

**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, 5 December 2018
- Time:** 5.30 pm
- Venue:** The Snow Room - Ground Floor, West Offices (G035)

AGENDA

1. Declarations of Interest

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

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

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

2. 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 **5:00pm on Tuesday 4 December 2018.**

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

Filming, Recording or Webcasting Meetings

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

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

3. Minutes (Pages 1 - 14)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 19 September 2018.

4. Key Corporate Risks Monitor (incl KCR5 - Safeguarding) (Pages 15 - 46)

This paper presents the Committee with an update on the Key Corporate Risks (KCRs) for City of York Council. This includes a detailed analysis of KCR5 (Safeguarding) at Annex B.

5. Mazars Annual Audit Letter (Pages 47 - 60)

The paper attached at Annex A from Mazars, the Council's external auditors, summarises the outcome of their audit of the Council's 2017/18 annual accounts and their work on the value for money conclusion.

6. Mazars Audit Progress Report (Pages 61 - 74)

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

7. Scrutiny of Treasury Management Mid Year Review and Prudential Indicators 2018/19 (Pages 75 - 94)

Attached at Annex 1 is the Treasury Management Mid Year Review and Prudential Indicators 2018/19 report presented to November Executive. This information provides Members with an update of treasury management activity for the first six months of 2018/19.

8. Internal Audit & Counter Fraud Monitoring Report
(Pages 95 - 120)

This report provides an update on progress made in delivering the internal audit workplan for 2018/19 and on current counter fraud activity.

9. Information Governance & Complaints (Pages 121 - 156)

This report provides Members with updates in respect of:

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

10. Internal Audit Service Contract (Pages 157 - 176)

This report seeks the Committee's view on the Draft Executive Report, attached at Annex A, regarding the new internal audit services contract for the period 2020-30.

11. Forward Plan (Pages 177 - 184)

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

12. Urgent Business

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

Democracy Officer:

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 جاسکتی ہیں۔ (Urdu)

 (01904) 551550

City of York Council

Committee Minutes

Meeting	Audit & Governance Committee
Date	19 September 2018
Present	Councillors Cannon (Chair), Steward (Vice-Chair), Lisle, Cuthbertson, Kramm, Williams (items 1-8), Mason (items 6-9) Mr Mann and Mr Mendus (Independent Members)

23. 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.

24. Public Participation

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

Michael Hammill, a resident, stated that he had spoken at the previous meeting of the Audit & Governance Committee and despite assurances that his comments had been noted, he had yet to receive a response. He expressed his opinion that the public mistrusted the Council and asked Members what action would be taken and sought assurances for himself and other York tax payers that action would be taken to dismiss Officers who, he considered, gave the Committee the 'run-around'.

Brian Watson, Honorary Alderman and resident, spoke on the minutes of the meeting held on 26 July 2018. He stated that when discussing the LGA report he had made clear he felt the public had a right to know what was said about them in the report procured by the LGA. He stated that there was no reference to this in the minutes of that meeting and wanted this on record.

Gwen Swinburn, a resident, spoke on her ongoing concerns with the internal audits undertaken by Veritau. She stated that the internal audit service was subject to a statutory external evaluation every 5 years which are often 20 pages long

containing careful process, benchmarking and analysis. She was therefore concerned that the Committee had been provided with a 1 paragraph entry on the 2017 internal audit letter stating that an external evaluation had been done in 2014. Ms Swinburn felt that the proposal to do a generic review of Veritau's service, rather than one specific to York, was not providing the rigour that was needed. She asked that this report be referred back for process review. She also highlighted the Taxi Licensing audit and suggested this should have been graded no more than 'limited assurance'. Finally she commented on the fact the report had been redacted, which in her opinion was to cover up staff failures.

25. Minutes

Members considered minutes of the meetings held on 20 June and 26 July 2018.

In respect of the meeting held on 20 June Members requested that the following amendments be made:

- Minute Item 3.

Para 1 – To add the sentence:

'The Chair stated that, although Mr Laverack had withdrawn his registration to speak, he wished for it to be recorded that his complaint regarding how he had been dealt with by the Council had not been answered.'

Signature Block to read:

*Councillor Steward, Vice Chair in the Chair
Councillor Williams, Committee Member in the Chair
during part of the private session*

[The meeting started at 5.30pm and ended at 8.50pm]

In respect of the meeting held on 26 July Members requested that the following amendments be made:

- Minute Item 17.

Para 12 – To add the following bullet:

- *Minute Item 3.*

Para 1 – To add the sentence:

‘The Chair stated that, although Mr Laverack had withdrawn his registration to speak, he wished for it to be recorded that his complaint regarding how he had been dealt with by the Council had not been answered.’

