal first port of call although the Director of Children's Services or his Assistant Directors would be alternative contacts for you.

5.2 The person receiving your disclosure will consider the nature of your concerns and decide on the most appropriate course of action.

5.3 Step Two

If you feel unable to raise the matter with your line manager or Director, for whatever reason, or if you remain concerned having done so, please raise the matter with the Head of Internal Audit, Max Thomas. As Internal Audit operates at arms length from the Council as part of a separate company, Veritau, you can be assured that Max will act independently. Alternatively, you can contact either the Director of Customer and Business Support Services, Ian Floyd or the Monitoring Officer, Andy Docherty. In addition there is a confidential telephone number (01904 552935) operated by Veritau. It is answered during office hours by one of their fraud investigators and messages can be left at all other times.

5

6. HOW TO REPORT A CONCERN EXTERNALLY

6.1 While we hope this policy gives you the reassurance you need to raise matters internally, we would rather you raised a matter with the appropriate regulator than not at all. Provided you have a genuine concern and are acting in the public interest you can also contact:

Audit Commission for England and Wales
Tel 020 7828 1212
www.audit.commission.gov.uk

Public interest disclosure line 0303 444 8346

Care Quality Commission whistleblowing helpline
03000 616161

Health and Safety Executive

Tel 0300 0031647
www.hse.gov.uk

Public Concern at Work
Tel 020 7404 6609
www.pcaw.co.uk

Ofsted
Tel: 0300 123 3155
E-mail: <mailto:whistleblowing@ofsted.gov.uk>
www.ofsted.gov.uk

7. INDEPENDENT ADVICE

- 7.1 If you are unsure whether to use this policy or you want independent advice at any stage, you may contact:
- if applicable, your union; or
 - the independent charity Public Concern at Work on 020 7404 6609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

8. SCOPE OF POLICY

- 8.1 The Policy applies to all employees of the Council and other people working for the Council such as agency staff and consultants. Elected Members and School Governors may also raise concerns through this policy.
- 8.2 It is possible that contractors who work for the Council may come across matters which cause them concern and which relate to the actions of the Council or its employees. Contractors are invited to follow the procedures set out in this policy and are assured that they will not suffer any form of retribution for having raised a genuine concern, even if it proves to be unfounded. It may be that an employee of a contractor has concerns relating to its employer's actions while engaged on Council business. The Council's standard contracts require contractors to have adequate whistleblowing arrangements in place or to permit its employees to use the Council's arrangements. Employees of contractors therefore have equivalent protection to that afford Council employees.
- 8.3 These procedures are in addition to the Council's Complaints Procedures and other specifically laid down statutory reporting procedures applying to some services. If the concern relates to an elected Member, this may involve a potential breach of the Members' Code of Conduct which may result in a referral to the Council's Standards Committee and this in turn could lead to either internal or external investigation.
- 8.4 This policy has been discussed with staff representatives and has their support. This policy supersedes previous policies and takes effect from 1st November 2014.

9. RESPONSIBILITY FOR THE SUCCESS OF THIS POLICY

- 9.1 The Officer Governance Group has overall responsibility for this policy, and for reviewing the effectiveness of actions taken in response to concerns raised under this policy.

9.2 All staff are responsible for the success of this policy and should ensure that they use it to disclose any suspected danger or wrongdoing. Staff are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Monitoring Officer, Andy Docherty.

10. IF YOU ARE DISSATISFIED

10.1 This policy is intended to provide you with an avenue within the Council to raise concerns. While we cannot guarantee that we will respond to all matters in the way that you might wish, we will try to handle the matter fairly and properly. By using this policy you will help us to achieve this. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:-

- your local Citizens Advice Bureau
- relevant professional bodies or regulatory organisations
- the Ombudsman

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WHISTLEBLOWING POLICY

1.0 INTRODUCTION

- 1.1 City of York Council is committed to achieving high standards of integrity and accountability. This policy provides a framework for employees and contractors, to raise concerns which they believe are in the public interest and may relate to illegal, improper or unethical conduct.
- 1.2 The Council tries to create an open environment in which employees and those working on behalf of City of York Council are encouraged to raise issues with the confidence that they will be acted upon appropriately.
- 1.3 The Public Interest Disclosure Act 1998 (PIDA) protects employees against detrimental treatment or dismissal as a result of any disclosure of information in the interests of the public. This policy is designed to conform to legislation¹ as well as guidance from the government and relevant bodies².
- 1.4 This policy should be used where there are concerns about consequences for other employees or the public, and does not apply to matters relating exclusively to one's own employment.
- 1.5 A guide for managers or other employees on how to proceed if they receive a whistleblowing report is contained in Appendix A of this policy.

2.0 AIMS AND SCOPE OF THE POLICY

- 2.1 The policy aims to:-
 - encourage employees to raise any serious concerns they have about their workplace or working practices;
 - ensure that employees get a response to their concerns and that they are aware of how to pursue them if they are not satisfied with any action or inaction; and
 - assure employees that if they raise any concerns in the public interest, action will be taken to protect them from possible reprisals or victimisation.
- 2.2 This policy applies to any person working for the Council. This includes both permanent and temporary staff, staff from maintained schools and also covers agency personnel and staff seconded to or from a third party. Contractors working for the Council may also use the provisions of this policy to make the Council aware of any relevant concerns and will receive

¹ PIDA 1998 was updated by the Enterprise and Regulatory Reform Act 2013.

² Whistleblowing guidance has been issued by the Department for Business, Energy & Industrial Strategy, the National Audit Office and the charity, Public Concern at Work.

the same protections from their own employer as if they worked for the Council.

- 2.3 Protection under PIDA is not provided to job applicants, self employed workers or volunteers, however concerns can still be reported through whistleblowing channels.
- 2.4 Set out below is a list of circumstances that should be reported through this policy and qualify for protection under legislation:
- a) a criminal offence has been committed, is being committed or is likely to be committed, e.g. corruption, theft, or fraud³;
 - b) a person has failed, is failing or is likely to fail to comply with any legal obligation to which they are subject, e.g. breach of any statutory Code of Practice;
 - c) a miscarriage of justice has occurred, is occurring or is likely to occur;
 - d) the health or safety of any individual has been, is being or is likely to be endangered, e.g. abuse of any vulnerable adult or child;
 - e) the environment has been, is being or is likely to be damaged; or
 - f) information tending to show any matter falling within any of the above categories has been, is being or is likely to be deliberately concealed, e.g. failure to take reasonable steps to report or resolve any situation which is likely to cause significant financial loss to the Council.
- 2.5 This whistleblowing policy is intended for people to raise concerns that are in the public interest and where the interests of others or of the organisation itself are at risk. It is intended to supplement, rather than to replace, other employment procedures whereby employees of the Council may already raise complaints or matters of genuine concern relating to their own employment.

3.0 SAFEGUARDS

- 3.1 The Council recognises that the decision to report a concern can be a difficult one to make. In many cases it is employees who are most likely to be in the best position to learn of any malpractice or wrongdoing within the Council or school setting and to identify something which falls below the standards which the Council and the public are entitled to expect. The Council is grateful to all employees who report their concerns.
- 3.2 Employees should have nothing to fear by reporting their concerns, if what they are reporting is true (or they honestly believe the information is true

³ If clarification is required as to whether an issue constitutes a criminal offence or comes under any other section on this list then employees and contractors can contact Veritau for advice.

even if it is later found out to be incorrect). No action will be taken against anyone genuinely reporting a concern.

- 3.3 Deliberately providing false or misleading information however is a serious matter which may result in disciplinary action being taken. Equally deterring another employee from reporting their concerns is a serious matter and also may result in disciplinary action.
- 3.4 The Council will not tolerate the harassment or victimisation of anyone who has raised a concern. However, it is recognised that an individual may nonetheless want to raise a concern in confidence under this policy. If a member of staff asks the Council to protect their anonymity, efforts will be taken to protect their identity from being disclosed. If a situation arises where a concern cannot be resolved without revealing their identity (for instance, because evidence is needed in Court or will be revealed as part of a subsequent investigation) this will be fully discussed with the employee in question.
- 3.5 The policy encourages employees to put their names to allegations. Concerns expressed anonymously will still be considered by the Council, however complaints of this type are much less powerful and harder to substantiate and therefore will be treated with a degree of caution. It will also not be possible provide feedback to the member of staff reporting the concern during or following any investigation. Anonymous reports are preferred to silence however.

4.0 **HOW TO RAISE A CONCERN**

- 4.1 Employees should normally raise concerns with their immediate line manager. However, if it is believed that your line manager is involved in the malpractice being reported or has failed to take appropriate action when the matter has been raised previously, then your concern should be raised with your Assistant Director, or in the case of school based staff, the Chair of Governors.
- 4.2 It is, however, appreciated that there may be times when an employee feels unable to use the above procedure; the issue may involve line managers and senior officers (e.g. AD or Director) or the issue was already raised through the normal channels but had not been addressed or resolved. In these cases the employees can contact the Council's independent whistleblowing hotline on 0800 9179 247, which is overseen by Veritau Ltd.

5.0 HOW THE COUNCIL WILL RESPOND

- 5.1 All whistleblowing reports will be carefully considered and initial enquiries will be made to help decide whether an investigation is appropriate, and if so what form it should take.
- 5.2 The line manager or the officer who has been assigned to carry out the whistleblowing investigation will endeavour to write or speak to the whistleblower within 10 working days to acknowledge that the concern has been received.
- 5.3 Officers assigned to investigate a whistleblowing report will be determined by the nature of the report, e.g. safety issues could be investigated by the Health & Safety Team, alleged fraud or criminality by the Counter Fraud Team, employment issues by a manager from another service with support from Human Resources.
- 5.4 The amount of contact between the officers considering the issues and the whistleblower, will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information may be sought from the whistleblower.
- 5.5 If a face to face meeting is necessary or desirable the whistleblower has the right, if they so wish, to be accompanied by a Union representative who is not involved in the area of work to which the concern relates.
- 5.6 The Council will, as far as it is able, take steps to minimise any difficulties which the whistleblower may experience as a result of raising a concern. For instance, if they are required to give evidence in criminal or disciplinary proceedings, the Council will, where appropriate and as far as it is able to do so, provide advice about the procedure.
- 5.7 The Council accepts the whistleblower needs to be assured that the matter has been properly addressed. Thus, subject to any legal constraints, e.g. data protection, information about the outcomes of any investigations will be provided.
- 5.8 All whistleblowing reports will be logged centrally. The chief executive, section 151 officer and monitoring officer will be notified of relevant whistleblowing reports. Numbers of whistleblowing reports and significant trends in reporting will be reported annually to the Audit and Governance Committee.

6.0 HOW MATTERS CAN BE TAKEN FURTHER

6.1 This policy is intended to provide staff with an appropriate avenue to raise concerns within the Council. If employees have reported concerns in accordance with the Council's whistleblowing policy but are not satisfied that the issues have been properly addressed then they may contact:

- The Council's External Auditor - Mazars⁴;
- The NSPCC or Ofsted (for concerns about children at risk of abuse)⁵;
- Relevant professional bodies or regulatory organisations⁶, for example, the Information Commissioner's Office, Care and Quality Commission (CQC), and the Health and Safety Executive.

6.2 Disclosure of a concern to a non-prescribed body (e.g. newspapers or social media) is not covered by whistleblowing legislation and the protections it offers. Before undertaking this type of action it is recommended that staff seek specialist advice.

7.0 INDEPENDENT ADVICE

7.1 Free confidential advice on how to raise a concern about malpractice at work can be sought from the independent charity Public Concern at Work on 0207 4046609, at www.pcaw.co.uk, or via email whistle@pcaw.co.uk. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

8.0 REVIEW OF THE POLICY

8.1 The Policy will be reviewed at least every 3 years or when significant changes to whistleblowing legislation, the organisation or case law occurs.

⁴ Mazars act as the council's external auditor (see www.mazars.co.uk for further details).

⁵ The NSPCC and Ofsted offer dedicated national whistleblowing hotlines (see www.nspcc.org.uk and www.gov.uk/government/organisations/ofsted for further details).

⁶ The Department for Business, Innovations and Skills maintains a list of prescribed persons and organisations who may be contacted, www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies.



Managers Guidance on Whistleblowing

1.0 Introduction

- 1.1 The Council's whistleblowing policy is designed to encourage and support employees and contractors in expressing their concerns about the workplace.
- 1.2 All Council employees in managerial or supervisory positions are expected to take employee concerns seriously and follow the process set out in this guidance.

2.0 What is a whistleblowing complaint?

- 2.1 Any concern about working practices or malpractice that is reported in confidence should be considered under the whistleblowing policy. It is not necessary for a member of staff or contractor to use the term "whistleblowing" in order for a report to be considered under the policy.
- 2.2 Whistleblowing relates to concern for others rather than oneself. If a member of staff is reporting that they solely have been mistreated, then this should be considered under other Council policies, e.g. Grievance Procedure.
- 2.3 Whistleblowing reports must come from Council workers (including temporary members of staff and contractors). Reports from members of the public are not considered to be whistleblowing and should be directed to the Council's Complaints and Feedback Team.
- 2.3 Whistleblowing reports can be made anonymously however the person making it should be informed that reporting concerns in this way carries less weight (see section 3.5 of the whistleblowing policy).
- 2.4 Any report that falls within the categories set out by legislation (see section 2.4 of the whistleblowing policy) afford the whistleblower protection under law. It is important to make this determination at an early stage in order to ensure that the whistleblower is given correct advice and the Council acts in accordance with legislation.
- 2.5 If, after consulting the whistleblowing policy, there is a doubt as to whether a report constitutes whistleblowing then advice should be sought from Veritau and/or the Human Resources department in order to reach a conclusion.

3.0 Reporting receipt of a whistleblowing concern

- 3.1 All whistleblowing reports should immediately be reported to three parties:

- Assistant Director in charge of area or Chair of Governors in the case of a school.
 - Human Resources advisor responsible for area;
 - Veritau – Internal Audit & Counter Fraud Service⁷.
- 3.2 If the report involves any of the people or groups named above then the report should be escalated to a more senior officer, e.g. Director, Chief Executive, Head of Internal Audit, or Assistant Director for Education (in the case of schools).
- 3.3 Veritau maintains the Council's central log of all whistleblowing reports. They should be updated at the beginning and the end of any whistleblowing investigation in order to keep a complete record of the report and how it was dealt with.
- 3.4 In some cases, the details of the initial report will be sufficient to determine that it will not fall under whistleblowing policy. In this situation the member of staff making the report should be informed of the reasons why their concern is not covered and be signposted to an alternative route. A record of this discussion should be kept and an outline of the matter should be sent to Veritau to be entered in the central log.
- 4.0 **Taking a concern forward**
- 4.1 The person who first receives the whistleblowing report (i.e. supervisor or manager) should arrange a meeting with the whistleblower as soon as possible (ideally within 10 days, see section 5.2 of the whistleblowing policy) to gather additional information on the report. This meeting should flesh out the initial report and help determine how the report should be investigated.
- 4.2 This initial meeting can be done in person, in or outside Council offices, or via telephone. It is important to find an environment that the member of staff feels comfortable with. They may be supported by a trade union representative or colleague. A note taker can be brought to the meeting with prior agreement from the whistleblower.
- 4.3 If anonymity is requested then every effort should be made to keep the whistleblower's identity concealed. Anonymity however cannot be guaranteed. If there is a possibility due to the circumstances of the report that the whistleblower's identity will become known, then they should be advised of this at the earliest possible stage.

⁷ Veritau should be contacted via whistleblowing@veritau.co.uk

- 4.4 A record of this meeting should be written either contemporaneously or shortly following the meeting. These notes must be kept securely.
- 4.5 No commitments should be made about the process or outcome of the whistleblowing report, however they should be reassured that their concerns will be taken seriously.
- 4.6 Following the meeting further details should be provided to the Assistant Director (or more senior manager) in charge of the area and Veritau. The relevant Assistant Director (or more senior manager), with advice from Veritau, will assign the investigation to a suitable person. This may be the manager who initially took the whistleblowing report or a member of staff from another area. In cases of potential criminality or health and safety then Veritau and the Health and Safety Team respectively will normally take the responsibility for investigating the concern.
- 5.0 **Conducting an investigation**
- 5.1 At the outset of an investigation the person responsible for looking into the concern should inform the whistleblower that they are taking the matter forward.
- 5.2 Updates during the course of the investigation should be provided to the whistleblower but only if it is appropriate (e.g. is data protection observed) and does not prejudice the investigation. If this is the case then it may be appropriate to only update the whistleblower once the investigation has concluded.
- 5.3 It is advisable that notes are taken throughout the investigative process in terms of actions taken and conclusions reached.
- 5.4 The anonymity of the whistleblower should be considered before any and all actions are taken in connection with the investigation. If a situation arises where it is not possible to resolve the whistleblowing report without the identity of the whistleblower becoming known, then this should be reported to and discussed with that person before the action is taken. The person's name should only be made known to other employees on a need to know basis. Equally if the whistleblowing report is about a specific person then that person's identity should be also be protected.
- 5.5 At the conclusion of an investigation a report should be drafted outlining any supporting or non-supporting evidence, conclusions reached, and recommendations. This report should be sent to the senior responsible manager (ie Assistant Director), Veritau, and if relevant the HR advisor assigned to the case.

6.0 Special Circumstances

Anonymous Concerns

- 6.1 If a concern has been made anonymously then it must still be treated as credible and dealt with through the procedure detailed in this guidance.

Victimisation

- 6.2 If the whistleblower reports that their identity has become known and they are being victimised then this should be reported to the relevant HR advisor as soon as possible. The Council may be in contravention of whistleblowing legislation if action is not taken to address this.