Signature Block to read:

Councillor Steward, Vice Chair in the Chair

*Councillor Williams, Committee Member in the Chair
during part of the private session*

[The meeting started at 5.30pm and ended at 8.50pm]

Members requested that the response of the Chief Executive to matters arising during discussion during agenda item 2 ‘Minutes’ at the meeting of 26 July be published online.

Councillor Steward asked for it to be recorded that, after the minutes had been contested, he was extremely disappointed that it had taken such a long time for them to be published. He also stated it was discourteous that the Chief Executive had taken two months to respond to questions asked by the Committee.

Resolved: That;

1. The minutes of the meetings held on 20 June and 26 July be approved and then signed by the Chair as a correct record, subject to the above amendments;
2. That the response of the Chief Executive to matters arising during discussion under agenda item 2 ‘Minutes’ at the meeting of 26 July be published as a supplement to the online agenda for the meeting of 19 September 2018.

26. Mazars Audit Completion Report

This report from Mazars, the Council’s external auditors, provided Members with outcome of their audit of the Council’s 2017/18 annual accounts and their work on the value for money conclusion.

It was requested that this item be deferred as auditors from Mazars were unable to attend the meeting.

Resolved: That this item be deferred until the meeting on 5 December 2018.

Reason: To enable Mazars auditors to present the completion report to the Committee.

27. Key Corporate Risks Monitor (Incl KCR4 - Changing Demographics)

Members considered a report which presented an update on the key corporate risks (KCRs) for City of York Council (CYC). The Principal Accountant (Corporate Finance) attended the meeting to present the report. The Corporate Director, Children, Education & Communities was also in attendance to answer Member questions on his directorate.

With reference to KCR 4, Officers stated that population growth in the City had put pressure on services and how the Council met its statutory responsibilities. They also highlighted the changing nature of the population, particularly in relation to the complex needs of children and young people.

In response to Member questions they stated:

- They had not been involved in the report on Brexit which was being taken to Executive on 18 October;
- Once the Council understood how the population was changing it could deliver services in the most appropriate way, which potentially meant operating differently;
- In relation to levels of migration referred to on page 59 of the agenda, Officers would provide the Committee with detailed figures;
- When considering the demographic of workforce supply unable to meet workforce demand, there could be more detail around both the skills plan and the stakeholder/Officer group who were working on ways to mitigate this risk;
- An 'asset based approach' meant that the Council would look at the skills and expertise in the City and give consideration to how these could be organised in a slightly different way to provide services which would increase the quality of life for the older population;

- The Local Plan evaluation was ongoing and until that work was complete, and the plan approved, it was hard to plan additional services and infrastructure may be required;
- This report focused on the delivery of statutory services, hence the focus on care workers. It was true that some other areas of the authority had high turnover rates. There was an issue with pay in some of these roles, given how expensive York was as a City; and
- In the opinion of the Corporate Director the Council was an attractive employer.

Members also highlighted the following issues:

- That, as stated at the previous meeting, some of the things listed in the report as risks – for example ‘increased ethnic diversity’ – were actually positives for the City and should be worded differently; and
- That the increase in older people was the biggest and hardest risk to mitigate, particularly given the number of older people moving to the City;

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 KCR4 Changing Demographics included at Annex B;
3. note that the 2018/19 Monitor 3 report will include a detailed analysis of KCR5 Safeguarding.

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

28. Internal Audit Follow Up Report

Members considered 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. The Head of Internal Audit attended the meeting to present the report. He stated that the report detailed actions which were due for implementation in the six months to 31 July 2018. 86 actions had been followed up and the majority had either been implemented, or were redundant or superseded. There were 20 which had not been implemented and, after discussion with the

relevant managers, auditors were satisfied there were valid reasons for the delays and new timescales had been agreed.

In response to Member questions he stated that:

- In future full names of Directorates could be used in reports; and
- Where actions were delayed and auditors had agreed new deadlines, these would be followed up again and managers would be challenged if they were not implemented by the new deadline.

There was also some discussion as to which audit reports the Committee should consider at meetings. There was a suggestion that reports which received 'reasonable' assurance now be considered alongside those receiving 'limited' and 'no assurance'. It was agreed however that, as reports were already sent by email to the Committee, any reports which Members felt should be considered at a meeting could be raised ahead of time.

The Director of Customer and Corporate Services stated that, as the Audit & Governance committee had such a wide remit, Members could take the view that considering an audit report in detail was not their role and suggest that it be considered by a relevant scrutiny committee. This should be done at a public meeting to demonstrate that the Audit & Governance committee had fully considered the matter.

Resolved:

1. That Members considered the progress made in implementing internal audit agreed actions;
2. That Veritau continue to circulate audit reports to the Audit & Governance committee by email.

Reason: To enable the committee to fulfil its role in overseeing the work of internal audit.

29. Audit & Counter Fraud Monitoring Report

Members considered an update on progress made in delivering the internal audit workplan for 2018/19 and on current counter fraud activity. The Head of Internal Audit attended the meeting to present the report. He highlighted the planned external

assessment of internal audit working practices, which was required at least every 5 years.

In response to Member questions he stated that:

- 9% of the audit work plan had currently been completed, compared to 27% the previous year. This was considered 'as expected' because work was being completed as scheduled. Some of the audits were much larger and took more time. It could be that work scheduled during Q1 and Q2 had contained more of these large audits than in previous years;
- It was possible to provide more detail about 'in progress' audits. It was however, difficult to anticipate to which Audit & Governance meetings reports may be presented to;
- There was a requirement that internal auditors be externally assessed. Some councils commissioned external organisations to produce this and many choose to use a 'peer review' approach. Veritau had joined a group which represented councils with very similar shared service arrangements to Veritau. This meant there was a good understanding of operating in this way. There was no cost to the Council and Veritau would go on to assess another organisation;
- This organisation had been selected by the S151 Officers across Veritau's member councils and all councils had been satisfied with the choice. In CYC's case the Deputy S151 Officer was the client as the S151 Officer was on the Veritau board;
- The requirement for an external assessment was introduced in 2013 and Veritau's first assessment was undertaken in 2014. Auditors were given 5 years to comply and Veritau had chosen to do this at a very early stage; many councils were only now having a first assessment;
- There was a standard process to complete one of these assessments and this involved speaking to Officers and Chairs of Audit committees at member councils. It was a thorough and robust process, not merely a summary of internal audit arrangements;
- The assessors on 2014 produced a report which set out recommendations and where practices met professional standards. This was reported to the Audit & Governance committee and actions were taken to address the recommendations;

- Although there had been several chairs of the Audit & Governance committee since the last assessment, this was an assessment of internal audit practices at a point in time, and it was for the assessors to determine who they wished to speak to;
- In relation to counter fraud work, the counter fraud team had exceeded its savings target by 28 August, however it had been a slightly unusual year with a few very good cases and this did not necessarily mean the target was too low or that this level could be sustained. The team were improving in terms of deciding which cases to pursue and services were getting better at referring possible cases of fraud;
- Successful outcomes depended on the type of fraud, this could be disciplinary action, prosecution or recovering financial loss;
- There was no reason to believe that fraud was becoming more prevalent, the figures more likely show that identification and action taken were improving;
- Every attempt was made to recover financial loss to the Council. He did not have detail on recovery levels available but could circulate these to the committee. He highlighted it was important to remember recovery could take years; and
- The savings target was previously higher but had come down in recent years. This figure could be skewed by 1 or 2 cases so it was difficult to set an accurate target. Value was perhaps not the best way to measure the success of the team, for example there was more value in prosecutions and he press coverage of these.

Members then looked in detail at the audit of Taxi Licensing. The Corporate Director - Economy & Place and Head of Public Protection also attended to answer questions relation to the Taxi Licensing Audit. Officers highlighted that they were unaware that this report had been redacted by Veritau until it was brought to their attention by Members. This had been republished as an unredacted version immediately afterward. They went on to explain that this service area had been chosen for audit as the Corporate Director was aware that the service had been under significant pressure, particularly in relation to UBER operating in the City. The taxi trade itself had also been resistant to the Council's attempts to regulate the service. A petition had been received lobbying the Council to remove the requirement for drivers to attend Child Sexual Exploitation (CSE) training.

He went on to state that he did not find the lack of Disclosure and Barring Service (DBS) checks found during the audit acceptable and took action to mitigate that as soon as it was brought to his attention. All drivers had undertaken a DBS check when they were licensed and this was a gold standard measure. However, this was a backwards looking measure and in no means reflected the risk on a given date. If someone was arrested the day after a DBS certificate was received it would not reflect this. The Council did have a close working relationship with the police and there was a requirement to self declare notifiable offences on renewal of a licence. Licences were regularly revoked for offences after notification by the police.

A report would be taken to Gambling, Licensing and Regulatory Committee on 10 December to propose that any drivers who did not engage with the DBS process would have their licences revoked for non compliance.

Members highlighted their concern that there was a lack of reporting to senior Officers and Members, as there must have been an awareness within the department that this was an issue.