Vexatious / Malicious reports

- 6.3 If a whistleblower acts in bad faith or raises malicious, vexatious, or knowingly untrue concerns in order to harm colleagues, their department or the Council then they will face disciplinary action. If you suspect this is the case then this should be reported to the relevant HR advisor as soon as possible.

External Disclosures

- 6.4 It is important to be supportive and encouraging to those raising a concern. However, if an employee indicates that they are considering taking their concerns outside of the Council, for example to the media or social networking sites, you should advise them that:

- you will not be able to support them if they do so;
- external disclosures to outside bodies may not be covered by the whistleblowing policy and relevant legislation;
- their actions may represent an unauthorised disclosure;
- they could jeopardise any legal protection they may have; and
- they could face disciplinary action themselves.

- 6.5 If a whistleblower does make an external disclosure then this should be reported to the relevant HR advisor and Veritau as soon as possible. Some types of disclosure are covered by national legislation but a consideration of whether this was an appropriate action should be considered on a case by case basis.

Support

- 6.6 If you have any queries or issues concerning whistleblowing then seek advice from your manager, the HR department or Veritau.



Audit and Governance Committee

6 February 2019

Report of the Corporate Finance & Commercial Procurement Manager
& Head of Internal Audit

Internal Audit - PSIAS external assessment

Summary

- 1 The purpose of the report is to present the outcome of the recent external assessment of the council's internal audit service against the Public Sector Internal Audit Standards (PSIAS).

Background

- 2 The Accounts and Audit Regulations (2015) require the council to have effective internal audit arrangements that comply with the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, the Head of Internal Audit must maintain a quality assurance and improvement programme covering all aspects of the service and including both internal and external assessments. The requirement for external assessments is that they are conducted at least once every five years by an independent assessor. This report presents the outcomes of the latest external assessment conducted in November 2018.

External Assessment

- 3 An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau. A copy their external assessment report is included at annex 1.

- 4 The report concludes that Veritau internal audit activity generally conforms to the PSIAS¹ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014. However, the report does include some areas for further development. These areas, and initial draft proposed actions, are summarised in figure 1 below. Further comment on the proposed actions is invited.

Figure 1: external assessment - action plan

Assessors Recommendation	Proposed Action	Responsibility	Action By
Guidance from the IIA recommends that the Audit Committee (Board) "Meets with the Head of Internal Audit at least once a year without the presence of management." This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a 'purest' approach and hold at least one meeting a year with the Audit Committee or Chair without	While IIA guidance recommends this approach, there is no explicit requirement for annual meetings in the standards. And existing audit charters for each client already recognise that the Head of Internal Audit will meet with members of the relevant committee in private, as required. No formal changes to current arrangements are proposed. Although formal annual meetings will be arranged if individual committees express a preference for this	NA	NA

¹ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

Assessors Recommendation	Proposed Action	Responsibility	Action By
management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).	arrangement.		
The self-assessment identified that Council CEO's or Audit Committee Chairmen do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chairman of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance.	The chairman of the Veritau board will be asked to consider whether further input from client Chief Executives and Chairs of Audit Committees (or equivalent) is needed to meet the requirements of the standards.	Veritau Chair	May 2019

Assessors Recommendation	Proposed Action	Responsibility	Action By
(Attribute Standard 1100).			
<p>While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (LGAN requirement).</p>	<p>All work included in annual audit plans is considered a priority for audit in the coming year. However, it is recognised that further prioritisation may support decision making, for example where changes to audit plans are required.</p> <p>As part of the development of audit plans for 2019/20, we will explore how audits included in each plan are given a priority rating.</p>	Deputy Head of Internal Audit and Audit Managers	April 2019
<p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance</p>	<p>A review of potential sources of assurance for each client will be undertaken during the course of 2019/20. This will be used to assess the scope for more detailed assurance mapping at each client; and to help develop a standard approach if appropriate.</p>	Deputy Head of Internal Audit and Audit Managers	April 2020

Assessors Recommendation	Proposed Action	Responsibility	Action By
bodies and limited resources are not duplicating effort. (Attribute Standard 2050).			
It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (Attribute Standard 1320).	<p>Actions included in 2018/19 annual reports will be SMART.</p> <p>Progress against actions will be reported to the Veritau and VNY boards during the course of the year.</p>	Head of Internal Audit	June 2019 (annual report)

Consultation

- 5 Not relevant for the purposes of the report.

Options

- 6 Not relevant for the purpose of the report.

Analysis

- 7 Not relevant for the purpose of the report.

Council Plan

- 8 The work of internal audit supports 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 fail to comply with proper practice for internal audit if the results of external assessments and proposed actions are not reported to senior management and the committee.

Recommendations

- 11 Members are asked to;
- Note the outcome from the November 2018 external assessment of internal audit and comment on the proposed actions set out in figure 1.

Reason

In accordance with the committee's responsibility for considering whether internal audit conforms with professional standards.

Contact Details

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Services
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**Report
Approved**

Date 29 Jan 2019

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

Annexes

Annex 1: Veritau PSIAS External Assessment Report

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FINAL REPORT

**SELF-ASSESSMENT WITH EXTERNAL INDEPENDENT
VALIDATION**

VERITAU GROUP

NOVEMBER 2018

**COMPLETED BY:
SWAP INTERNAL AUDIT SERVICES**



INTRODUCTION

In accordance with the International Standards for the Professional Practice of Internal Auditing “The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity” (*Performance Standard 1300*). In order to achieve this, the Head of Internal Audit Partnership commissioned a Quality Review of Veritau.

There are two suggested approaches to conducting the review:

- ① External Quality Assessment
- ② Self-Assessment with Independent Validation

Due to the prohibitive costs of an External Quality Assessment, recognised as achieving the highest level of quality assurance, Veritau opted for the second option, with independent validation being carried out through peer review. For the process to pass the ‘independence’ test the Manual recommends that “at least three organisations come together to form a pool of professionals, all of whom are qualified to conduct external assessments”.

In order to achieve this Veritau worked together with the South West Audit Partnership (SWAP), the Devon Audit Partnership (DAP) and Hertfordshire’s Shared Internal Audit Service (SIAS), whereby each Audit Team would carry out a self-assessment and then SWAP would act as Validators for Veritau, Veritau for SIAS, SIAS for DAP and DAP for SWAP.

SCOPE AND METHODOLOGY

As part of the preparation for the Quality Assurance Review (QAR), Veritau prepared a self-assessment document (utilising the Checklist for Assessing Conformance with the Public Sector Internal Auditing Standards (PSIAS) and the Local Government Application Note (LGAN)), providing links to necessary evidence to support their findings. The self-assessment team conducted a QAR of the internal audit (IA) activity undertaken by Veritau across its client organisations in preparation for validation by an independent assessor. The team also reviewed the IA activity’s risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes as well as the service Procedure Manuals for the delivery of Internal Audit reviews.

The principal objective of the QAR was to assess the IA activity’s conformance to the International Standards for the Professional Practice of Internal Auditing (Standards), incorporating the PSIAS and LGAN.

The QAR Team from SWAP was made up of their Company Chief Executive – Gerry Cox who is a Chartered Auditor and Certified Auditor with c.30 years management experience in Internal Auditing. The second member of the team was SWAP’s Director of Quality - Ian Baker, a Chartered Auditor and Fellow Member of the Institute of Management Services with over 15 years management experience in Internal Auditing.

In addition to reviewing the evidence supplied by the Self-Assessment Team the Review Team were on site for three days meeting with Veritau staff, client officers and Committee Members. In addition to interviewing the Head of Internal Audit and his Deputy a further twenty-two interviews were held, with eighteen of these representing client organisations and the other five being staff members.

OPINION AS TO CONFORMITY TO THE STANDARDS

It is our overall opinion that the Veritau IA activity ‘Generally Conforms’ to the *Standards* and Code of Ethics.

For a detailed list of conformances to individual standards, please see Attachment A. The Self-Assessment and QAR team identified opportunities for further improvement, details of which are provided in this report.

The IIA’s *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit activity:

- ① “Generally Conforms,” “Partially Conforms,” and “Does Not Conform.” The ranking of “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics.
- ② “Partially Conforms” means that deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- ③ “Does Not Conform” means that deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

A detailed description of conformance criteria can be found at the end of Appendix B.

SUMMARY OF POSITIVE OBSERVATIONS

It is our view that the IA activity environment provided by Veritau is well-structured and continues in its progression. The Standards are clearly understood, and management is taking a number of initiatives to ensure the service continues to provide added value to its clients. The vast majority of those interviewed spoke about the significant improvements they have seen in the service provided over recent years; providing evidence that the service is staying ‘relevant’ in ever changing times. A key contributor to this is that the Head of Internal Audit continues to be highly valued and respected by both client officers and staff; the Audit Managers and staff are also clearly valued with clients mentioning how quickly junior members of the IA team are brought up to speed.

To demonstrate how the service is viewed we have captured a flavour of some of the comments made to us:

- ④ *Very professional..... the Head of IA is exceptional” - s.151 Officer*
- ④ *“I have a good relationship with the Audit Manager, interaction is good, and we have an open door” – Audit Committee Chair*
- ④ *“They tell me what I need to hear, not what I want to hear” – s.151 Officer*
- ④ *“The Head of IA is the personification of professionalism” – s.151 Officer*
- ④ *“Their reports are valuable, never trivia and never lacking in substance” – Audit Committee Chair*

Other positive observations include:

- ④ The Head of Internal Audit is highly respected by both staff and client representatives.
- ④ We received exceptionally positive feedback about Audit Managers and staff working on audits.
- ④ Feedback indicates that the service is trusted and maintains a good organisational profile.
- ④ We asked each of the eighteen client representatives to rate the internal audit service provided by Veritau, out of 10. The service received an average score of 8.2 which indicates it is highly valued by its clients.
- ④ Veritau offer good internal training and development for new auditors.
- ④ We identified in the last QAR that IT audit in Annual Plans was low. This has been addressed and Veritau have a pragmatic approach for developing and maintaining skills in this area of expertise.
- ④ Other issues raised in the last QAR have been addressed.

Consequently, the observations and recommendations by the QAR Team captured below are intended to build on the foundations already in place in the IA activity.

OBSERVATIONS AND RECOMMENDATIONS

PART I – MATTERS FOR CONSIDERATION OF VERITAU MANAGEMENT

1. The IA Charter states that “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.”

Guidance from the IIA recommends that the Audit Committee (Board) “Meets with the Head of Internal Audit at least once a year without the presence of management.” This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a ‘purest’ approach and hold at least one meeting a year with the Audit Committee or Chair without management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting

will take place should it become necessary to do so. (*Attribute Standard 1111*).

2. The self-assessment identified that Council CEO's or Audit Committee Chairmen do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chairman of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance. (*Attribute Standard 1100*).
3. While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (*LGAN requirement*).
4. Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (*Attribute Standard 2050*).
5. It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (*Attribute Standard 1320*).

The following two matters are not related necessarily to Conformance with the Standards but are matters we picked up during our three-day visit that should be on the radar of the Veritau Board and be highlighted as part of the Company's risk exposure:

- ④ **SUCCESSION PLANNING** – there is no doubt that the HoIA is highly respected and valued by clients. Whilst other audit managers are respected as well, it became clear to us that a lot of emphasis was placed on the existing HoIA, with one client asking, “*what will happen post Max*”. Clearly this could be a matter for serious concern, having all eggs in one basket, so to speak. The Veritau Board should satisfy themselves that there is a clear succession plan in place in the event of the current HoIA not being available to the Company for any reason.
- ④ **STAFF RETENTION** – a number of clients raised concerns around the retention of staff. They were, as reflected in our discussions, very complimentary about the quality of the more junior staff being introduced to the Company, which is a credit to IA Managers and their induction of these individuals. However, it should be recognised that whilst some good initiatives have been taken in the recruitment and development of these staff, for example in the area of IT Audit, in a highly competitive market for Internal Auditors, and in particular those with specialist skills, the Company may become a ‘nursery’ for other providers paying higher salaries for experienced audit staff. The Veritau Board should consider whether their retention policies are robust and that the organisation structure allows sufficient progression to occur in order to retain staff as their experience and knowledge grows.

PART II – ISSUES SPECIFIC TO THE INTERNAL AUDIT ACTIVITY OF VERITAU

1. As identified earlier, the service provided by Veritau is highly rated (8.2 out of 10). Of course, we know with any service there will be results above or below this perception and it is the same for some audit reviews. For those who said why such reviews would be considered for a lower score, feedback generally related to reporting, as follows:
 - ④ Audit assessments could be more robust or more forceful. This came from a number of individuals who felt that sometimes the reporting may ‘placate’ the service too much. There is a difficult balance to find between not alienating people from the audit process, but robustly ‘telling it as it is’.
 - ④ Closely aligned to this was the some felt reports could do with more ‘context’ rather than just straight in to the findings.
 - ④ Finally, one minor ‘irritation’ was when auditors report “we have found”, when often it is the service that brought this to their attention.
2. All the staff interviewed were very happy with their role within the Company. We did, however, agree to feedback any points raised during these interviews for suggested improvement; some of which may already be on management’s radar and recognising that in each suggestion there is a balance to be reached:
 - ④ Ensure the Auditor who completed the review completes the follow up. The individual who raised this was doing so from an efficiency point of view.
 - ④ Allow more time to learn about the clients and become more organisationally aware.
 - ④ Better sharing of findings and information across clients.

RECOMMENDATIONS

We recommend that:

- ④ the Head of Internal Audit presents this report to the Veritau Board and each of its client organisations Audit Committees;
- ④ the Head of Internal Audit incorporates the Observations and Recommendations from this report into the Quality Assessment Improvement Programme (QAIP) and that the QAIP is maintained as a live document;
- ④ the Head of Internal Audit presents the QAIP to the Veritau Board and each of its client organisations Audit Committees and thereafter reported periodically to monitor progress and to demonstrate the continuous improvement of the service.

ATTACHMENT A STANDARDS CONFORMANCE EVALUATION SUMMARY

SWAP INTERNAL AUDIT SERVICES

Standards Conformance Evaluation Summary		("X" Evaluator's Decision)		
		GC	PC	DNC
OVERALL EVALUATION				
ATTRIBUTE STANDARDS				
Definition of Internal Auditing		X		
IIA Code of Ethics		X		
1000	Purpose, Authority, and Responsibility	X		
1100	Independence and Objectivity	X		
1110	Organisational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care			
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program			
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Non-conformance	X		
PERFORMANCE STANDARDS				
2000	Managing the Internal Audit Activity			
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		

Standards Conformance Evaluation Summary

		("X" Evaluator's Decision)		
		GC	PC	DNC
2050	Coordination		X	
2060	Reporting to Senior Management and the Board	X		
2100	Nature of Work			
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning			
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement			
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results			
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Non-conformance	X		
2440	Disseminating Results	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Definitions

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organisation.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

ATTACHMENT B INDEPENDENT VALIDATOR STATEMENT

The validator was engaged to conduct an independent validation of the Veritau self-assessment. The primary objective of the validation was to verify the assertions made by the self-assessment team concerning adequate fulfilment of the organisation's basic expectations of the IA activity and its conformity to the International Standards for the Professional Practice of Internal Auditing (Standards) with reference to the Public Sector Internal Auditing Standards (PSIAS) and incorporating the Local Government Application Notes (LGAN).

In acting as validator, I am fully independent of the organisation and have the necessary knowledge and skills to undertake this engagement. The validation started on 12th October 2018 and culminated with a three-day site visit between the 5th and 7th November 2018. The validation consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with twenty-four individuals, including the Head of Internal Audit and his Deputy. These individuals are considered key stakeholders and included Audit Committee Chairs, Chief Executives, Section 151 Officers, Senior Service Managers and Veritau staff at various levels in the Company.

I concur fully with the IA activity's conclusions in the self-assessment from where some of the observations were identified.

Consideration of the matters raised, and implementation of the recommendations contained in this report will serve only to improve the effectiveness and enhance the value of the IA activity, which is already highly regarded, and ensure its full conformity to the *Standards*.

Gerry Cox CMIIA

Chief Executive – SWAP Internal Audit Services

Date 26th November 2018



Audit and Governance Committee

6 February 2019

Report of the Deputy Chief Executive and Director of Customer and Corporate Services**Information Governance and Complaints****1. Summary**

1.1 This report provides Members with updates in respect of:

- Information governance performance
- ICO decision notices
- Personal data breach
- LGSCO Complaints – December 2018 to January 2019

2. Information Governance Performance

2.1 The council publishes performance data on timeliness for responding to requests made under Freedom of Information Act (FOI), Environmental Information Regulations (EIR) and Data Protection Act subject access to records requests (SARs), via the York Open Data platform via the below link. The current performance information for the three reporting quarters (April to December 2018) are shown in full at Annex 1. This includes the performance information for the same reporting period in 2017 for comparison and highlighted are the figures which may be of most interest.

<https://data.yorkopendata.org/group/freedom-of-information>

2.2 The Council's performance for responding in time to both FOI and EIR enquiries has fallen slightly. This does tend to happen in Q3 – October to December – and is as a result of annual leave peak in the run up to and during the festive period. We have taken steps already to re-emphasise to all areas via directorate and senior

management team meetings, the legal requirement to respond to FOIs and EIRs in a timely way.

- 2.3 Following requests for comparator performance, members received details of FOI's received for other authorities at their last meeting, and some further comparative information has been sourced at Annex 2. This is FOI and EIR performance information for 2017 from the gov.uk website which provides statistics for central government bodies.
- 2.4 You will note from this information that the council receives annually a similar volume of requests as central government organisations e.g. Cabinet Office.