In response to Member questions Officers stated:

- This highlighted the importance of rigorous audit, senior Officers could not know what they did not know. However, appropriate managerial conversations had since taken place to highlight situations which needed reporting upward;
- The duty for police to notify the Licensing Authority applied nationwide, but the strongest relationship was with North Yorkshire Police;
- In respect of drivers who held school transport contracts, they were required to hold an Enhanced DBS check and this was administered by Children's Services;
- The decision to redact the report was made by Veritau. CYC were one of very few councils who chose to publish all audit reports and therefore sometimes it was necessary to redact where it was felt there was risk to the Council. Ultimately though it was up to the Council and this is why it had been republished in full;

- Taxi driving was a notifiable occupation and it was common practice for police to ascertain an individual's occupation when detaining them. There was no single organisation or database holding this information and representations had been made to Government on this issue;
- Officers did not have the exact detail on the date the oldest 'out of date' DBS was issued, but would circulate this to the Committee; and
- DBS found it more difficult to issue certificates to individuals who had lived overseas. This required the embassy in those countries to provide a certificate of good conduct. Not every country provided these and in this instance it was a judgement call as to whether the individual passed the 'fit and proper person test'. If Licensing Officers were not content this was the case, applications would be refused.

Resolved: That Members :

1. Note the progress made in delivering the 2018/19 internal audit work programme, and current counter fraud activity.
2. Note the arrangements for the external assessment of internal audit.

Reason:

1. To enable members to consider the implications of audit and fraud findings.
2. To enable members to fulfil their responsibilities for oversight of internal audit arrangements.

30. Information Governance & Complaints

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

- Information governance performance
- General Data Protection Regulation (GDPR) and Data Protection Act 2018
- NHS Digital Information Governance toolkit – annual assessment
- NHS Digital Audit Complaints

The Information Governance & Feedback Team Manager attended the meeting to present the report and answer Member questions. She highlighted that over 90% of both FOI and EIR received a response within 20 working days, which was the Information Commissioners Office (ICO) monitoring level. There were also ongoing improvements to Subject Access Request (SAR) progress and performance. This was set against a background of increasing volume and complexity of requests.

In response to member questions she stated that:

- The complaints report had been taken to CSMC and it had been raised there that further benchmarking figures be provided to allow Members to compare CYC's performance to that of other Local Authorities. However, not all Councils choose to publish performance data and it could be difficult to get other councils to disclose their performance on FOI requests. She confirmed that she would try again to get other councils from across the region to agree to share data;
- She would look into whether historical data and FOI trends could be provided to the Committee to make the data more meaningful;
- There were no internal targets, the team work towards the ICO target;
- ICO decision notices were available on the ICO website but this could be difficult to navigate so she would look at how these could be provided as a summary report to the Committee;
- In relation to a question on data breaches which had been reported during the Citizen Audit, she would have to take this away as she was not aware of every instance. She would respond to this query via email;
- The ICO had found against the Council's application of the exemption Section 14 on 3 cases. There had been 4 cases where Section 14 had been used and on one case the ICO fully agreed with the Council's use of this section. The Deputy Chief Executive confirmed that any future response to these FOI's would be circulated to Members;
- In the Local Government and Social Care Ombudsman (LGSCO) annual letter there was reference to use of Section 32 notices. In last year's annual letter the Ombudsman had expressed concern over the Council's use of Section 32 confidentiality notices. Such notices are used when a Local Authority consider it inappropriate for

data to be disclosed to third parties during the course of the LGSCO's investigation of a complaint. CYC has previously issued these notices when there has been a short timeframe to provide a response to the LGSCO's initial enquiries and no time to fully consider what should or should not be disclosed to a third party. A meeting had taken place with the Assistant Ombudsman responsible for York and since that time no further Section 32 notices had been issued;

- There had been a number of potential breaches notified to the ICO. They had commended the CYC approach to notification, including assessment;
- All FOI's received were included in the reported figures. All FOI's are dealt with and logged, recorded, managed and if necessary issued with a refusal notice. Therefore, even if a request is refused within the 20 day target this is a response in time. This was national practice and within the FOIA;
- She did not have the figure as to how many FOI's were refused because the request was considered vexatious. It should be possible to pull data out of the system to show where different exemptions had been applied and she could circulate this to the Committee; and
- It would take a detailed 'drill-down' into data to see how many of the 10% of FOI's not responded to within 20 days were subsequently deemed as 'vexatious', but could confirm that this was one of the least relied upon exemptions. The FOI's that were not responded to in time were very often the ones which were most complex in nature and it had taken time to gather information, and to decide what could be made public. This information could be made available in the next report.

Resolved: That Members;

1. Note the sustained performance levels
2. Note the work already completed as well as the ongoing work required.

Reason: To ensure the Council meets its information governance and complaint handling and responding, responsibilities.

31. Forward Plan

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

The Mazars Audit Completion Report should be considered at the December meeting.

During discussion of the Forward Plan Councillor Mason referred to an e mail he had sent to the Chair that afternoon about the accuracy of the minutes of the meeting held on 20 June knowing he would be late to the meeting.

He considered the minutes should reflect that there was a view expressed within the debate that the review of the Council's Constitution should be considered by Audit and Governance Committee, given its governance role even though it had been resolved that it was appropriate for it to be considered at Customer & Corporate Services Scrutiny Management Committee (CSMC).

The Chair explained to the Committee that a clear decision had been made to pass the review of the Constitution to CSMC and therefore she had chosen not to read out Councillor Mason's comments. No one else had raised at the time of the debate regarding the minutes, which had now been approved.

The Corporate Director of Customer & Corporate Services reminded Members that only Council could make amendments to the Constitution, on the recommendation of the Monitoring Officer. He suggested that there were several ways that the Committee could have an input into a review.

Members highlighted their concern that they had spent months requesting a review of the Constitution and therefore felt that this issue needed further debate.

They requested a report considering ways in which the Audit & Governance committee could be involved in the review of the Constitution by the Customer & Corporate Services Scrutiny Management Committee (CSMC) and the Joint Standards committee.

Resolved: That the forward plan for the period to July 2019 be

agreed, subject to the above amendment.

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 8.10 pm].



Audit & Governance Committee**5 December 2018**

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

Monitor 3 2018/19 - Key Corporate Risks**Summary**

1. The purpose of this paper is to present Audit & Governance Committee (A&G) with an update on the key corporate risks (KCRs) for City of York Council (CYC), which is included at Annex A.
2. A detailed analysis of KCR5 (Safeguarding) is included at Annex B.

Background

3. The role of A&G in relation to risk management covers three major areas;
 - Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risk
 - Keeping up to date with the risk profile and effectiveness of risk management actions; and
 - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management
4. Risks are usually identified in three ways at the Council;
 - A risk identification workshop to initiate and/or develop and refresh a risk register. The risks are continually reviewed through directorate management teams (DMT) sessions.

- Risks are raised or escalated on an ad-hoc basis by any employee
 - Risks are identified at DMT meetings
5. Due to the diversity of services provided, the risks faced by the authority are many and varied. The Council is unable to manage all risks at a corporate level and so the main focus is on the significant risks to the council's objectives, known as the key corporate risks (KCRs).
 6. The corporate risk register is held on a system called Magique. The non KCR risks are specific to the directorates and consist of both strategic and operational risk. Operational risks are those which affect day to day operations and underpin the directorate risk register. All operational risk owners are required to inform the risk officer of any updates.
 7. In addition to the current KCRs, in line with the policy, risks identified by any of the Directorates can be escalated to Council Management Team (CMT) for consideration as to whether they should be included as a KCR. KCRs are reported bi-annually to CMT.
 8. The Risk and Insurance Officer attends DMTs bi-annually to update directorate risks.

Key Corporate Risk (KCR) update

9. There are currently 12 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks.
10. In summary the key risks to the Council are:
 - KCR1 – Financial Pressures: The Council's increasing collaboration with partnership organisations and ongoing government funding cuts will continue to have an impact on Council services
 - KCR2 – Governance: Failure to ensure key governance frameworks are fit for purpose.
 - KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.
 - KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics

- KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
- KCR6 – Health and Wellbeing: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected.
- KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
- KCR8 - Local Plan: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
- KCR9 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
- KCR10 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
- KCR11 – External market conditions: Failure to deliver commissioned services due to external market conditions.
- KCR12 – Major Incidents: Failure to respond appropriately to major incidents.

11. Risks are scored at gross and net levels. The gross score assumes controls are in place such as minimum staffing levels or minimum statutory requirements. The net score will take into account any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex C for reference.

12. The following matrix categorises the KCRs according to their net risk evaluation. To highlight changes in each during the last quarter, the number of risks as at the previous monitor are shown in brackets.

Impact					
Critical			5 (5)		
Major			6 (6)		
Moderate		1 (1)			
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

13. By their very nature, the KCRs remain reasonably static with any movement generally being in further actions that are undertaken which strengthen the control of the risk further or any change in the risk score. In summary, key points to note are as follows;

- New Risks- There are no new risks since the last monitor
- Increased Risks – no KCRs have increased their net risk score since the last monitor
- Removed Risks – no KCRs have been removed since the last monitor
- Reduced Risks – No KCRs have reduced their net risk score since the last monitor

Updates to KCR actions or controls since the last monitor report

14. KCR1 Financial Pressures and KCR11 External Market Conditions. A new control has been added to both of these risks to recognise the Brexit impact- Ongoing analysis of 'no deal' Brexit implications through reports to Executive.

15. KCR4 – Changing Demographics. As discussed in the previous meeting, the York Skills Plan has been added as an additional control. The Skills Plan has a focus on tackling skills gaps and shortages and connecting people to jobs. In particular it has a specific focus on tackling skills and employment gaps in health and care, which are key to addressing the needs of York's ageing population and also to ensuring sufficiency in early years and childcare. A specific strands of activity in the Skills Plan has been to promote apprenticeships which is one way to address workforce supply and demand.