<https://www.gov.uk/government/statistics/freedom-of-information-statistics-annual-2017>

3. ICO decision notices

- 3.1 If someone is unhappy with the response they receive in relation to an FOI or EIR request there is an opportunity to seek an internal review and then to complain to the ICO. The ICO publishes their decision notices and these are all available at

<http://search.ico.org.uk/ico/search/decisionnotice>

- 3.2 Summaries of the ICO decision notices received since the last report are shown at Annex 3 with copies of the full published reports at Annex 4a, 4b, and 4c.
- 3.3 From the three decision notices (one of which covers three cases), the outcomes were:
- 1 where the complaint was upheld
 - 1 where the complaint was partly upheld
 - 1 where the complaint was not upheld (this covers three cases)

4. Personal data breach

- 4.1 There is no further information available on the One Planet York breach from the previous report, as there has been no update or decision from the ICO yet.

5. Complaints

- 5.1 The cases where the Local Government and Social Care Ombudsman (LGSCO) have made a decision from November 2018 to date of this report are shown at Annex 5.
- 5.2 The annex details the decisions and actions recommended by the LGSCO. However there were also 16 cases where the LGSCO determined they would not investigate and they closed the cases after their initial enquiries.
- 5.3 The information governance and complaint team continue to work with the Corporate Management Team, Directorate Management Teams as well as with individual service areas to identify areas for improvement or shared learning opportunities.

6. Consultation

Not relevant for the purpose of this report.

7. Options

Not relevant for the purpose of this report.

8. Analysis

Not relevant for the purpose of this report.

9. Council Plan

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

10. Implications

Relevant implications are set out in the body of the report

11. Risk Management

The council may face financial and reputational risks if the information it holds is not managed and protected effectively. For example, the ICO can currently impose civil monetary penalties up to 20million euros for serious data security breaches The failure to identify and manage information risks may diminish the council's overall effectiveness. Individual(s) may be at risk of committing criminal offences.

12. Recommendations

Members are asked:

- To note the performance levels.
- To note the details contained in this report.

Contact Details

Author:
Lorraine Lunt
Information Governance &
Feedback Team Manager
Telephone: (01904)
552247

Chief Officer Responsible for the report:
Ian Floyd
Deputy Chief Executive/Director of
Customer & Corporate Services
Report Date 30 Jan 2019
Approved

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Annexes

Annex 1 – Information Governance Performance

Annex 2 – Benchmarking Performance Information

Annex 3 – ICO decision notices - summaries

Annex 4a, b, c – ICO decision notices – full

Annex 5 – LGSCO decisions – December 2018 to January 2019

Background Information

Not applicable

Information Governance and Complaints – 6th February 2019

*YTD – Year to Date	April to December 2017			April to December 2018		
Definition	Q1	Q2	Q3	Q1	Q2	Q3
FOI & EIR - Total Received - (YTD)	401	849	1305	554	1057	1534
FOI (Freedom of Information) - Total Received - (YTD)	273	578	907	363	742	1071
EIR (Environmental Information Regulations) - Total Received - (YTD)	128	271	398	191	315	425
FOI & EIR - Total Received	401	448	456	554	503	477
FOI (Freedom of Information) - Total Received	273	305	329	363	379	329
EIR (Environmental Information Regulations) - Total Received	128	143	127	191	124	110
FOI & EIR - In time - (YTD)	371	778	1159	514	975	1344
FOI & EIR - % In time - (YTD)	92.50%	91.64%	88.80%	92.80%	92.24%	87.61%
FOI (Freedom of Information) - In time - (YTD)	248	515	771	331	674	955
FOI (Freedom of Information) - % In time - (YTD)	90.80%	89.10%	85.00%	91.20%	90.83%	89.17%
EIR (Environmental Information Regulations) - In time - (YTD)	123	263	388	183	301	389
EIR (Environmental Information Regulations) - % In time - (YTD)	96.10%	97.05%	97.50%	95.80%	95.55%	91.53%
FOI & EIR - In time	371	407	381	514	461	369

FOI & EIR - % In time	92.50%	90.85%	83.50%	92.80%	91.65%	77.36%
FOI (Freedom of Information) - In time	248	267	256	331	343	281
FOI (Freedom of Information) - % In time	90.80%	87.54%	77.80%	91.20%	90.50%	85.41%
EIR (Environmental Information Regulations) - In time	123	140	125	183	118	88
EIR (Environmental Information Regulations) - % In time	96.10%	97.05%	98.40%	95.80%	95.20%	80.00%
FOI & EIR - Out of time - (YTD)	30	71	146	40	82	116
FOI & EIR - % Out of time - (YTD)	7.50%	8.36%	11.20%	7.20%	8.41%	7.56%
FOI (Freedom of Information) - Out of time - (YTD)	25	63	136	32	68	93
FOI (Freedom of Information) - % Out of time - (YTD)	9.20%	10.90%	15.00%	8.80%	9.16%	8.68%
EIR (Environmental Information Regulations) - Out of time - (YTD)	5	8	10	8	14	23
EIR (Environmental Information Regulations) - % Out of time - (YTD)	3.90%	2.95%	2.50%	4.20%	4.44%	5.41%
FOI & EIR - Out of time	30	41	75	40	42	34
FOI & EIR - % Out of time	7.50%	9.15%	16.40%	7.20%	8.35%	7.13%
FOI (Freedom of Information) - Out of time	25	38	73	32	36	25
FOI (Freedom of Information) - % Out of time	9.20%	12.46%	22.20%	8.80%	9.50%	7.59%
EIR (Environmental Information Regulations) - Out of time	5	3	2	8	6	9
EIR (Environmental Information Regulations) - % Out of time	3.90%	2.10%	1.60%	4.20%	4.80%	8.18%

DP (Data Protection Act) / SAR (Subject Access Request) - Total Received - (YTD)	13	28	61	35	59	97
DP (Data Protection Act) / SAR (Subject Access Request) - In time - (YTD)	11	24	49	29	44	71
DP (Data Protection Act) / SAR (Subject Access Request) - % In time - (YTD)	84.60%	85.71%	80.30%	82.80%	74.58%	73.19%
DP (Data Protection Act) / SAR (Subject Access Request) - Out of time - (YTD)	2	4	12	6	15	18
DP (Data Protection Act) / SAR (Subject Access Request) - % Out of time - (YTD)	15.40%	14.28%	19.70%	17.10%	25.42%	18.55%
DP (Data Protection Act) / SAR (Subject Access Request) - Total Received	13	15	33	35	24	38
DP (Data Protection Act) / SAR (Subject Access Request) - In time	11	13	25	29	15	27
DP (Data Protection Act) / SAR (Subject Access Request) - % In time	84.60%	86.67%	75.80%	82.80%	62.50%	71.05%
DP (Data Protection Act) / SAR (Subject Access Request) - Out of time	2	2	8	6	9	3
DP (Data Protection Act) / SAR (Subject Access Request) - % Out of time	15.40%	13.33%	24.20%	17.10%	37.50%	7.89%

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Benchmarking FOI and EIR performance information from the gov.uk website which provides Freedom of Information statistics for central government bodies for the year 2017.

TABLE 3												
Number of non-routine information requests received by monitored bodies, by quarter, since 1 January 2015												
Government body	2015				2016				2017			
	Q1: Jan–Mar	Q2: Apr–Jun	Q3: Jul–Sep	Q4: Oct–Dec	Q1: Jan–Mar	Q2: Apr–Jun	Q3: Jul–Sep	Q4: Oct–Dec	Q1: Jan–Mar	Q2: Apr–Jun	Q3: Jul–Sep	Q4: Oct–Dec
TOTAL for all monitored bodies	12,884	11,499	11,971	11,039	12,795	11,031	10,561	10,892	(r) 12,289	(r) 10,930	(r) 11,559	11,883
TOTAL for Departments of State only	8,715	7,692	8,138	7,211	8,725	7,350	6,967	7,496	(r) 8,341	(r) 7,413	7,941	8,252
TOTAL for other monitored bodies	4,169	3,807	3,833	3,828	4,070	3,681	3,594	3,396	(r) 3,948	3,517	(r) 3,618	3,631
Departments of State												
Attorney General's Office	62	69	49	41	59	57	57	61	43	39	51	54
Cabinet Office#	439	404	478	423	473	424	375	377	391	391	341	412
Communities and Local Government	302	209	210	212	283	200	192	173	217	189	203	208
Department for Business, Energy & Industrial Strategy	-	-	-	-	-	-	195	282	226	206	210	227
Department for Business, Innovation and Skills	280	217	220	229	270	224	24	-	-	-	-	-
Department for Culture, Media and Sport	157	146	137	113	164	143	124	122	119	130	138	144

Department for Education#	554	510	484	461	552	476	489	506	598	496	586	521
Department for Environment, Food and Rural Affairs	275	174	183	153	224	126	158	173	166	187	195	242
Department for Exiting the European Union	-	-	-	-	-	-	54	118	183	126	207	271
Department for International Development	143	115	148	93	103	84	111	105	122	109	107	147
Department for International Trade	-	-	-	-	-	-	42	100	99	65	115	183
Department for Transport#	828	524	621	605	677	517	515	587	781	540	568	645
Department for Work and Pensions	1,248	1,271	1,322	988	1,181	901	1,093	1,101	1,326	1,109	1,217	1,074
Department of Energy and Climate Change#	189	155	183	165	185	170	20	-	-	-	-	-
Department of Health	443	407	383	389	470	382	274	337	283	253	258	269
Foreign and Commonwealth Office#	334	323	324	281	370	270	278	272	323	318	284	334
HM Treasury#	275	248	285	258	281	202	172	212	259	235	242	286
Home Office	906	798	899	772	905	882	836	865	867	885	931	907
Ministry of Defence#	1,049	920	973	909	1,226	1,085	961	975	(r) 1,144	(r) 1,018	1,116	1,090
Ministry of Justice#	1,036	979	1,086	988	1,149	1,105	876	976	1,056	953	1,001	1,022
Northern Ireland Office	65	61	58	49	50	30	34	56	40	52	50	64
Scotland Office	61	76	37	35	44	30	36	40	56	50	55	74
UK Export Finance	18	32	17	20	21	20	25	25	19	28	31	24
Wales Office	51	54	41	27	38	22	26	33	23	34	35	54

TABLE 3 continued

Number of non-routine information requests received by monitored bodies, by quarter, since 1 January 2015

Government body	2015				2016				2017			
	Q1: Jan-Mar	Q2: Apr-Jun	Q3: Jul-Sep	Q4: Oct-Dec	Q1: Jan-Mar	Q2: Apr-Jun	Q3: Jul-Sep	Q4: Oct-Dec	Q1: Jan-Mar	Q2: Apr-Jun	Q3: Jul-Sep	Q4: Oct-Dec
<i>Other bodies included in monitoring</i>												
Charity Commission	161	162	163	151	175	161	166	133	176	134	137	171

Competition and Markets Authority	50	34	38	28	40	25	30	21	28	30	32	29
Crown Prosecution Service	173	181	166	192	195	178	192	207	(r) 182	164	(r) 195	210
Debt Management Office	18	23	20	22	17	13	12	17	18	13	16	11
Food Standards Agency	54	38	34	36	40	30	35	53	40	33	47	48
Government Legal Department	108	147	113	103	129	103	105	89	120	85	103	92
Health and Safety Executive	1,338	1,200	1,215	1,189	1,272	1,136	1,167	1,082	1,260	1,222	1,236	1,157
HM Land Registry	83	111	112	94	125	97	133	85	107	94	84	72
HM Revenue and Customs	545	474	596	575	565	526	459	457	569	432	501	475
National Archives	825	736	713	819	834	742	713	633	782	737	742	763
National Savings and Investments	36	37	8	24	18	17	24	17	24	24	11	18
Office for National Statistics	106	86	85	78	99	96	84	99	101	96	101	135
Office for Standards in Education, Children's Services and Skills	216	255	191	138	174	148	116	127	149	110	119	148
Office of Gas and Electricity Markets	126	103	102	100	145	146	121	148	190	133	128	152
Office of Rail and Road	52	39	40	29	37	30	42	42	47	36	27	33
Ordnance Survey	28	24	22	39	27	24	19	19	-	-	-	-
Royal Mint	5	8	5	14	13	7	9	11	-	-	-	-
Rural Payments Agency	174	91	107	133	92	109	107	79	95	108	73	54
Serious Fraud Office	35	26	29	34	33	46	30	47	43	30	33	36
Water Services Regulation Authority	36	32	74	30	40	47	30	30	17	36	33	27
Notes												
# - Figures supplied by these departments of state count non-routine information requests received by one or more of their agencies, as well those received by the departments themselves. The bulletin gives full details.												
(r) - Figures have been updated in the annual return from the previous quarterly values.												

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Summary of ICO decision notices from 2nd November 2018 to 11th December 2018

11 Dec 2018 - Decision notice FS50754580

The complainant has requested a list of council strategies. The council applied section 14(2) on the basis that it had previously received and responded to very similar requests from the complainant encompassing the same information. The Commissioner's decision is that the council was not correct to apply section 14(2) to the information. It had previously agreed to provide information to the complainant in response to her earlier request but had failed to do so. The Commissioner requires the public authority to take the following steps to ensure compliance with the legislation. To disclose the information offered to the complainant by the council on 30 May 2017.

FOI 14(2): Complaint upheld

4 Dec 2018 - Decision notice FER0765686

The complainant has requested legal advice relating to a planning application. York City Council refused the request, citing the exception for the course of justice – regulation 12(5)(b) of the EIR. The Commissioner's decision is that City of York Council has failed to carry out an internal review and breached regulation 11(4) but that it correctly applied regulation 12(5)(b) to withhold the requested information. The Commissioner does not require the public authority to take any steps.

EIR 11(4): Complaint upheld EIR 12(5)(b): Complaint not upheld

19 Nov 2018 - Decision notice FS50773456, FS50773157, FS50779670

The complainant has made three requests covering a variety of issues but relating to audit activities. The Commissioner's decision is that City of York Council has correctly applied Section 17(6) to the requests and, as such, it would have been unreasonable to

expect the Council to have issued fresh refusal notices. The Commissioner does not require the Council to take further steps.

FOI 17: Complaint not upheld

Freedom of Information Act 2000 (FOIA)

Decision notice

Date: 11 December 2018

Public Authority: City of York Council

Address: West Offices,
Station Rise,
York,
YO1 6GA

Decision (including any steps ordered)

1. The complainant has requested a list of council strategies. The council applied section 14(2) on the basis that it had previously received and responded to very similar requests from the complainant encompassing the same information.
2. The Commissioner's decision is that the council was not correct to apply section 14(2) to the information. It had previously agreed to provide information to the complainant in response to her earlier request but had failed to do so.
3. The Commissioner requires the public authority to take the following steps to ensure compliance with the legislation.
 - To disclose the information offered to the complainant by the council on 30 May 2017.
4. The public authority must take these steps within 35 calendar days of the date of this decision notice. Failure to comply may result in the Commissioner making written certification of this fact to the High Court pursuant to section 54 of the Act and may be dealt with as a contempt of court.

Request and response

5. On 23 August 2017 the complainant wrote to the council and requested information in the following terms:

"A number of months ago I submitted a request for a list of strategies leading the work of the Council. Many months later after being offered a solution which was then apparently withdrawn and going round in circles, I have received nothing and rather than once again go to the ICO I will reissue the request..."

...Please city of York provide a list of Strategies used to guide the work of each department. All I need is the name of the strategies and a link to them. Since you say you were going to publish a list, I expect that the 18 hour ceiling will not be reached. But if it is please, as you are required by law, propose a plan (and implement it) of how many of the Council's strategies can be found in 18 hours.

I raise this as I am surprised that the Exec, Scrutiny committees and A&G committee are not regularly informed of the strategies, progress against them and a programme of updates, cross relationships and reviews. Nor can those trying to understand the work of the Council navigate what cannot be found in the public domain. I hope this will resolve the miscommunication."

6. The council responded on the same date. It applied section 14(2) to refuse the request. It said that this was because the request was substantially similar to a previous request submitted by the complainant, which the council had responded to at that time, and it had also carried out a review of its response in that case.
7. The complainant requested a review of the decision on 5 September 2017, however the council did not carry out a review in this case for this request.

Scope of the case

8. The complainant contacted the Commissioner on 29 May 2018 to complain about the way her request for information had been handled.
9. She considers that the council is wrong to refuse her request under the exemption in section 14(2).

Reasons for decision

10. Section 14(2) of FOIA provides that:

"Where a public authority has previously complied with a request for information which was made by any person, it is not obliged to comply with a subsequent identical or substantially similar request from that person unless a reasonable interval has elapsed between compliance with a previous request and the making of the current request."

The council's arguments

11. The council outlined its arguments for applying the exemption to the Commissioner. It said that on 2 January 2017 the complainant originally made a request for information for the following information:

"1. Can you provide a list of all the strategies produced by city of york [sic] council, with their dates and responsible chief officer, together with which committee they went to and when approved.

2. From FY 2015/16 can you advise how many (and which) strategies have been

a) updated

b) abandoned

c) initiated

3. Which of the strategies are required by law to be produced and which are optional? "

12. The council provided a response to his on 31 January 2017. It refused the request on the basis that it had estimated that responding to it would exceed the appropriate limit set by section 12 of the Act. It said:

"The council has produced many strategies since its formation in 1996, ranging from service-based case strategies through to corporate strategies. Some will have required and been given approval by Elected Members, and are therefore available on our website, whilst others would be agreed at a service level. The information is not held in a format which lists them all, requiring all council documents to be searched to identify them. Having searched for "strategy" and "strategies" across our systems, the number of documents containing these terms is extremely large, in the tens of thousands. The work to locate, retrieve and extract this information would be in excess of 18 hours work, so we are refusing this request under Section 12 of the Freedom of Information Act."