16. KCR5 – Safeguarding. A new control has been added - Interim Director arrangements in place in CEC and HHASC directorates, until permanent replacements start. The action 'New Children's Social Care records system' has a revised completion date from 30/9/2018 to 31/3/2019.

17. KCR6 – Health and Wellbeing. New controls have been added to recognise the improved engagement with the CCG and recognition of the Placed Based Improvement Partnership.

18. KCR9 - Communities. There is already an existing action to refresh the Community Engagement Strategy. The completion

deadline for this has changed from 30/3/2019 to 31/12/2019. A new action has also been added to develop a new framework of consultation across the City to support the existed action on the Community Engagement Strategy.

19. KCR10 - Workforce/ Capacity. New controls have been added to recognise new HR polices in relation to Absence Management and Substance Misuse.
20. KCR12 – Major Incidents. The Health and Wellbeing Board have set up a multi agency Health Protection Committee to deal with communicable disease.
21. Further details on the above are included at Annex A.

Options

22. Not applicable.

Council Plan 2015 - 2019

23. The effective consideration and management of risk within all of the council's business processes helps support achieving 'evidence based decision making' and aid the successful delivery of the three priorities.

Implications

24. There are no further implications.

Risk Management

25. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendations

26. Audit and Governance Committee are asked to:
 - (a) consider and comment on the key corporate risks included at Annex A;

- (b) consider and comment on the information provided in relation to KCR5 Safeguarding included at Annex B;
- (c) note that the 2018/19 Monitor 4 report will include a detailed analysis of KCR6 Health and Wellbeing;
- (d) provide feedback on any further information that they wish to see on future committee agendas.

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

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**Report
Approved ✓**

**Date
23/11/18**

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Wards Affected All

Annexes

Annex A – Key Corporate Risk Register
Annex B – Analysis of KCR5 Safeguarding
Annex C - Risk Scoring Matrix