13. For local government bodies, the appropriate limit is set at £450 or 18 hours work (based upon £25 per hour).

14. It provided advice and assistance to the complainant as to how to narrow the scope of the request in order to be able to provide information within the appropriate limit. It advised that

"In addition to this the council may be able to provide information within the 18 hour limit should you wish to submit another request defining, for example, any specific service areas on which you require information".

15. It said that the complainant then replied to one of the council's unmonitored email addresses. She stated:

"Thank you, it does seem disturbing that the council cannot at least produce a list of the names of the strategies you have, how else can they be performance managed.

If I was to simply ask for the names of the strategies in each department with the responsible officer and dates of strategy could you do that in 18 hours?

Start with Director [redacted] and the Chief Executive's department then [name redacted] please."

16. The council argues that the email which the complainant sent narrowing the scope of her request was sent to a no-reply email address and was not therefore received by the council. The request was responded to automatically by the council's servers. The response informed the complainant that:

"Please note the email address you sent your email to, is used only for sending purposes and not monitored. This means all emails sent to this address will not be seen by any council officers and will also be deleted".

Please resend your email to [City of York Council request email]."

17. The council said that the complainant did not resend the email to a valid email address and did not contact the council again about the request until 6 May 2017. It said that she then requested a review of the original response on 19 March 2017, but stated that it was a new request. Her new request was for:

"I am writing to request an internal review of City of York Council's handling of my FOI request 'Strategies'. My request was date specific only the last financial year, not since 1996. Expecting me to go through every council agenda is unreasonable as I believe you have been told by the ICO."

18. The council responded on 30 May 2017 and said:

"In point 1 of your initial request you specified that you wanted a list of all strategies. You did not specify a date range. You only specified a date range for point 2 of your enquiry. It was therefore taken that you wanted a list of all strategies and also a status update only on 2015/2016 strategies."

As part of the work to complete the requested review, the council considered the information on the website page, as well as in the council's records. This included the request sent on the 19th March 2017, which was for:

- *The names of the strategies in each department*
- *The responsible officer*
- *Dates of strategy. "*

19. The council argues that the above request still did not ask for information defining any specific service areas as it had suggested in response to the previous request as a means of narrowing the scope to the point where it was able to respond within the appropriate limit.

20. In its response of 30 May 2017, the council also provided further explanation as to why it could not respond to the request as stated, but it also explained that it could provide some information in response to the request. It said:

"The definition and use of the term "strategy" is different across service areas and is used for different purposes. For example, Children's Services refer to strategies relating to cases within social care and safeguarding. Therefore, a search of Council systems under the term 'strategies', even for one year across the Council, would result in a large amount of information that would take longer than the cost limit to locate and retrieve the type of strategy information you are seeking,"

However, the Council would be able to provide a list of those strategies signed off by an Executive or Member decision in existence in 2015/16 across the council, and provide details of which were initiated, amended or ended. It you wish to re-submit a request along these

lines, we will disclose the information held, subject to a review of any exemptions that may be engaged.

As explained previously, the Council are working on a list of corporate level strategies to be published on the Council website, so much of the information you are seeking will be published in the near future and be reasonably accessible to you."

21. On 22 August 2017 the complainant emailed the council stating:

"Ok so I had hoped that since all strategies would contribute to council policies and all would need monitoring that all strategies would be available at the touch of a button.

I have delayed responding so you will have time to publish, perhaps you can provide whatever you can scrape together and we can move on from there. Clearly I would have expected every Director to have a list and Monitoring profile for their directorate, if they have not how can policies be monitored?

Provide what you can find please."

22. The council said to the Commissioner that at this point it had now responded to the request and also provided a review of its response. It said that the complainant had not submitted a new request defining the request in the way it had suggested in its advice and assistance. It said that it therefore responded on the same date stating:

"The internal review is the council's final response to Freedom of Information requests, therefore if you remain unhappy you are now able to contact the Information Commissioners Office (ICO).

Officers will not acknowledge or respond to further correspondence about this request, however we will of course cooperate with any investigation the ICO considers appropriate."

23. The complainant responded on 23 August 2017 stating:

"It [sic] you proposed a plan [redacted], I accepted it. Please proceed as you suggested.

Please send what strategies you can find."

24. The council said that it did not respond to this request. It argues that at no point had it received a new request defined as it had suggested.

25. It said that on the same date, the complainant sent a further request to the council on a different email address. The request was for:

"A list of Strategies used to guide the work of each department, the name of the strategies and a link to them."

26. It argues that this request has also not been narrowed in the way it had suggested and that it makes *"no attempt to define which service areas were of interest, or for the strategies signed off by an executive or in a member decision for a particular year of interest"*.

27. It argues that this request is substantially similar to the previous request made by the complainant which it had already responded to.

28. The council told the complainant that it had already reviewed this request and that it had provided its final response to this request previously. However, it said that it also considered that this was a new, albeit repeated request for information sought previously and that it therefore needed to provide a response.

29. The council therefore applied section 14(2) to the request as it considered it to be a substantially similar to the previous request which it had already dealt with. It considered that adequate and reasonable advice and assistance had been provided under section 16 of the Act which the complainant had not followed.

30. It said that the response also advised:

"As explained, we will not respond further to correspondence from you regarding this topic, where it is identical or substantially similar in scope, and if you remain dissatisfied with our responses and the internal review, please contact the Information Commissioner's Office, details provided below:"

31. The council argues that it has previously addressed the requests made by the complainant by refusing them as being above the appropriate limit. It says that it has provided reasonable and appropriate assistance advising the complainant of the information which would be available, however, the complainant had submitted repeated or substantially similar requests again, without seeking to narrow the scope of the request as it has suggested previously.

32. It argues that, regardless of the specific wording used by the complainant, the request cannot be responded to within the appropriate limit, and it has provided its reasons for this to the complainant.

33. It argues therefore that it has applied the exemption in section 14(2) as applying section 12 to her previous requests has not resulted in the complainant reducing the scope of her requests, even though she is aware that the council cannot provide the relevant information within the appropriate limit.

The complainant's arguments

34. The complainant argues that her request is a simple request. In order to account for and justify actions and expenditure councils rely on policies and strategies. These are the basis on which spending decisions are normally made. She said that she was therefore surprised that the strategies were neither online, nor apparently on hand for the council to provide them to her.
35. She said that her second request was to make it easier for the council to provide what they could within the 18 hour limit. She argues that, in the unlikely event that the directors do not know themselves the strategies they were responsible for (and by which she assumes they performance manage their senior staff), then a round robin email to Heads of Section should have elicited the strategies which the sections work to, which she had requested.
36. She argues that the request has a serious purpose, for both citizens who want to understand what the council is doing, as well as councillors who also need to understand these guiding documents as they inform into council spending and action.

The Commissioner's findings

37. It is important to note that the council has not found that the request is vexatious in this instance. It is simply arguing that the request, as it stands, has been made and responded to previously and so section 14(2) applies.
38. It considers that it has responded to the complainant previously and explained why it is not able to carry out a search for the word 'strategies' to provide the information which she has requested; doing so would locate actual casework from some of its departments. It therefore argues that carrying out such a search and sifting through the corresponding results would exceed the appropriate limit.
39. It considers that although it has explained this to the complainant previously she has now repeated the same request numerous times, albeit worded slightly differently. The council argues that she has not narrowed the scope of her request, and so it is not willing to consider the request again for a third time.

40. The Commissioner accepts that the request encompasses the same information, and she acknowledges the council's argument that responding to it would require it to go through the same process of responding and reviewing the request, which would be likely to result in it providing the same response it has provided to the complainant previously.
41. However as regards its response to previous requests, the Commissioner notes that it made an offer to the complainant to provide information to the complainant but did not then provide this when the complainant accepted that offer.
42. In its response of 30 May 2017 the council had clarified that it would be able to provide: *"a list of those strategies signed off by an Executive or Member decision in existence in 2015/16 across the council, and provide details of which were initiated, amended or ended"*. The complainant's response on 22 August 2017 was to state: *"Provide what you can find please."* This was tantamount to accepting the council's offer. The council however considered that this did not provide it with the leeway to respond to the request by providing this information. However, it did not then seek to clarify with the complainant whether a response along the lines it had suggested would be suitable to her.
43. In her subsequent email to the council of 23 August 2017 the complainant made absolutely clear that she had accepted the council's proposed way forward. Had the council then acted on this acceptance the complainant may not have pursued the further request for information, which was likely to have been issued as a result of the council's earlier refusal to provide information which it had already offered to provide to her.
44. The council's failure to provide information in response to a proposal it had made under section 16 of the Act is unfortunate and is likely to have led directly to the current situation. Even if the council considered her response of 22 August 2017 to be unclear, it should have reverted to the complainant and asked her to clarify whether her response was intended to accept the offer. Instead it decided that she had not narrowed the scope of her request and refused to respond further.
45. The complainant's confirmation that she had accepted the council's plan on 23 August 2017 should also have been acted upon by the council. At that point it became unambiguous that the offer it had made previously had been accepted. The information which had been agreed should have been disclosed to the complainant at that point.

46. The Commissioner also considers that the council could have contacted the complainant on 23 August 2017 when it received her confirmation and asked her if responding to her acceptance of the previous proposal would also resolve the new request of the same date.
47. The Commissioner considers that the council is not in a position to claim that the request is a repeated request and the previous request had been dealt with when it had not in fact completed the earlier request by disclosing the information which it had offered to the complainant.
48. The Council's failure to provide the information which it had offered, and the complainant had accepted, led the complainant into remaking the request for information in the wider terms in which she had couched the initial request. However the basis of this was the council's refusal to provide information it had already said could be disclosed to her. Her new requests began with the words:

"A number of months ago I submitted a request for a list of strategies leading the work of the Council. Many months later after being offered a solution which was then apparently withdrawn and going round in circles, I have received nothing and rather than once again go to the ICO I will reissue the request."
49. It seems clear to the Commissioner that this is a case where further communication between the parties may have resolved the request fairly simply, thereby avoiding the need for a complaint to the Commissioner. The council had offered information which it had subsequently not provided, leaving the complainant with no real option but to make a new request for information.
50. Additionally the council had said in its response of 30 May 2017 that it was in the process of collating information in order to publish this, but it had not done so at the time that she remade the request on 23 August 2017. This potentially explains why the wider request was remade; it would catch any information already collated by the council in preparation for publishing the information.

The Commissioner's decision

51. The Commissioner's decision is that the council was not correct to apply action 14(2) to the information.
52. She also considers that the council is under a duty to provide the information which it offered to the complainant on 30 May 2017, as accepted by the complainant on 22 and 23 August 2017.

Right of appeal

53. Either party has the right to appeal against this decision notice to the First-tier Tribunal (Information Rights). Information about the appeals process may be obtained from:

First-tier Tribunal (Information Rights)
GRC & GRP Tribunals,
PO Box 9300,
LEICESTER,
LE1 8DJ

Tel: 0300 1234504
Fax: 0870 739 5836
Email: GRC@hmcts.gsi.gov.uk
Website: www.justice.gov.uk/tribunals/general-regulatory-chamber

54. If you wish to appeal against a decision notice, you can obtain information on how to appeal along with the relevant forms from the Information Tribunal website.

55. Any Notice of Appeal should be served on the Tribunal within 28 (calendar) days of the date on which this decision notice is sent.

Signed

**Andrew White
Group Manager
Information Commissioner's Office
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Wilmslow
Cheshire
SK9 5AF**

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**Freedom of Information Act 2000 (FOIA)
Environmental Information Regulations 2004 (EIR)**

Decision notice

Date: 4 December 2018

Public Authority: City of York Council

Address: West Offices,
Station Rise,
York
YO1 6GA

Decision (including any steps ordered)

1. The complainant has requested legal advice relating to a planning application. York City Council refused the request, citing the exception for the course of justice – regulation 12(5)(b) of the EIR.
2. The Commissioner's decision is that City of York Council has failed to carry out an internal review and breached regulation 11(4) but that it correctly applied regulation 12(5)(b) to withhold the requested information.
3. The Commissioner does not require the public authority to take any steps.

Request and response

4. On 16 May 2018, the complainant wrote to York City Council (the "council") and requested information in the following terms:

"On 6th December 2017 the Information Commissioner (Reference: FS50689987) ruled on the disclosure of legal advice in respect of my planning application for the above property; in particular the demolition prior notice.

However, now that the consent has been granted and the actual buildings on site demolished some many months ago, this argument is now patently redundant.

Therefore in the interests of transparency and openness referred to by the Commissioner and which is the Councils stated democratic objective, please now issue me with a copy of the legal advice and its instructing letter as originally requested on 13th April 2017."

You will read from the attached that paragraphs 28 onwards detail the Commissioners thinking behind the ruling against disclosure. At the time York council argued (para 28) that disclosing the legal advice could affect the negotiations and put it in a weaker position over the redevelopment of the site!!"

5. The council responded on 5 June 2018. It stated that some of the information (the letter instructing the legal advice) was not held and that it was withholding the advice itself under the exception for the course of justice – regulation 12(5)(b).
6. On 6 June 2018 the complainant wrote to the council and asked it to conduct an internal review of its handling of the request. At the time the complaint was submitted to the Commissioner, the council had not completed an internal review.

Scope of the case

7. On 4 July 2018 the complainant contacted the Commissioner to complain about the way their request for information had been handled.
8. The Commissioner confirmed with the complainant that her investigation would consider whether the council had correctly withheld the information under regulation 12(5)(b) and whether it had complied with its obligations in respect of internal reviews.

Reasons for decision

Regulation 11 – internal review

9. Regulation 11 of the EIR sets out public authorities' obligations in relation to the carrying out of internal reviews of the handling of requests for information.
10. Regulation 11(3) provides that any authority in receipt of representations by a complainant in respect of its handling of a request should consider them and decide if it has complied with the requirements of the EIR.
11. Regulation 11(4) requires authorities to notify a complainant of its decision in respect of regulation 11(3) within 40 working days of the date of receipt of any representations.
12. In this case the complainant submitted their internal review representations on 6 June 2018 but the council failed to issue a response within 40 working days.
13. The Commissioner finds, therefore, that the council breached regulation 11(4) of the EIR.

Regulation 12(5)(b) – course of justice

14. The council has withheld the requested legal advice under regulation 12(5)(b).
15. Under this exception a public authority can refuse to disclose information on the basis that "...disclosure would adversely affect...the course of justice, the ability of a person to receive a fair trial or the ability of a public authority to conduct an inquiry of a criminal or disciplinary nature".
16. The Commissioner's guidance explains that 'an inquiry of a criminal or disciplinary nature' is likely to include information about investigations into potential breaches of legislation, for example, planning law or environmental law . The exception also encompasses any adverse effect on the course of justice, and is not limited to information only subject to legal professional privilege (LPP). As such, the Commissioner accepts that 'an inquiry of a criminal or disciplinary nature' is likely to include information about investigations into potential breaches of legislation, for example, planning law or environmental law.
17. In the decision of Archer v Information Commissioner and Salisbury District Council (EA/2006/0037) the Information Tribunal highlighted the requirement needed for this exception to be engaged. It has explained

that there must be an “adverse” effect resulting from disclosure of the information as indicated by the wording of the exception. In accordance with the Tribunal decision of Hogan and Oxford City Council v Information Commissioner (EA/2005/0026 and EA/2005/030), the interpretation of the word “would” is “more probable than not”.

Is the exception engaged?

18. In this case, the matter relates to the question of whether a second application to demolish a building is necessary. The complainant is of the view that this additional procedural step is a waste of the council’s time and, as the matter relates to their own interests and application, a waste of their time.
19. The council has stated that it received legal advice regarding the status of the prior approval application and had decided that a further application was required. The complainant considers that they are entitled to see the legal advice in question.
20. The complainant’s request and the council’s submissions highlight that the Commissioner has issued a decision notice in relation to a previous request (by the complainant) for the same information. The decision notice in question was issued on 6 December 2017 and found that the council had correctly applied the exception to withhold the requested legal advice¹.
21. The council has confirmed that it considers that circumstances had not changed at the time the complainant submitted their new request for the information (16 May 2018) and that the conclusions reached in the decision notice, therefore, still stand.
22. Having considered the council’s submissions and referred to the Commissioner’s previous decision notice issued in relation to a request for this information, the Commissioner is satisfied that the information is subject to Legal Professional Privilege (LPP) and that its disclosure would result in adverse effects to the course of justice. The Commissioner

¹ The decision notice is published on the ICO website here: <https://ico.org.uk/media/action-weve-taken/decision-notices/2017/2172869/fs50689987.pdf>

transposes the reasoning for these conclusions from her decision notice issued on 7 December 2017, ICO reference: FS50689987².

Public Interest Test

23. Regulation 12(5)(b) is subject to a public interest test. As the timing of a request can be relevant in considering the relative harm which disclosure of information would cause, the Commissioner asked the council to explain whether circumstances had changed between the time of the issuing of the decision notice and the time of the new request.
24. The Commissioner notes that the decision notice issued in respect of case reference FS50689987 stated (in relation to the council's position):

*"...(disclosure) would place it in a weaker position in the current negotiations over the redevelopment of the site. It said that it would also put the Council in an unfair position to defend itself should legal challenges arise in respect of the redevelopment."*³
25. The Commissioner put it to the council that, at the time of the new request, planning permission had been granted for redevelopment of the site. The Commissioner suggested that this might mean that the advice was no longer "live" and that disclosure, therefore, might not result in the same degree of harm.
26. The council confirmed that the granting of planning permission does not alter its position that its general responsibilities as Local Planning Authority in relation to regulating the development and ongoing future negotiation with developers would be prejudiced, placing it at an unfair advantage if the information subject to LPP were to be disclosed.
27. The council has further submitted at, as the legal requirement for the prior notification is debated in the legal advice and the law is open to interpretation, disclosing this advice would not be in the public interest. The council has argued that the advice would also be of general application to other sites in the same circumstances, and would put the council at an unfair disadvantage in carrying out statutory functions as Local Planning Authority with developers, including the complainant (a local developer), if it were to be generally disclosed. The council confirmed that, for these reasons, it considers the public interest factors

² Ibid., paragraphs 13-19.