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 1 FINANCIAL PRESSURES: The ongoing government funding cuts will continue to have an impact on council services. Over the course of the last 4 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities. In addition other partner organisations are facing financial pressures that impact on the council.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Reduction in government grants leading to the necessity to make savings</p> <p>Increased service demand and costs (for example an aging population).</p> <p>Financial pressures on other partners that impact on the council</p>	<p>Potential major implications on service delivery</p> <p>Impacts on vulnerable people</p> <p>Spending exceeds available budget</p>	Probable	Major (20)	<p>Regular budget monitoring</p> <p>Effective medium term planning and forecasting</p> <p>Chief finance officer statutory assessment of balanced budget</p> <p>Regular communications on budget strategy and options with senior management and politicians</p> <p>Skilled and resourced finance and procurement service, supported by managers with financial awareness</p> <p>Efficiency Plan agreed by Executive June 2016 secured funding until 2019/20</p> <p>Financial Strategy 2018/19 approved</p> <p>NEW – Ongoing analysis of 'no deal' Brexit implications through reports to Executive</p>	Possible	Moderate (14)	New Control	Development of budget strategy for 2019-20 (Ian Floyd, 31/01/2019)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 2 GOVERNANCE: Failure to ensure key governance frameworks are fit for purpose. With the current scale and pace of transformation taking place throughout the organisation it is now more important than ever that the council ensures that its key governance frameworks are strong particularly those around statutory compliance including information governance, transparency and health and safety.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increased interactions in relation to FOIA and transparency</p> <p>Failure to comply with data protection and privacy legislation</p> <p>Serious breach of health and safety legislation</p> <p>Failure to comply with statutory obligations in respect of public safety</p>	<p>Increases in cases held or fines levied by Information Commissioner</p> <p>Failing to meet the legal timescales for responding to FOIA may result in reduced confidence in the council's ability to deal with FOIA and in turn, its openness and transparency</p> <p>Individuals will be at risk of committing criminal offences if they knowingly or recklessly breach the requirements of the GDPR legislation.</p> <p>Potential increased costs to the council if there are successful individual claims for compensation as a result of a breach of GDPR legislation.</p> <p>Impact on the end user/customer</p> <p>Public and staff safety may be put at risk</p> <p>Possible investigation by HSE</p> <p>Prohibition notices might be</p>	Probable	Major (20)	<p>Electronic Communication Policy</p> <p>IT security systems in place</p> <p>Governance, Risk and Assurance Group (GRAG)</p> <p>Ongoing Internal Audit review of information security</p> <p>Health and Safety monitoring</p> <p>Regular monitoring reports to Audit & Governance committee and Executive Member decision sessions</p> <p>Open Data platform providing Freedom of Information (FOI) requested data</p> <p>Regular review of transparency code legislation and compliance</p> <p>Ongoing management of data architecture to provide de-personalised data to open data platform</p> <p>Public Protection Annual Control Strategy</p>	Possible	Major (19)	No change	<p>Ongoing Action - Health and Safety training programmes at all levels (Ian Floyd, 31/03/2019)</p> <p>Ongoing Action: regular review of internal audit reviews and recommendations (Ian Floyd 31/03/19)</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	<p>served preventing delivery of some services</p> <p>Prosecution with potential for imprisonment if Corporate Manslaughter</p> <p>Further incidents occur</p> <p>Adverse media/ social media coverage</p> <p>Reputational impact</p>			<p>Additional resource, training and improved processes to deal with FOIA requests</p> <p>Additional resource, training and improved processes to deal with the implementation of GDPR</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 3 EFFECTIVE AND STRONG PARTNERSHIPS: Failure to ensure partnership arrangements are fit for purpose to effectively deliver outcomes. In order to continue to deliver good outcomes and services, the council will have to enter into partnerships with a multitude of different organisations whether they are public, third sector or commercial entities. The arrangements for partnership working need to be clear and understood by partners to ensure they deliver the best possible outcomes.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively monitor and manage partnerships</p> <p>Partner (especially NHS, Academies) financial pressures may affect outcomes for residents</p> <p>Unilateral decisions made by key partners may effect other partners' budgets or services</p> <p>NEW - Financial pressure on York Teaching Hospitals NHS Foundation Trust (YTHFT) and Vale of York Clinical Commissioning Group (VOYCCG)</p>	<p>Key partnerships fail to deliver or break down</p> <p>Misalignment of organisations' ambitions and direction of travel</p> <p>Ability to deliver transformation priorities undermined</p> <p>Adverse impact on service delivery</p> <p>Funding implications</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Account management approach to monitoring key partnerships</p> <p>Internal co-ordination such as Creating Resilient Communities Working Group (CRCWG)</p> <p>Reviewing working approach of Health and Wellbeing Board</p> <p>York Health and Care Place Based Improvement Partnership</p> <p>Safeguarding Board revised governance in place</p> <p>York Central Partnership</p>	Possible	Moderate (14)	Additional Risk Detail	Ongoing action - Monitoring of controls (CMT, 31/03/2019)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 4 CHANGING DEMOGRAPHICS: Inability to meet statutory duties due to changes in demographics. York has a rapidly changing demographic in relation to both residents and business. This brings with it significant challenges particularly in the delivery of adult social care and children's services. There has also been significant inward migration and as such the council needs to ensure that community impacts are planned for and resourced.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Development and regeneration makes York more desirable and accessible to residents, students and business, resulting in increasing inward migration to York.	Increased service demand from residents, including; statutory school placements, SEND, mental health, adult social care and environmental services (eg waste collection)	Probable	Major (20)	Place planning strategy to ensure adequate supply of school places	Possible	Major (19)	New Control	Ongoing Action - Ensure adequate supply of schools places (CYC Place Planning Strategy, Governance Structure) (Maxine Squire, 31/03/2019)
An increase in the aging population requiring services from the council	Increased service demand in relation to business (eg Regulation, Planning)			DfE returns and school population reported every 6 months				
Increase in complexity of needs as people get older	Impact of additional demands cause significant financial and delivery challenges, such as a rise in delayed discharges			Local area working structures in frontline services, including Early intervention initiatives and better self-care				
Increase in people living with dementia	Reputational impact as these mainly impact high risk adult and children's social care service areas			Assessment and Care management review underway, to better manage adult social care demand on CYC				
Increase in ethnic diversity of the population means that the council has to understand the needs of different communities in relation to how services are delivered	Unable to recruit workers in key service areas eg care workers			Advice and Information Strategy underway, to provide residents with direct access to support and services, to better manage adult social care demand on CYC				
Growing number of people with SEND or complex needs living into adulthood				Investment in support brokerage work with NHS integrated commissioning				
Demographic of workforce supply unable to meet				Stakeholder and officer group, to create a more connected and integrated health and social care system.				
				Officer caseload monitoring				
								Further redesign and implementation of new arrangements for early intervention and prevention (Maxine Squire, 31/12/2018)
								Assessment and care management Review (Michael Melvin, 31/03/2019)
								Advice and Information Strategy and Action Plan (Michael Melvin, 31/12/2018)
								Undertake a review to link the Local Plan and Major development