³ Ibid., paragraph 27.

cited in the decision notice issued under case reference FS50689987 remain valid and that the same decision should be reached.

28. The Commissioner acknowledges that the complainant has a personal interest in accessing the information. She also considers that the planning process and other dispute procedures provide mechanisms for such issues to be addressed in other arenas than under the EIR.
29. In addition, whilst the Commissioner accepts the complainant's interest in this matter, she does not consider that this factor meets the threshold of an equally strong countervailing consideration which would need to be adduced to override the inbuilt public interest in LPP.
30. Furthermore, the Commissioner considers that the public interest in the context of the EIR refers to the broader public good and, in weighing the complainant's interests against those of the council and its ability to undertake planning duties on behalf of the wider public, the Commissioner does not consider that the interests of the complainant tip the balance in this case.
31. The Commissioner does not consider that the arguments in favour of disclosure in this case carry significant, specific weight. She has determined that, in the circumstances of this particular case they are outweighed by the arguments in favour of maintaining the exception under regulation 12(5)(b).
32. For the reasons set out in the previous decision notice issued in relation to this request and those set out above, the Commissioner has, therefore, concluded that the council has correctly applied the exception and that, in this case, the public interest favours maintaining the exception.

Right of appeal

33. Either party has the right to appeal against this decision notice to the First-tier Tribunal (Information Rights). Information about the appeals process may be obtained from:

First-tier Tribunal (Information Rights)
GRC & GRP Tribunals,
PO Box 9300,
LEICESTER,
LE1 8DJ

Tel: 0300 1234504
Fax: 0870 739 5836
Email: GRC@hmcts.gsi.gov.uk
Website: www.justice.gov.uk/tribunals/general-regulatory-chamber

34. If you wish to appeal against a decision notice, you can obtain information on how to appeal along with the relevant forms from the Information Tribunal website.

35. Any Notice of Appeal should be served on the Tribunal within 28 (calendar) days of the date on which this decision notice is sent.

Signed

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Cheshire
SK9 5AF

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Freedom of Information Act 2000 (FOIA)

Decision notice

Date: 19 November 2018

Public Authority: City of York Council

Address: West Offices

Station Rise

York

YO1 6GA

Decision (including any steps ordered)

1. The complainant has made three requests covering a variety of issues but relating to audit activities.
2. The Commissioner's decision is that City of York Council ("the Council") has correctly applied Section 17(6) to the requests and, as such, it would have been unreasonable to expect the Council to have issued fresh refusal notices.
3. The Commissioner does not require the Council to take further steps

Request and response

Request 1

4. On 11 May 2018, the complainant wrote to the Council and requested information in the following terms:

"At the A & G committee of 22 Feb 2017 all three statutory officers said and repeated that they had reported to the ICO compliance teams the alleged leak of an unpublished investigation into the procurement of consultants.

Since that time there has been silence in this regard. Please provide all the correspondence between the ICO and each of the statutory officers, include the ICO investigation and their conclusions."

Request 2

5. On 29 May 2018, the complainant made a further request to the Council in the following terms:

"For the financial years 2015/6 and 2016/7 and 2017/8 please provide a schedule of the following for every decision marked key in the following categories

- 1. Each key decision made that concerned 10% of a budget area.*
- 2. Please provide the recorded material as to what level of disaggregation is used for a 'budget area in the context of (1) above*
- 3. Each decision that was made that affected one ward, that was below the £500k key decision level*
- 4. Each decision that was made that affected two or more wards that was below the £500k*
- 5. Regarding delegated key decisions to officers can you assist in providing the recorded information into how that system works*
- 6. Provide the list of any/all key decisions made by officers by date, officer, protect, contract, value, directorate for the same period.*
- 7. Please provide the protocols for the publication of any key decisions to be made by officers.*
- 8. Please provide any circumstances in which an Exec Member would make a key decision outwith the Exec Committee*
- 9. Provide a list of all key decisions made by any individual Exec Member in the last three years as above:*
- 10. Provide the protocols on how a decision is allocated key."*

Request 3

6. On 15 June 2018, the complainant made a third request in the following terms:

"Please will you provide the following:

- 1. The process you went through or are going through to meet the requirements to include -*

2. *Recorded information and reports to committees ahead of the audit, dates, which committee, selection of supplier etc*
 3. *The process of the inspection, who interviews timescales etc*
 4. *The supplier who undertook your inspection and the Terms of reference*
 5. *The completed report and action plans and where and when it was reported, any follow up reports and cost.*
 6. *If your internal audit service provided this service to any other local authority in a reciprocal or other arrangement.*
7. The Council acknowledged all three requests but did not issue responses to any of them.

Scope of the case

8. The complainant contacted the Commissioner to complain about the way her requests for information had been handled.
9. The Commissioner contacted the Council on 2 November 2018 to highlight the outstanding responses. The Council confirmed that it considered that the requests were vexatious and that it wished to rely on Section 17(6) not to issue fresh refusal notices.
10. The scope of the Commissioner's investigation is to determine whether the Council was entitled to rely on Section 17(6) to refuse the requests.

Reasons for decision

11. Section 1(1) of the FOIA states that:

"Any person making a request for information to a public authority is entitled—

(a) to be informed in writing by the public authority whether it holds information of the description specified in the request, and

(b) if that is the case, to have that information communicated to him."

12. Section 14 of the FOIA states that:

"Section 1(1) does not oblige a public authority to comply with a request for information if the request is vexatious."

13. Section 17 of the FOIA states that:

"(5) A public authority which, in relation to any request for information, is relying on a claim that section 12 or 14 applies must, within the time for complying with section 1(1), give the applicant a notice stating that fact.

(6) Subsection (5) does not apply where—

(a) the public authority is relying on a claim that section 14 applies,

(b) the authority has given the applicant a notice, in relation to a previous request for information, stating that it is relying on such a claim, and

(c) it would in all the circumstances be unreasonable to expect the authority to serve a further notice under subsection (5) in relation to the current request."

14. On 1 November 2018, the Commissioner issued Decision Notice FS50754577 in which she upheld the Council's reliance on Section 17(6) to refuse another request. In that Decision Notice she noted that:

"23. In this case the Commissioner notes that the Council does continue to respond to some of the complainant's requests and is only refusing those requests it considers to be a continuation of an underlying grievance.

"24. Whilst the Commissioner considers that there may be some public interest in the specific information that the complainant has requested and that there is always an inherent interest in transparency, the value of this request does not outweigh the substantial and ongoing burden upon the Council in complying with the requests.

"25. Furthermore, the Commissioner considers that it is unlikely that complying with this request (or even issuing a fresh refusal notice) would do anything to stem the stream of requests from this particular requestor (and she notes that the requestor had submitted at least 17 requests between the previous decision notice and the current request). The Commissioner also notes that the Council is still making efforts to comply with requests which it recognises as being for information with a strong public interest. "

15. The Commissioner's view is that the analysis she set out in Decision Notice FS50754577 is equally applicable to all three of the requests set out above. Whatever public interest there may be in the information is outweighed by the burden placed upon the Council by the significant weight of requests being made.
16. This correspondence shows no sign of abating and therefore the Commissioner concludes that the requests are vexatious and it would be unreasonable in the circumstances to expect the Council to issue fresh refusal notices. She therefore finds that the Council is entitled to rely on Section 17(6) of the FOIA.

Right of appeal

17. Either party has the right to appeal against this decision notice to the First-tier Tribunal (Information Rights). Information about the appeals process may be obtained from:

First-tier Tribunal (Information Rights)
GRC & GRP Tribunals,
PO Box 9300,
LEICESTER,
LE1 8DJ

Tel: 0300 1234504

Fax: 0870 739 5836

Email: GRC@hmcts.gsi.gov.uk

Website: www.justice.gov.uk/tribunals/general-regulatory-chamber

18. If you wish to appeal against a decision notice, you can obtain information on how to appeal along with the relevant forms from the Information Tribunal website.
19. Any Notice of Appeal should be served on the Tribunal within 28 (calendar) days of the date on which this decision notice is sent.

Signed

**Ben Tomes
Team Manager
Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF**

Local Government and Social Care Ombudsman cases – decisions for December 2018 to January 2019

LGSCO Ref	Our Ref	Service Area	Directorate	Summary of Final Decision	Actions	Date of Final Decision	Actions Complete	Decision
17005251	IGF/4058	Planning	EAP	Ms B complains about the Council's failure to respond to her email enquiry relating to planning issues and the way it handled her complaint about this. Minor fault by the Council and the limited injustice caused to Ms B do not warrant any further investigation of the complaint by the Ombudsman.	Case closed	03/12/2018	NA	Not Upheld: No Injustice
18000521	IGF/2311	Mental Health/Safeguarding	HHASC	Summary: Mrs X complains the Council failed to deal properly with adult safeguarding concerns involving her daughter and a Social Enterprise. There was no fault by the Council, so we cannot question the merits of the Council's decision to conclude its safeguarding enquiry. I have completed my investigation as the Council's decision on the safeguarding concerns was not affected by fault.	Case closed	10/12/2018	NA	Not Upheld: No Injustice
18012056	IGF/09765	Council Tax	CCS	The Ombudsman will not investigate this complaint about costs added to the complainant's council tax account. This is because there is insufficient evidence of fault by the Council and because the costs were agreed in court.	Case Closed	19/12/2018	NA	Closed after initial enquiries - No further action

18012532	IGF/11018	Waste	EAP	The Ombudsman will not investigate this complaint about the Council's decision not to give the complainant a 240 litre rubbish bin. This is because there is insufficient evidence of fault by the Council and insufficient evidence of injustice.	Case closed	20/12/2018	NA	Closed after initial enquiries - No further action
18012921	IGF/09910	Planning	EAP	The Ombudsman will not investigate Mr X's complaint about the Council's road signs. His injustice lies in the penalty charge notice issued to him and the Council has cancelled this, apologised to him and removed the sign he says was misleading. This provides a suitable remedy for the complaint and it is unlikely further investigation would achieve any worthwhile outcome.	Case closed	15/01/2019	NA	Closed after initial enquiries - No further action



Audit and Governance Committee

6 February 2019

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

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2019/20 to 2023/24

Summary

1. This report is a statutory requirement setting the strategy for treasury management and specific treasury management indicators for the financial year 2019/20. The strategy is set against a context of projected interest rates and the Council's capital expenditure programme and leaves investment criteria and limits largely unchanged.
2. The Council has significant investments and borrowing which bring with them financial risk including the loss of invested funds and the revenue impact of changes in interest rates. It therefore requires an overall strategy as well as practices and procedures to identify, monitor and control the risks.

Background

3. The Treasury Management Strategy Statement and Prudential Indicators 2019/20 to 2023/24 are attached at annex A and cover the:
 - Integrated treasury management strategy statement including the annual investment strategy and the minimum revenue provision policy statement;
 - Prudential indicators
 - Revised treasury management policy statement
 - Specified and non-specified investments schedule
 - Treasury management scheme of delegation and role of the section 151 officer

Consultation

4. Treasury management strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a process of consultation, details of which are outlined in the budget reports to be considered by Executive on 14 February 2019.

Options

5. It is a statutory requirement for the council to operate in accordance with the CIPFA Prudential Code.

Council Plan

6. The treasury management strategy statement and prudential indicators are aimed at ensuring the council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the council's funds. This will allow more resources to be freed up to invest in the council's priorities, values and imperatives as set out in the Council Plan.

Implications

Financial

7. The revenue implications of the treasury strategy are set out in the revenue budget report to be considered by Executive on 14th February 2019.

Legal Implications

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

Other Implications

9. There are no HR, Equalities, crime and disorder, information technology or other implications as a result of this report

Risk Management

10. 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), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Recommendation

11. Audit and Governance Committee are asked to:

- a. note the treasury management strategy statement and prudential indicators for 2019/20 to 2023/24 at annex A.

Reason: So that those responsible for scrutiny and governance arrangements are properly updated and able to fulfil their responsibilities in scrutinising the strategy and policy.

Contact Details	
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	Report approved : 28 January 2019
Wards affected	All

Annexes

Annex A – Treasury Management Strategy Statement and Prudential Indicators for 2019/20 to 2023/24

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Executive**14 February 2019**

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

Treasury Management Strategy Statement and Prudential Indicators for 2019/20 to 2023/24**Report Summary**

1. The purpose of this report is to seek the recommendation of Executive to Full Council for the approval of the treasury management strategy and prudential indicators for the 2019/20 financial year.

Recommendations

2. Executive are asked to recommend that Council approve:
 - The proposed treasury management strategy for 2019/20 including the annual investment strategy and the minimum revenue provision policy statement;
 - The prudential indicators for 2019/20 to 2023/24 in the main body of the report;
 - The specified and non-specified investments schedule (annex B)
 - The scheme of delegation and the role of the section 151 officer (annex D)

Reason: To enable the continued effective operation of the treasury management function and ensure that all council borrowing is prudent, affordable and sustainable.

Background

3. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return.
4. The second main function of the treasury management service is funding of the council's capital programme. The capital programme provides a guide to

the borrowing need of the council, essentially the longer term cash flow planning, to ensure that the council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet council risk or cost objectives.

5. The contribution the treasury management function makes to the council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
6. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
7. CIPFA (Chartered Institute of Public Finance and Accountancy) defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”
8. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital financing and investment strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital financing and investment strategy is being reported separately.
9. Our investments in commercial property to date have been relatively modest in the context of percentage of total budget but any future proposals to invest in property will need to be mindful of the extent to which they increase the percentage of our total income invested in this area.

Reporting requirements – Capital Strategy

10. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:
 - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
11. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
12. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:
 - The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy);
 - The risks associated with each activity.
13. Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements will be disclosed, including the ability to sell the asset and realise the investment cash.
14. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
15. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

Reporting requirements – Treasury Management

16. The council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. The three reports are:

- **Treasury management strategy statement and prudential indicators report** (this report) – which covers the capital plans including prudential indicators, the minimum revenue provision policy, the treasury management strategy and the annual investment strategy;
- **Mid year treasury management report** – updates members as to whether the treasury activities are meeting the strategy, whether any policies require revision, amending prudential indicators if necessary;
- **Annual treasury report** – updates on treasury activity/ operations for the year and compares actual prudential indicators with estimates in the strategy.

17. These reports are required to be scrutinised before being recommended to the council. This scrutiny role is undertaken by Audit & Governance Committee.

18. The CIPFA code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The training needs of treasury management officers is also periodically reviewed.

Treasury management strategy for 2019/20

19. The treasury management strategy for 2019/20 covers two main areas:

Capital issues

- the capital programme and prudential indicators;
- minimum revenue provision (MRP) policy.

Treasury management issues

- prudential indicators which will limit the treasury management risk and activities of the Council;
- the current treasury position;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- creditworthiness policy;
- investment strategy;

- policy on use of external service providers;
- scheme of delegation and the role of the S151 officer

20. These elements cover the statutory and regulatory requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

Treasury management consultants

21. The council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

22. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

23. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The capital prudential indicators 2019/20 – 2023/24

24. The council's capital expenditure plans are the key driver of treasury management activity and are the subject of a separate report on this agenda. The output of the capital programme is reflected in the capital prudential indicators, which are designed to assist member's overview of the council's capital programme to ensure that the capital expenditure plans are affordable, sustainable and prudent.

25. The capital prudential indicators along with the treasury management prudential indicators are included throughout the report:

- PI 1: Capital expenditure
- PI 2: Capital financing requirement
- PI 3: Ratio of financing cost to net revenue stream
- PI 4: External debt
- PI 5a: Authorised limit for external debt
- PI 5b: Operational boundary for external debt
- PI 5c: Housing revenue account (HRA) debt limit
- PI 6: Maturity structure of debt
- PI 7: Surplus funds invested >364 days

26. **Prudential indicator 1 - capital expenditure.** This prudential Indicator is a summary of the council's capital expenditure plans forming part of this budget cycle. 2018/19 is included as a comparator. Detailed information on the individual schemes is provided in the capital monitor 3 and capital strategy report.

Capital Expenditure	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
General fund (Non HRA)	81.4	196.1	101.7	58.5	17.5	11.1
Housing revenue account	24.9	35.6	26.5	10.9	9.2	8.7
Total	106.3	231.7	128.2	69.4	26.7	19.8

Table 1: Capital expenditure

27. Table 1 details the capital expenditure of the council, based on the capital programme strategy report, excluding other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments. There are no new PFI schemes forecast to be entered into in 2019/20.
28. Further details on this capital expenditure, and how it is funded, are included within the Capital Programme report elsewhere on this agenda.
29. **Prudential indicator 2 - the capital financing requirement (CFR) (council's borrowing need);** the second prudential indicator is the council's capital financing requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
30. The CFR does not increase indefinitely, because the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
31. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the council's overall borrowing requirement, these types of scheme include a borrowing facility and so the council is not required to separately borrow for these schemes. As set out in paragraph 49 table 5 the projected level of debt is significantly below the CFR over the 5 year period.
32. Table 2 below, shows the capital financing requirement, excluding other long term liabilities:

Capital	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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Financing Requirement	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Non Housing	226.3	269.3	282.4	299.9	293.9	281.7
Housing	139.0	139.0	139.0	139.0	139.0	139.0
Other Long Term Borrowing*	46.5	44.9	43.1	41.3	39.4	37.7
Total CFR	411.8	453.2	464.5	480.2	472.3	458.4

*Other Long Term is for PFI/PPP

Table 2: Capital financing requirement (CFR)

Minimum revenue provision (MRP) policy statement

33. The council is required to pay off an element of the accumulated general fund capital expenditure each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).
34. MHCLG regulations require full council to approve an MRP statement in advance of each year. A variety of options are provided to councils, so long as there is prudent provision. Full Council is recommended to approved the following MRP statement:
35. For capital expenditure incurred before 1 April 2008 the MRP policy will be:
- **Asset life method (local approach)** - MRP will be based on the average life of the overall asset base of 33 years. This will be calculated as 3% on a fixed, straight line basis.
36. This provides for a 3% reduction in the borrowing need (CFR) each year.
37. From 1 April 2008 for all borrowing (including PFI and finance leases) the MRP policy will be:
- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
38. This option provides for a reduction in the borrowing need over approximately the asset's life. The asset life is an absolute maximum and wherever possible debt is repaid over a shorter period. Estimated asset life periods will be determined under delegated powers. With all debts, the longer the repayment period the higher the amount of interest incurred over the period of the loan and accordingly it is deemed prudent to reduce the period over which the repayments are made.

39. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).
40. Repayments included in annual PFI or finance leases are also applied as MRP.

Affordability prudential indicators

41. The prudential indicators mentioned so far in the report cover the overall capital programme and the control of borrowing through the capital financing requirement (CFR), but within this framework prudential indicators are required to assess the affordability of capital investment plans. These provide an indication of the impact of the capital programme investment plans on the council's overall finances.
42. **Prudential indicator 3 - ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) and compares it to the council's net revenue stream.

Financing Costs	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Non-HRA	11.14	11.92	15.74	17.93	20.31	19.88
HRA	13.25	13.25	13.25	13.25	13.25	13.25
Total Ratio	11.58	12.20	15.22	16.96	18.84	18.50

Table 3: Ratio of financing costs to net revenue stream

43. The estimates of financing costs include current commitments and the proposals in the capital budget report considered elsewhere on this agenda.
44. The capital prudential indicators set out above ensure that the council's capital expenditure plans are affordable, sustainable and prudent. The treasury management function ensures that cash is available to meet the council's requirements in accordance with the Local Government Act 2003 and relevant professional codes
45. The treasury management function involves both the forecasting of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the prudential / treasury indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

46. The council's treasury portfolio position at 31st December 2018 is detailed below in table 4:

Institution Type	Principal	Average Rate
<u>Public Works Loan Board</u> PWLB (57) – Money borrowed from the Debt Management Office (Treasury Agency)	£235.1m	3.64%
<u>Market Loans</u>		
Club loan (1) – A loan taken in conjunction with 2 other authorities	£10.0m	7.15%
LOBO Loans (1) – Lender Option Borrower Option	£5.0m	3.88%
<u>West Yorkshire Combined Authority</u>		
WYCA (4) – Zero interest loans the purpose of which are to help to fund York Central infrastructure projects	£2.4m	0.00%
Total Gross Borrowing (GF & HRA)	£252.5m	3.75%
Total Investments	£77.8m	0.81%

Table 4: Current position at 31st December 2018

47. The council had £252.5m of fixed interest rate debt, of which £139.0m was HRA and £113.4m general fund. The cash balance available for investment was £77.8m. As the capital programme has progressed the level of cash available for investment is gradually decreasing as expected as the Council is using previously held balances to fund the programme.

48. Within the prudential indicators, there are a number of key indicators to ensure that the council operates its activities within well defined limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. One of these is that the council needs to ensure that its total gross debt does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows the flexibility to borrow in advance of need but ensures that borrowing is not undertaken for revenue purposes.

49. **Prudential indicator 4 – external debt** Table 5 shows that the estimated gross debt position of the council does not exceed the underlying capital borrowing need. The Director of Customer & Corporate Services (s151 officer) confirms that the council complies with this prudential indicator and does not envisage difficulties for the future.

	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Gross projected debt	289.0	281.3	316.6	334.7	361.2	355.2
Total CFR	411.8	453.2	464.5	480.2	472.3	458.4
Under/(over) borrowed	Under	Under	Under	Under	Under	Under

Table 5: External debt < capital financing requirement

50. Table 5 shows a gap between actual and estimated borrowing and the CFR (driven by the use of internal funds to finance capital expenditure). The decision as to whether to continue to do this will take into account current assumptions on borrowing rates and levels of internal reserves and balances held by the council. The figures above show an increase in the gap between CFR and external debt, however this will be determined by the s151 officer and the figure above is a current broad assumption. Actual borrowing will be determined by the circumstances that prevail at the time on borrowing rates and levels of cash balances.

Prudential indicators: limits on authority to borrow

51. **Prudential indicator 5A – authorised borrowing limit** - It is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations, for the council to determine and keep under review how much it can afford to borrow. This amount is termed the “authorised borrowing limit”, and represents a control on the maximum level of debt. This is a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised Limit	2018/19 (set at 18/19 Strategy) £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Borrowing	289.0	281.3	316.6	334.7	361.2	355.2

Total CFR	411.8	453.2	464.5	480.2	472.3	458.4
Operational Boundary	450.3	463.2	474.5	490.2	482.3	468.4
Other long term liabilities	30.0	30.0	30.0	30.0	30.0	30.0
Total	480.3	493.2	504.5	520.2	512.3	498.4

Table 6: Authorised borrowing limit

52. Prudential indicator 5B – operational boundary. In addition to the “authorised borrowing limit”, the operational boundary is the maximum level of debt allowed for on an ongoing operational purpose. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary	2018/19 (set at 18/19 Strategy) £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Borrowing	289.0	281.3	316.6	334.7	361.2	355.2
Total CFR	411.8	453.2	464.5	480.2	472.3	458.4
Short term liquidity	10.0	10.0	10.0	10.0	10.0	10.0
Total	450.3	463.2	474.5	490.2	482.3	468.4

Table 7: Operational boundary

53. Separately, the council has previously been limited to a maximum HRA CFR through the HRA self-financing regime, known as the HRA debt limit or debt cap. As part of the 2018 UK National Budget on 29 October 2018 the debt cap for the HRA was lifted with immediate effect. However, the capital programme for the HRA will continue to comply with the requirements of the CIPFA prudential code in that capital expenditure and any associated financing implications must be affordable, prudent and sustainable.

54. The setting of internal prudential borrowing limits for the HRA will be required such that the annual cost of financing debt remains affordable. A report was presented to Executive in January 2019 that set out the implications of this change and approved in principle the appropriation of sites within the Housing Delivery Programme from the General Fund into the HRA, noting the increased debt that would occur, with sites to be appropriated following Executive approval of individual site business cases.

As and when these individual business cases are approved this will be reflected in the HRA debt limits and reported to the Committee.

HRA Debt Limit	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Total debt cap	146.0	146.0	146.0	146.0	146.0	146.0
HRA CFR	139.0	139.0	139.0	139.0	139.0	139.0
HRA headroom	7.0	7.0	7.0	7.0	7.0	7.0

Table 8: HRA debt limit

Prospects for interest rates

55. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions. To facilitate treasury management officers in making informed investment and borrowing decisions, the council has appointed Link Asset Services as its treasury adviser. Part of their service is to assist the council in formulating a view on interest rates. Table 9 below gives Link's central view:

	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2017	0.50	1.50	2.80	2.50
Mar 2018	0.50	1.60	2.90	2.60
Jun 2018	0.50	1.60	3.00	2.70
Sep 2018	0.50	1.70	3.00	2.80
Dec 2018	0.75	1.80	3.10	2.90
Mar 2019	0.75	1.80	3.10	2.90
Jun 2019	0.75	1.90	3.20	3.00
Sep 2019	0.75	1.90	3.20	3.00
Dec 2019	1.00	2.00	3.30	3.10
Mar 2020	1.00	2.10	3.40	3.20
Dec 2020	1.25	2.30	3.60	3.40
Mar 2021	1.25	2.30	3.60	3.40

Table 9 – Link's interest rate forecast

56. The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowly significantly during the last quarter. At their November quarterly inflation report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead

of the deadline in March for Brexit. On the assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

57. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. Equity prices have been very volatile on alternating good and bad news during this period.
58. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.
59. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

60. Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
61. Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have back tracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
62. There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Borrowing strategy

63. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments and is also influenced by the interest rate forecast. The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the capital financing requirement), has not been fully funded with loan debt as cash supporting the

council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains prudent as investment returns are low and counterparty risk is relatively high.

64. It is therefore beneficial to have a borrowing strategy where consideration is given to taking some longer term borrowing if favourable rates arise and also use some cash reserves. External borrowing will be considered throughout the financial year when interest rates seem most favourable. A target interest rate is 4.50%. This will enable borrowing to be taken through the year at different time periods. Consideration will also be given to the maturity profile of the debt portfolio so the council is not exposed to the concentration of debt being in any one year.
65. Against this background and the risks within the economic forecast, caution will be adopted with the treasury operations. The Director of Customer and Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
66. The HRA strategy for borrowing will be the same as the borrowing strategy described above for the whole council. The HRA Business Plan will guide and influence the overall HRA borrowing strategy.
67. All decisions will be reported to the appropriate decision making body (Executive and Audit and Governance Committee) at the next available opportunity.

Prudential Indicator 6 – Maturity of borrowing

68. Officers will monitor the balance between variable and fixed interest rates for borrowing and investments to ensure the council is not exposed to adverse fluctuations in fixed or variable interest rate movements. This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier, or kept shorter if short term investment rates are expected to rise.

69. The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions. The council does not currently have any variable rate debt.
70. The upper and lower limits for the maturity structure of fixed rate borrowing are set out below (with actual split for the current financial year included for comparison). This gross limit is set to reduce the council's exposure to large fixed rate sums falling due for refinancing in a confined number of years.

Maturity structure of borrowing				
	Lower	Upper	2018/19 Debt (%)	2018/19 Debt (£)
Under 12 months	0%	30%	9%	£21.0m
12 months to 2 years	0%	30%	4%	£10.0m
2 years to 5 years	0%	40%	6%	£15.7m
5 years to 10 years	0%	40%	25%	£63.9m
10 years and above	30%	90%	56%	£141.8m
Total Borrowing			100%	£252.4m

Table 10: Maturity structure of borrowing at 31st December 2018

Policy on borrowing in advance of need

71. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds..
72. Borrowing in advance will be made within the constraints of the CIPFA Prudential Code that:
- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and
 - The authority would not look to borrow more than 36 months in advance of need
73. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

74. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However,

these savings will be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

75. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

76. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

77. All rescheduling will be reported to the Executive / Audit & Governance Committee at the earliest meeting following its action.

Municipal Bond Agency

78. The establishment of the UK Municipal Bonds Agency was led by the Local Government Association (LGA) following the 2010 Autumn Statement which resulted in higher PWLB rates, greatly increasing the cost of new borrowing and refinancing. The purpose of the Agency is to deliver cheaper capital finance to local authorities. It will do so via periodic bond issues and by facilitating greater inter-authority lending. The Agency is wholly owned by 56 local authorities and the LGA. The council is a shareholder in the Agency with a total investment of £40k and will make use of this new source of borrowing as and when appropriate.

Annual investment strategy

Investment policy – management of risk

79. The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

80. The Council’s investment policy has regard to the following:

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

81. The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).

82. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
- i. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - ii. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
 - iii. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - iv. This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in annex B under the categories of ‘specified’ and ‘non-specified’ investments.
 - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
 - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
 - v. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix tables in annex B.
 - vi. Transaction limits are set for each type of investment.
 - vii. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see annex C).
 - viii. This authority has engaged external consultants, (see paragraphs 21 to 23), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
 - ix. All investments will be denominated in sterling.

- x. As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

83. However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 93). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

84. This council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modeling approach with credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

85. This approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system which is then combined with an overlay of CDS (credit default swap) spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the council to determine the duration for investments. The council will therefore use counterparties within the following durational bands:

- Yellow* 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or part nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

**The yellow category is for UK Government debt or its equivalent (government backed securities) and AAA rated funds*

86. The Link Asset Services creditworthiness model uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weighting to just one agency's ratings.
87. Typically the minimum credit ratings criteria the council use will be a short term rating (Fitch or equivalent) of F1 and Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
88. All credit ratings are monitored on a daily basis. The council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service:
- If a downgrade results in the counterparty/investment scheme no longer meeting the council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - In addition to the use of credit ratings the council will be advised of information in movements in credit default swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the councils lending list.
89. Although sole reliance is not placed on the use of this external service, as the council uses market data and market information, information on government support for banks and the credit ratings of that supporting government, the suitability of each counterparty is based heavily on advice from Link.
90. Whilst the council has determined that it will not limit investments to UK banks, it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in annex C. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

Investment strategy

91. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage ups and downs of cash flow, where cash sums can be

identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

92. On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank rate is forecast to increase steadily but slowly over the next few years to reach 2% by quarter 1 2022. Bank rate forecasts for financial year ends (March) are:

2019/20	1.25%
2020/21	1.50%
2021/22	2.00%

93. For its cash flow generated balances, the council will seek to utilise a combination of business reserve accounts (call accounts), short notice accounts, short dated fixed term deposits and money market funds. In addition, the council will look for investment opportunities in longer dated term deals with specific counterparties that offer enhanced rates for local authority investment. All investment will be undertaken in accordance with the creditworthiness policy set out above.

94. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next three years are as follows:

2019/20	1.00%
2020/21	1.50%
2021/22	1.75%

95. Therefore for 2019/20, the council has budgeted for an investment return target of 1.00% on investments placed during the financial year and uses the 7 day LIBID rate as a benchmark for the rate of return on investment.

96. **Prudential indicator 7** - total principal investment funds invested for greater than 364 days. This limits is set with regards to the council's liquidity requirements and are based on the availability of funds after each year-end. A maximum principal sum to be invested for greater than 364 days is £15m.

	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Maximum limit per year for Investments > 364 days	15.0	15.0	15.0	15.0	15.0	15.0

Table 11: Maturity structure of borrowing

97. At the end of the financial year, the council will report on its investment activity as part of its annual treasury report. It should be noted that the

Investment policy, creditworthiness policy and investment strategy are applicable to the council's overall surplus funds and are also applicable to the HRA.

Consultation and options

98. The treasury management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the financial markets. Therefore, to enable effective treasury management, all operational decisions are delegated by the council to the Director of Customer & Corporate Services, who operates within the framework set out in this strategy and through the treasury management policies and practices. In order to inform sound treasury management operations the council works with its treasury management advisers, Link Asset Services. Link Asset Services offers the council a comprehensive information and advisory service that facilitates the council in maximising its investment returns and minimise the costs of its debts.
99. Treasury management strategy and activity is influenced by the capital investment and revenue spending decisions made by the council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians. The revenue budget and capital budget proposals are included within this agenda.
100. At a strategic level, there are a number of treasury management options available that depend on the council's stance on interest rate movements. The report sets out the council's stance and recommends the setting of key trigger points for borrowing and investing over the forthcoming financial year.

Council Plan

101. The treasury management strategy statement and prudential indicators are aimed at ensuring the council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the council's funds. This will allow more resources to be freed up to invest in the council's priorities, values and imperatives, as set out in the Council Plan.

Implications

Financial

102. The financial implications of the treasury strategy are set out in the Financial Strategy Capital Strategy reports also on this agenda.

Human Resources (HR)

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

Equalities

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

Legal Implications

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

Other implications

106. There are no crime and disorder, information technology or property implications as a result of this report

Risk management

107. 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), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Report authors:	Chief officer responsible for the report:		
Debbie Mitchell Finance & Procurement Manager Tel: 01904 554161	Ian Floyd Director of Customer & Corporate Services		
Emma Audrain Principal Technical Accountant Tel 01904 551170	Report Approved		Date
Wards Affected: Not Applicable			

For further information please contact the author of the report

Background papers

none

Annexes

Annex A – Interest rate forecast

Annex B – Specified and non-specified investments categories schedule

Annex C – Approved countries for investments

Annex D – Scheme of delegation and the role of the section 151 officer

Link Asset Services Interest Rate View

	Mar 2019	June 2019	Sept 2019	Dec 2019	Mar 2020	June 2020	Sept 2020	Dec 2020	Mar 2021	June 2021	Sept 2021	Dec 2021
Bank Rate	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%
5yr PWL rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%
10yr PWL rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWL rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWL rate	2.70%	2.90%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

Specified and non-specified investments categories**Annex B**

A variety of investment instruments will be used, subject to the credit quality of the institution, to place the council's surplus funds. The criteria, time limits and monetary limits applying to institutions or investment vehicles are listed in the tables below.

Investments are split into two categories of specified investments and non-specified Investments. Specified investments are relatively high security and high liquidity investments, which must be sterling denominated and with a maturity of no more than a year. Non-specified investments are those investments with a maturity period of greater than one year or are still regarded as prudent but may require more detailed scrutiny and assessment procedures.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this council. To ensure that the council is protected from any adverse revenue impact, which may arise from these differences, treasury officers will review the accounting implications of new transactions before they are undertaken.

Specified investments:

Counterparty type	Minimum 'high' credit criteria/colour band	Maximum investment limit per counterparty institution	Maximum maturity period
DMADF – UK Government	UK sovereign rating	£15m	6 months
UK Government Treasury Bills	UK sovereign rating	£15m	1 year
UK Government Gilts	UK sovereign rating	£15m	1 year
Term deposits - local authorities	UK sovereign rating	£15m	1 year
Part-nationalised UK Banks	Blue	£15m	1 year
Term Deposits - UK Banks and Building Societies	Orange Red Green	£15m £15m £8m	1 year 6 months 100 days
Term Deposits - Non-UK Banks (with a sovereign rating of AA-)	Orange	£15m	1 year
Certificates of Deposits issued by Banks and Building Societies	Orange/Blue	£15m	1 year
Collective investment schemes structured as open ended investment companies (OEICs) as below:-			

1. Money Market Funds CNAV	AAA	£15m	Liquid
2. Money Market Funds LVNAV	AAA	£15m	Liquid
3. Money Market Funds VNAV	AAA	£15m	Liquid
4. Ultra-Short Dated Bond Funds	AAA	£15m	Liquid
5. Bond Funds	AAA	£15m	Liquid

CNAV – constant net asset value**LVNAV – low volatility net asset value****VNAV – variable net asset value****NON-SPECIFIED INVESTMENTS:**

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

Counterparty type	Minimum credit criteria	Maximum investment limit per counterparty institution	Maximum Maturity Period
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Orange Blue Red Green	£15m £15m £15m £8m	1 Year 1 year 6 months 100 days
Certificates of Deposits issued by Banks and Building Societies	Red Green	£15m £8m	6 months 100 days
Floating Rate Notes	Long-term AAA	£15m	1 year
Property Funds: <i>the use of these investments may constitute capital expenditure</i>	AAA-rated	£15m	5 years

2. Maturities in excess of 1 year

Term Deposits– local authorities	UK Sovereign Rating	£15m	> 1 year
Term deposits – Banks and Building Societies	Yellow Purple	£15m £15m	5 years 2 years
Certificates of Deposits issued by Banks and Building Societies not covered by UK Government guarantee	Yellow Purple	£15m £15m	5 years 2 years
UK Government Gilts	UK sovereign rating	£15m	> 1 year

Collective investment schemes structured as open ended investment companies (OEICs) as below:-			
1. Bond Funds	Long-term AAA	£15m	> 1 year
2. Gilt funds	Long-term AAA	£15m	> 1 year

Approved countries for investments

Annex C

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- United States of America

AA+

- Finland

AA

- France
- United Arab Emirates
- United Kingdom

AA-

- Belgium
- Qatar

Treasury management scheme of delegation**Annex D****(i) Executive / Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy and annual outturn

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities

(iii) Audit & Governance Committee

- receiving and reviewing reports on treasury management policies, practices and activities
- reviewing the annual strategy, annual outturn and mid year review.

(iv) Director of Customer and Corporate Services (section 151 officer)

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- all operational decisions are delegated by the council to the Director of Customer & Corporate Services, who operates within the framework set out in this strategy and through the treasury management policies and practices
- Approving the selection of external service providers and agreeing terms of contract in accordance with the delegations in financial regulations.

The treasury management role of the section 151 officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- all operational decisions delegated by the council to the Director of Customer & Corporate Services (s151 officer), who operates within the framework set out in this strategy and through the treasury management policies and practices
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit

- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
 - *Risk management, including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation, including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
 - *Reporting and management information, including where and how often monitoring reports are taken;*
 - *Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*



Audit & Governance Committee**6 February 2019**

Report of the Chief Executive

Internal Audit**Purpose of Report**

1. This report seeks the Committee's views on the draft Executive report attached at annex one regarding the new internal audit services contract for the period 2020-30.

Recommendation

2. Audit and Governance Committee is asked to
 - provide any further views to feed into the Executive

Reason for recommendation:

To seek the views of Audit & Governance Committee on the proposal to provide a value for money internal audit and counter fraud function to the Council.

Background

3. Members of this Committee are aware that the Council's internal audit and counter fraud function is provided by Veritau, a company jointly owned with North Yorkshire County Council.
4. The main services provided by Veritau are internal audit and counter fraud. The original contract was for 10 years (with options to extend by a further five years) and was due to end on 31 March 2019. In March 2018 the Chief Executive made an officer decision to extend the contract by 1 year to take the Council through to 31 March 2020.
5. Veritau was formed for the primary purpose of delivering and enhancing assurance services provided to the shareholding councils. To fulfil this aim the council relies upon the Teckal exemption which enables us to procure these services directly from Veritau without tendering. This also enables control over the delivery of services. The new arrangement would continue to comply with Teckal arrangements as set out in the Public Contracts Regulations 2015.

Analysis

6. The draft Executive report is attached as an annex and sets out the rationale for the original creation of the shared service, along with information on costs, benchmarking and alternative options.
7. As Members of this Committee are aware, Veritau have recently had an external assessment. The outcome of this assessment is reported elsewhere on this agenda.

Further analysis in addition to previous report

8. At the December meeting Members of the Committee requested some further analysis to be undertaken in the following areas;
 - Costs and implications of alternative options
 - Results of external assessment of internal audit
 - Management arrangements at other councils
 - Further consideration of proposed contract length
9. More work has been done to estimate the potential costs of the alternative options and the draft Executive report now includes a table of the options with the costs, advantages and disadvantages listed more clearly (paragraph 33).
10. The results from the external assessment are included in a report elsewhere on this agenda and are summarised in the draft Executive report (paragraph 26).
11. Information on management arrangements at other councils has been shared with committee members and a summary is shown in the table below.

Yorkshire & Humber	Number of councils
Shared service	9
Internal	11
Reporting to:	
S151	20

English Unitaries	
Shared service	17
Internal	30
External provider	3
Reporting to:	
S151	43
Chief Exec	4
Not known	3

12. Members are reminded that the council's section 151 officer is responsible, under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the council's financial affairs. The work of internal audit is therefore an important source of information for the Director in discharging their statutory duties. Professional guidance issued by CIPFA requires the provision of an effective internal audit function to fulfil the responsibilities under section 151 of the Local Government Act 1972.
13. Since the last report, the Chief Executive has progressed with a restructure of the Customer and Corporate Services directorate and has received initial approval from Staffing Matters & Urgency Committee to implement a revised corporate services management structure. The proposals will ensure that the Corporate and Customer Services of the Council are effective and resilient to support frontline services and are responsive to addressing future financial, governance and customer challenges to ensure we continue to deliver improved outcomes for residents and communities.
14. The restructure will strengthen governance arrangements and include a separation of functions between the statutory roles in the Council. A separate report will be brought to Audit & Governance Committee on the controls and assurances that will be in place within any new structure.
15. In relation to the proposed contract length of 10 + 5, benchmarking with other shared services has identified that there is no particular standard or usual contract length. Of the 12 shared service models examined, 9 either had no

time limit or were on a rolling agreement and the remaining 3 had agreements for either 3, 5 or 6 years all with options to extend.

16. The 10 + 5 agreement is proposed both to be consistent with the other councils within the current shared service and to give Veritau, as a small local supplier, some certainty and to allow the company to plan business activity over a longer period. It is worth noting that the council can withdraw from the service at any time by giving 12 months notice.

Implications

Financial Implications

17. The annual budget for internal audit and fraud services is £566k. The service specification outlined in annex 1 can be delivered within this approved budget.

Human Resources (HR)

18. There are no HR implications.

Legal

19. The Council can make a direct award to Veritau Ltd without undergoing a procurement process while it remains a Teckal compliant company. This requires the Council to exercise similar control over the company as it does over its own departments, that at least 80% of the activities of the company are those entrusted to it by the shareholding Councils and that there is no direct capital participation from the private sector in Veritau.

Other

20. There are no other One Planet Council, equalities, crime and disorder, information technology, property or other implications.

Risk Management

21. An assessment of risks has been completed and there are no significant risks to highlight.

Contact Details

Author:	Chief Officer responsible for the
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	report:		
Debbie Mitchell Finance & Procurement Manager Ext 4161	Mary Weastell Chief Executive		
	Report Approved	✓	Date 28 Jan 2019
Wards Affected: <i>All</i>			
<i>For further information please contact the author of the report</i>			

Annex 1 – Draft Executive Report and service specification

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Executive**To be confirmed**

Report of the Chief Executive

Internal Audit**Purpose of Report**

1. This report seeks approval for a new contract for internal audit and counter fraud services for the period 2020-30.

Recommendation

2. Executive is asked to:
 - i. Agree to enter into a new 10 year contract with Veritau, with an option to extend for a further 5 years
 - ii. Agree the outline service specification as set out in annex 1

Reason for recommendation:

To provide a value for money internal audit and counter fraud function to the Council.

Background

3. The Public Sector Internal Audit Standards (PSIAS) define internal audit 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.
4. The PSIAS go on further to outline a number of core principles that should be present in any internal audit function:
 - i. Demonstrates integrity.
 - ii. Demonstrates competence and due professional care.
 - iii. Is objective and free from undue influence (independent).
 - iv. Aligns with the strategies, objectives, and risks of the organisation.
 - v. Is appropriately positioned and adequately resourced.

- vi. Demonstrates quality and continuous improvement.
 - vii. Communicates effectively.
5. In 2009 the Council decided to deliver internal audit and related assurance services through a company, jointly owned with North Yorkshire County Council. Veritau Limited was formed in 2009 by both Councils to share internal audit, counter fraud and information governance services between the councils. The arrangement addressed a number of concerns around capacity for providing effective services in-house, including cost of services, ability to respond to changing service delivery models and recruitment and retention of high quality audit staff. It also delivered a number of other advantages, which are set out in the analysis section of the report. Each council has a 50% share in the company. The company established a subsidiary company in 2012, Veritau North Yorkshire (VNY). VNY is owned by Veritau and four of the North Yorkshire District Councils. The combined group operates as a single business.
6. The council no longer buys information governance services from Veritau, so the main services provided are internal audit and counter fraud. The original contract was for 10 years (with options to extend by a further five years) and was due to end on 31 March 2019. In March 2018 the Chief Executive made an officer decision to extend the contract by 1 year to take the Council through to 31 March 2020.
7. Veritau was formed for the primary purpose of delivering and enhancing assurance services provided to the shareholding councils. To fulfil this aim the council relies upon the Teckal exemption which enables us to procure these services directly from Veritau without tendering. This also enables control over the delivery of services. The new arrangement would continue to comply with Teckal arrangements as set out in the Public Contracts Regulations 2015.

Consultation

8. This report has been considered by Audit and Governance Committee on 5th December 2018 and 6th February 2019. Members of the committee requested further information which is now included in this report. Specifically they requested further analysis of the following;
- i. Costs and implications of alternative options
 - ii. Results of the external assessment of internal audit
 - iii. Management arrangements at other councils and

- iv. Further justification and consideration of the proposed contract length.

Analysis

9. Proposals for sharing assurance services between City of York Council and North Yorkshire County Council were first suggested in 2007. A number of options for the delivery of a shared service were explored and in 2009 the Executive at each council approved the formation of Veritau Limited, and the transfer of services and staff to the company.
10. There were a number of drivers for the change, and benefits in sharing services. These included the following.
 - i. Increased security of service provision including resilience and capacity: the teams at both councils had experienced problems filling vacancies in professional assurance roles. Combining the services across a bigger team enabled resource pressures to be spread and the risks to be more effectively managed. The combined team is better placed to manage issues caused by staff vacancies and unexpected service demands. It also gives greater flexibility to respond to changing priorities, initiatives and new working practices dictated by professional standards. Reliance on key members of staff for the delivery of services had also been an issue and the new arrangement improved the scope to manage succession planning and mitigate risks around service continuity.
 - ii. Achievement of economies of scale by sharing overheads and reducing unproductive time: for example, through reducing overall management overheads, using a single audit management IT system and combining procedures. The councils recognised the need to improve the quality of services and making efficiency savings through sharing services and reinvesting this in the team was a way to achieve this. It also enabled effectiveness to be increased by sharing best practice and developing expertise which could be shared across sites for example through the development of common approaches to audits.
 - iii. Enhanced focus on service delivery and quality through the development of a dedicated professional services function with a separate identity, and a vision and brand linked to the delivery of high quality assurance services.

- iv. Greater staff satisfaction and retention as a result of enhanced career opportunities and the ability of staff to specialise and gain broader experience as part of a larger team.
 - v. A greater opportunity to develop specialist knowledge within the company and reduce reliance on expensive bought-in services (for example IT audit). This was not possible within the smaller teams operated by each council.
 - vi. A more innovative approach, which could generate improvements by being given greater flexibility in managing services.
11. The formation of a company controlled by the council was the preferred option as it achieved a number of key aims.
- i. It enabled each council to exercise a high degree of control and influence over the services in the future.
 - ii. By maintaining control, it enabled them to be satisfied that the company would continue to provide sufficient and continuing access to the services.
 - iii. It represented a genuinely equal partnership between the councils.

Success of company model

12. The company model for sharing services has achieved the aims set out in the original business case and has delivered the expected benefits, as set out below.
13. Veritau was one of the first shared assurance services partnerships nationally. As financial pressures on councils have continued to grow over the last eight years, many in-house internal audit teams have faced reductions in their resources. In some cases, to levels which threaten their ability to deliver a service which meets statutory requirements - particularly at smaller councils. Nationally, more local authorities are joining shared service arrangements as a way to manage this risk. This approach has also been replicated by central government which has established a single shared service for internal audit. Councils have also had their capacity to investigate fraud significantly reduced since the transfer of benefit investigation services to the DWP as part of the Single Fraud Investigation Service Initiative. In their 2016 Counter Fraud and Corruption Tracker, Cipfa reported that 10% of the public sector organisations

they had surveyed (mainly local authorities) had no dedicated counter fraud resource.

14. Similar pressures faced by the shareholding councils have led to reductions in the level of service required from Veritau since it formed. For example, the level of service provided to NYCC and CYC by Veritau Limited has fallen by 25% since 2009, across the range of service areas. The company has been able to manage this reduction in demand whilst still maintaining professional standards and high levels of customer satisfaction. This is possible because as a larger entity it has been able to absorb the reductions through:
- i. varying the numbers of employees engaged in service delivery across each client and targeting the mix of services most needed by the clients (for example to meet increases in demand for information governance and counter fraud services across a number of councils)
 - ii. selling services to external clients to maintain and expand the overall size of the business - this ensures that the overall infrastructure needed to maintain high quality services can continue to be supported.
15. As a larger entity, the group has also been able to manage short term fluctuations in demand and resource pressures. For example those caused by employee absences or requests for additional work. Veritau employees work across multiple sites and are moved around as needed to meet the demand for work.
16. The company model provides economies of scale across a range of areas. A number of examples are set out below.
- i. A low ratio of management and administration overheads to direct costs compared to smaller in-house teams.
 - ii. Common IT audit and fraud management systems in use across all clients - the use of remote access means that systems can be accessed from any site.
 - iii. Unified procedures are in place for the delivery of services as far as possible. This means that employees can undertake work interchangeably at all sites. It also means that changes in practice can be managed centrally - for example updates required to reflect changes in internal audit standards.
 - iv. Common work programmes are used across clients where possible, which makes delivery of work more efficient.

17. Undertaking work across a number of organisations has also brought other benefits. For example auditors that have developed knowledge and expertise in a specific service area at one site are used to undertake work more effectively at other clients. Veritau is also able to support the sharing of knowledge and good practice across clients where appropriate.
18. Veritau has developed a strong and growing identity as a public sector assurance services provider. When first formed, the company inherited five contracts to provide internal audit services to external bodies. These organisations were all based in the North Yorkshire area. Veritau currently provides services to more than 20 public sector bodies, including work in the North West and the Midlands. Veritau is often approached by other councils to undertake audit assignments, often of a complex or sensitive nature.
19. In 2010, Veritau was awarded the Cliff Nicholson award for Excellence in Public Service Audit by Cipfa in recognition of its innovative approach to sharing services.
20. Since then, Veritau has also been shortlisted on a number of occasions for innovation and excellence awards by Public Finance and the Institute of Revenues Rating and Valuation (IRRV).
21. Recruitment and retention continues to be an issue across the range of Veritau services. As a Teckal company, pay structures are closely aligned to local government rates. This presents a challenge as pay rates in the wider private sector are often significantly higher for similar roles. To help address this, the company places a strong emphasis on being a good employer and uses the flexibility it has as a private company to make it attractive to current and prospective staff. For example:
 - i. The group has been accredited as an investor in people since June 2011.
 - ii. The company operates a performance related pay scheme which offers all employees an opportunity to earn additional pay as a reward for good performance.
 - iii. The company offers a high degree of flexibility around working patterns and home working.
 - iv. The company offers a choice of pension provision.
 - v. The client base and range of services offers staff the opportunity to gain wider experience in different organisations and areas.

- vi. The company invests a significant amount in training and development - professional training is a particular strength.
22. To address issues with recruiting qualified professional staff (one of the drivers for forming Veritau) the group has taken an innovative approach based on the recruitment and internal development of graduate trainees across each service area. Veritau makes a significant investment in professional training - an option not generally available to smaller in-house teams. Bringing in talented trainees on a regular basis helps to maintain a sufficient level of well trained professional staff able to meet the demand for services. As noted above, Veritau's approach to professional training has been recognised by Public Finance and the IRRV for its framework for training and developing staff. A number of former trainees have progressed into senior roles in the company. Veritau has also developed an aspiring manager programme, offering management development opportunities. The first new assistant manager was appointed under this programme in September 2018.
23. In addition to professional training, the company offers opportunities for staff to undertake training in specialist areas. Historically, reliance was placed on expensive bought in support to provide IT audit work at some clients. Over the last few years the company has targeted IT audit training internally and has been able to bring this work in-house. While retention of specialist staff is an issue (because they are attractive to other employers) the group is aiming to address this by increasing capacity and training. A specialist IT audit trainee was appointed in 2017 and training is being provided to a number of other employees.
24. Counter fraud is an area where the company has been particularly innovative. The counter fraud team inherited by Veritau from City of York Council in 2009 was principally a benefit fraud service. Since then the fraud team at Veritau has sought to diversify by broadening the range of investigations undertaken and transforming the service into a corporate fraud team. In its former role as a benefit fraud team, there was little scope to directly support councils through reducing losses - councils lost subsidy on benefit fraud overpayments and in most cases, customers were unable to pay overpayments identified.
25. Focussing on other types of fraud affecting councils has meant that the team can concentrate on cases which make real savings. The level of benefit fraud investigated fell steadily between 2011 and March 2016, when responsibility for investigation transferred to the DWP. The change in focus has resulted in

increases in real cash savings identified as a result of counter fraud work. In the last two years, counter fraud activity has yielded cash savings of £347k (2016/17) and £298k (2017/18) for the council. For 2018/19 (up to 30 September 2018) savings of £216k have been realised.

26. In accordance with the relevant auditing standards, the council must regularly review the effectiveness of its internal audit function. This review has recently been completed and the outcome reported to Audit & Governance Committee in February 2019. The review identified many positive observations and recommended some areas for further consideration. However, overall no concerns were raised regarding the performance of Veritau.

Value for Money

27. Charges for services to the member councils are based on a day rate - which is industry wide practice for this type of work. Rates have remained competitive since the creation of the company. In 2009/10 (the first year of operation) the rate charged was £225 per day. For 2018/19, the rate is £249 per day - an increase of only £24 per day (10.7%). Over the same period, CPI has risen by 22.6%.

28. In the latest benchmarking information available from Cipfa, the average cost of internal audit per chargeable day for the local authorities taking part in the exercise was £300. In 2017/18 further benchmarking was undertaken with a number of other providers who are part of the Audit Together shared services network. This identified a range of costs from £265 up to £301 that were directly comparable to the £244 per day charged by Veritau last year.

The proposal

29. Officers have reviewed the Councils requirements from its internal audit and counter fraud service and a draft specification is included as an annex to this report. The specification has been written to reflect the current operating context and the requirement for the Council to continue to improve and enhance the services concerned.

30. The key points in the service specification include:

- i. key performance indicators that can be monitored throughout the life of the contract
- ii. Ongoing delivery of efficiency savings

- iii. Maintaining a strong client relationship
- iv. Continued representation on the Veritau board.

31. Where appropriate, the targets to achieve have been increased from the current contractual arrangements to ensure the Council continues to receive timely and accurate reports that add real value.

32. The benchmarking with other councils included looking at management arrangements. Of the 70 councils examined, 26 had a shared service, 41 had an internal team and 3 used an external provider. Of the councils with a shared service they all had similar arrangements to the council in that they reported to the s151 officer, except 1 where the reporting line was direct to the Chief Executive.

Shared service	26	
Internal service	41	
External provider	3	

33. It is proposed to agree a new 10 + 5 year contract with Veritau. Benchmarking with other shared services has identified that there is no particular standard or usual contract length. Of the 12 shared service models examined, 9 either had no time limit or were on rolling agreements and the remaining 3 had agreements for either 3, 5 or 6 years all with options to extend. The 10 + 5 agreement is therefore proposed both to be consistent with the other councils within the current shared service and to give Veritau, as a small local supplier, some certainty and to allow the company to plan business activity. It is worth noting that the council can withdraw from the service at any time by giving 12 months notice.

34. The company will continue to be held accountable by the Council Shareholder Committee, reporting the business plan and budget for the year ahead and the outturn position by presenting its accounts to the Committee.

Options

35. A number of different options have been considered and are set out in the table below.

Option	Costs	Advantages / disadvantages
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ANNEX 1

1	Continue with Veritau model – recommended option	£500k	<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Service resilience and capacity • Economies of scale • Quality of service delivery • Access to wider / specialist resources • Control over service through shared ownership of company <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • None identified
2	In house service – the problems originally sought to be addressed through the shared service will continue to exist. It would also not be possible for the council to maintain the same level and quality of service without increasing cost.	Approx £650k plus implementation costs estimated at £250k	<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Quality of service delivery • Scope of service easily changed <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Increased cost • Lack of resilience • Likely to be more difficult to recruit & retain staff in smaller team • Access to specialist resources limited • Reduced opportunity to share knowledge / experience with neighbouring councils • Cost of implementation (purchase of IT system, HR and legal costs, TUPE etc.)
3	Seek another vehicle for delivery of shared service - The options for delivery of the service remain broadly the same as when Veritau was created and the arguments for maintaining the company model remain valid. The other member councils all remain	£500k plus implementation costs estimated at £150k	<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Service resilience and capacity • Economies of scale • Quality of service delivery • Access to wider /

ANNEX 1

	committed to the Veritau model		<p>specialist resources</p> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Risks to stability of current arrangements • Any changes in scope of service would require contractual negotiation • Continuity of staffing not guaranteed • Increased ongoing cost • Significant costs in winding up, negotiating and creating a new vehicle with the other member councils • Cost of implementation (HR, legal costs, TUPE etc.)
4	Procure external service provider	Approx £540k plus implementation costs estimated at £150k	<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Service resilience and capacity • Economies of scale • Quality of service delivery • Access to wider / specialist resources <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Continuity of staffing not guaranteed • Increased ongoing cost • Cost of implementation (tendering, TUPE, etc) • Any changes in scope would require changes to contract • Less certainty over costs in longer term • Lack of control over service

36. Options 2, 3 and 4 have been discounted on the basis of additional cost (for which budget would need to be identified) and disruption to service. As

outlined in paragraphs 27 to 28 the benchmarking of other audit services demonstrates that the charges from Veritau are already competitive. It is considered that any procurement exercise would not drive out further value.

Council Plan

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

Implications

Financial Implications

38. The annual budget for internal audit and fraud services is £500k and the service specification outlined in annex 1 can be delivered within this approved budget. This is less than the estimated cost of the alternative options outlined above.
39. It is difficult to accurately cost the alternative options outlined in paragraph 33, as there are many different factors and possible outcomes to consider. The costs are therefore broad estimates based on informal discussions with Councils who currently use external providers, knowledge of rates charged elsewhere and assuming a similar level of service to that currently received. In addition to the ongoing costs included in the table above, there would also need to be a period of dual running with an in house team and Veritau to allow for a proper handover, along with costs of buying an internal audit ICT system and other set up costs. Overall, it is difficult to see how this could be delivered within current resources and therefore additional budget would need to be identified to cover the set up and transition costs. In addition, there would be legal costs associated with the transfer arrangements of Veritau staff into the Council.
40. As outlined in paragraphs 27 and 28, the current arrangements are very cost effective. The average paid by other Councils is some 20% higher than our current costs. Therefore seeking an alternative service delivery vehicle is unlikely to deliver any cost savings but would have the added cost of re procurement.

Human Resources (HR)

41. There are no HR implications if the recommended option is agreed. Under options 2, 3 and 4 TUPE would apply and this would result in uncertainty for staff and potential disruption to service delivery.

Legal

42. The Council can make a direct award to Veritau Ltd without undergoing a procurement process while it remains a Teckal compliant company. This requires the Council to exercise similar control over the company as it does over its own departments, that at least 80% of the activities of the company are those entrusted to it by the shareholding Councils and that there is no direct capital participation from the private sector in Veritau. The alternative proposals would all require some legal resource to extract the council from the Veritau company along with support to procure a new supplier.

Other

43. There are no other One Planet Council, equalities, crime and disorder, information technology, property or other implications.

Risk Management

44. An assessment of risks has been completed and there are no significant risks to highlight.

Contact Details

Author:	Chief Officer responsible for the report:		
Debbie Mitchell Finance & Procurement Manager Ext 4161	Mary Weastell Chief Executive		
	Report Approved		Date
Wards Affected: All			
<i>For further information please contact the author of the report</i>			

Annex 1 – Service specification

Service Specification

Address of Parties

Veritau – registered office is at West Offices, Station Rise, York, YO1 6GA

City of York Council - West Offices, Station Rise, York, YO1 6GA

Services and Service Levels

Internal Audit Services (Core Service)

To provide an internal audit service in accordance with the Public Sector Internal Audit Standards and CYC's Audit Charter. The service will comprise an annual programme of work agreed by the council's s151 Officer and approved by the Audit and Governance Committee (or equivalent). The programme of work will include follow up reviews and other assurance related activities. Changes to the programme of work during the year will be agreed by the s151 Officer and reported to the Audit and Governance Committee (or equivalent). The results of internal audit work will be reported to senior management and the Audit and Governance Committee in accordance with agreed protocols.

To provide advice, guidance and training on governance and control related matters to CYC officers and Members.

To support officers in the maintenance and update of codes and policies associated with the council's framework of governance and control (as required).

To attend and contribute to corporate and directorate working groups (as required).

To undertake investigations, reviews and such other work as instructed by the council's s151 Officer or his/her nominated representative.

Counter Fraud Services (Core Service)

To provide a counter fraud service. The service will comprise an annual programme of work agreed by the council's s151 Officer and approved by the Audit and Governance Committee (or equivalent). The programme of work will include proactive exercises to identify possible fraud and the investigation of suspected fraud cases referred to the company. This will include local and national data matching exercises.

To support officers in the maintenance and update of the council's counter fraud policies (as required).

To provide advice, guidance and training to CYC officers and Members on measures to manage the risk of fraud and corruption.

To undertake a programme of activities to raise awareness of fraud issues amongst staff and the public. Activities will include targeted fraud awareness training and organising counter fraud publicity (both internal and external).

Other Assurance Related Services

The Council may request other related assurance services (including Information Governance and Risk Management support services) from Veritau on an ad-hoc basis. The scope and duration of the work will be agreed by the client officer in advance.

As outlined in the key performance indicators section below, annual targets will be agreed by the s151 Officer and reported to the Audit and Governance Committee (or equivalent).

Notices

City of York Council - West Offices, Station Rise, York, YO1 6GA

For the attention of Debbie Mitchell – Corporate Finance and Commercial Procurement Manager

Veritau – registered office is at West Offices, Station Rise, York, YO1 6GA

For the attention of Max Thomas – Director and Head of Internal Audit

Pricing

Part 1 - Fees

The Fees for the Service are calculated as follows:

Each year the annual fee will be calculated by reference to the agreed programme of work for core services (expressed in days) multiplied by the agreed daily fee rate.

The daily fee rate will be agreed by the s151 Officer or his/her nominated representative at the start of each financial year. The daily fee rate may be increased annually to reflect changes in the rate of inflation and/or the local government pay award.

In addition to the Core Services, the s151 Officer or his/her nominated representative may commission additional services from the company. The daily fee rate will apply to any additional services provided. The basis for calculating the charge will be agreed in advance (and may include a fixed fee or a variable charge based on the volume of work).

Part 2 – Payment

The annual fee for the Service will be invoiced in 4 equal instalments, quarterly in advance.

Additional fees will be invoiced separately once the work is completed.

The fees referred to in Part 1 are exclusive of VAT.

Key Performance Indicators

The following are indicative for year 1 (2020/21). Updated performance indicators will be agreed on an annual basis to ensure continued performance and to reflect any changes in Public Sector Audit Standards.

- Agreement of the Internal Audit Plan and work programme by 30th April each year prior to approval by Audit & Governance Committee
- To deliver 93% of the agreed Internal Audit Plan [increased from 90%]
- To achieve a positive customer satisfaction rating of 95%
- In the case of essential audit recommendations, support the Council to ensure that 95% are implemented [increased from 90%]
- Ensure any requests for advice receive an initial response within 5 working days
- Ensure that at least 30% of investigations completed result in a positive outcome (management action, benefit stopped or amended, sanction or prosecution)
- To identify actual fraud savings of £200k (quantifiable savings)
- Agreement of the Counter Fraud Plan and programme of work by 30th April each year, prior to approval by Audit & Governance Committee. The Counter Fraud Strategy must include a list of key policies and a schedule of their review dates.

Reporting requirements

Veritau will report to the Council Shareholder Committee at least twice a year to cover the approval of both the annual business plan and the year end outturn report.

The following reports will also be presented to Audit & Governance Committee on a regular basis:

- Consultation on annual audit work plan
- Regular progress reports
- Reports of progress made by the council in implementing action agreed to address control weaknesses
- Annual report of the Head of Internal Audit
- Annual updates of counter fraud policy framework and counter fraud risk assessment

Regular contract monitoring meetings will be held with the section 151 officer, or the deputy section 151 officer as appropriate.

Veritau will endeavour to meet any reasonable requests for further information or additional reporting requirements.



Audit and Governance Committee

6 February 2019

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

Audit & Governance Committee Forward Plan to December 2019**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2019.

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 December 2019. 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 two amendments to the forward plan since the last version was presented to the Committee in December.
4. The approval of the Internal Audit plan has both been added to the Agenda for the next meeting in March.
5. At previous meetings, this Committee has expressed a need for the Council's Constitution to be reviewed. At its meeting on 20 June 2018, the Committee agreed to refer such a review to the Corporate & Scrutiny Management & Policy Committee (CSMC). At that time CSMC already had a Scrutiny Review Task Group underway looking at scrutiny operations. CSMC is still actively concluding that work and will be taking its recommendations to CSMC on 11 March. If any constitutional changes are recommended to scrutiny structures, these will need to go to Council on 21 March. The March meetings of both CSMC and Council are the last prior to purdah. CSMC is committed to completing the remaining review work, within those timescales, which

it had already started prior to the wider constitutional review Audit & Governance Committee recommended it should undertake.

6. Under the work plan business, the Chair of CSMC will raise at its next meeting on 11th March 2019 that a wider constitutional review has been recommended by A&G Committee and, as such, the newly formed CSMC (June 2019) may wish to allocate time and resources to prioritise that review post election, subject to an agreed remit. Consideration will be given to co-opting Members of this Committee onto that review when CSMC are able to commit to undertaking this wider review post election.

Consultation

7. 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

8. Not relevant for the purpose of the report.

Analysis

9. Not relevant for the purpose of the report.

Council Plan

10. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

11.
 - (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

12. 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

13. (a) The Committee's forward plan for the period up to December 2019 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:

Chief Officer Responsible for the report:

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Deputy Chief Executive/Director of
Customer & Corporate Services
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**Report
Approved**



Date 29 Jan 2019

Specialist Implications Officers

None

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 December 2019

Audit & Governance Committee Draft Forward Plan to December 2019

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

Item	Lead officers	Other contributing Organisations	Scope
Committee 6th March 2019			
Scrutiny of the Treasury Management strategy statement and Prudential indicators	<u>CYC</u> Debbie Mitchell		To provide an update on treasury management activity for the first six months of 2018/19
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		To present a report summarising the outcome of the 2017/18 audit and work on the value for money conclusion.
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – Max Thomas/ Richard Smith		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
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2018/19 and on current counter fraud activity
Approval of Internal Audit Plan	<u>Veritau</u> – Max Thomas/ Richard Smith		
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR6 – Health and Wellbeing: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.

Committee June 2019			
Draft Statement of Accounts incl. Annual Governance Statement	<u>CYC</u> Emma Audrain/ Debbie Mitchell		To present the draft Statement of Accounts to the Committee prior to the 2017/18 Audit including the Annual Governance Statement
Annual Report of the Audit & Governance Committee	<u>CYC</u> Emma Audrain/ Debbie Mitchell		To seek Members' views on the draft annual report of the Audit and Governance Committee for the year ended 6 th March 2019, prior to its submission to Full Council.
Treasury Management Outturn Report	<u>CYC</u> Emma Audrain/ Debbie Mitchell		To provide Members with an update on the Treasury Management Outturn position for 2017/18.
Mazars Audit Progress Report	<u>Mazars – Gareth Davies/ Jon Leece</u>		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Annual Report of the Head of Internal Audit	<u>Veritau – Max Thomas/ Richard Smith</u>		This report will summarise the outcome of audit and counter fraud work undertaken in 2017/18 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR7 – Capital Programme: Failure to deliver the Capital Programme which includes high profile projects
Committee July 2019			
Mazars Audit Completion Report	<u>Mazars – Gareth Davies/ Jon Leece</u>		Report from the Councils external auditors setting out the findings of the 2018/19 Audit.
Final Statement of Accounts 2018/19	<u>CYC</u> Debbie Mitchell/ Emma Audrain		To present the final audited Statement of Accounts following the 2018/19 Audit.
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR 8 - LOCAL PLAN: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding

Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Review of the effectiveness of the Audit & Governance Committee	<u>Veritau –</u> Max Thomas/ Richard Smith		Review of the effectiveness of committee - committee to determine approach.
Review of the Constitution	CYC Monitoring Officer		Review of the Constitution as referred to CSMC
Committee September 2019			
Mazars Annual Audit Letter	<u>Mazars –</u> Gareth Davies/ Jon Leece		Report from the Councils external auditors setting out the findings of the 2018/19 Audit.
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR 9 - COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau –</u> Max Thomas/ Richard Smith		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
Internal Audit & Fraud Plan Progress Report	<u>Veritau –</u> Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2019/20 and on current counter fraud activity
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Committee December 2019			
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR 10 – WORKFORCE/ CAPACITY: Reduction in workforce/ capacity may lead to a risk in service delivery
Mazars Audit Progress Report	<u>Mazars –</u> Mark Dalton/ Mark		To present a report summarising the outcome of the 2018/19 audit and work on the value for money conclusion.
Treasury Management Mid	<u>CYC</u>		To provide an update on treasury management activity for the first

year review 19/20 and review of prudential indicators	Debbie Mitchell		six months of 2019/20
Internal Audit & Fraud progress report	<u>Veritau –</u> <u>Max Thomas/</u> <u>Richard Smith</u>		An update on progress made in delivering the internal audit work plan for 2019/20 and on current counter fraud activity
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Other Items to be brought to the Committee - date			