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
workforce demand Failure to plan for the impact of a rapid change in demographics to front line service provision				Internal co-ordination such as Creating Resilient Communities Working Group (CRCWG) NEW – York Skills Plan to 2020				projects to demographic data to determine the impact on all CYC services, start date Dec 18 (CMT, 31/03/19)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 5 SAFEGUARDING: A vulnerable child or adult with care and support needs is not protected from harm. Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organisational and reputational implications of ineffective safeguarding practice are acute.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)	<p>Vulnerable person not protected</p> <p>Children's serious case review or lessons learned exercise</p> <p>Safeguarding adults review</p> <p>Reputational damage</p> <p>Serious security risk</p>	Probable	Major (20)	<p>Safeguarding sub groups</p> <p>Multi agency policies and procedures</p> <p>Specialist safeguarding cross sector training</p> <p>Quantitative and qualitative performance management</p> <p>Reporting and governance to lead Member, Chief Executive and Scrutiny</p> <p>Annual self assessment, peer challenge and regulation</p> <p>Audit by Veritau of Safeguarding Adults processes</p> <p>Children's and Adults Safeguarding Boards (LSCB & ASB)</p> <p>Ongoing inspection preparation & peer challenge</p> <p>National Prevent process</p> <p>DBS checks and re-checks</p> <p>Effectively resourced and well managed service</p> <p>Safeguarding Board annual plan</p>	Possible	Major (19)	New Control	<p>New Children's Social Care records system (Maxine Squire, 31/03/2019)- REVISED DATE</p> <p>Ongoing action Safeguarding Board annual action plan 2019/20 (Michael Melvin, 31/03/2019)</p>

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KEY CORPORATE RISK REGISTER AT M3 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>2018/19 is approved</p> <p>Controls implemented from peer review action plan</p> <p>CORAG (Chief Officer Reference and Accountability Group) which brings together Chief Officers from relevant organisations in relation to safeguarding eg police, CYC</p> <p>Community Safety Plan 2017 to 2020 agreed by Executive 28 Sep 17</p> <p>Completed restructure of Children's social care services</p> <p>NEW - Interim Director arrangements in place in CEC and HHASC directorates, until permanent replacements start</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 6 HEALTH AND WELLBEING: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected. The Council has the responsibility for the provision of public health services, which is a statutory requirement. The Health & Wellbeing Board, brings together local organisations to work in partnership to improve outcomes for the communities in which they work. Poor governance or financial pressures (partners or Council) may lead to failure to adequately perform these functions, resulting in the health and wellbeing of communities being adversely affected.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Outcomes may be difficult to evidence due to longevity</p> <p>Lack of resources: numbers and/or specialist skills</p> <p>Other Council priorities may result in less focus on Health and Wellbeing outcomes</p> <p>Failure to deliver Health and Wellbeing responsibilities</p> <p>Failure to integrate Public Health outcomes</p> <p>Reliance on partners outside of the council's control</p> <p>Partner (eg NHS) financial pressures may effect outcomes</p>	<p>Health and wellbeing of the community adversely affected</p> <p>Key objectives are not delivered</p> <p>Reputational damage</p>	Probable	Major (20)	<p>The Council have oversight of the Health and Wellbeing Board, which has ownership of the Joint Health and Wellbeing Strategy for 2017-2021 and is responsible for monitoring of outcomes through regular progress reports and a performance management framework.</p> <p>A governance structure is in place for delivery of the Joint Health and Wellbeing Strategy</p> <p>The Health and Wellbeing Board is responsible for producing a Joint Strategic Needs Assessment setting out the priorities for health and wellbeing which is regularly refreshed</p> <p>A Public Health Strategy which helps to embed the Health and Wellbeing Board priorities across all areas of the Council's business</p> <p>Embedding the One Planet York's better decision making tool into strategic planning and policy developments to evidence the consideration of potential health and wellbeing impacts.</p> <p>NEW – Improved engagement with the CCG</p> <p>NEW – Placed Based Improvement</p>	Possible	Moderate (14)	New Controls	<p>Development of a Public Health Strategy for 2018 to 2021 (Sharon Stoltz, 31/1/2019)</p> <p>The scope of the strategy has been widened to include key partners, particularly the Vale of York Clinical Commissioning Group. This will require further consultation and engagement and so, as a consequence, the timescale for completion of the strategy and obtaining approval has been changed.</p>

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KEY CORPORATE RISK REGISTER AT M3 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				Partnership				

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 7 CAPITAL PROGRAMME: Failure to deliver the Capital Programme, which includes high profile projects. The capital programme currently has a budget of £360m from 2018/19 to 2022/23. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Complex projects with inherent risks</p> <p>Large capital programme being managed with reduced resources across the Council</p> <p>NEW – Increase in scale of the capital programme, due to major projects and lifting of borrowing cap for Housing</p>	<p>Additional costs and delays to delivery of projects</p> <p>The benefits to the community are not realised</p> <p>Reputational Damage</p>	Probable	Major (20)	<p>Project boards and project plans</p> <p>Regular monitoring of schemes</p> <p>Capital programme reporting to Executive and A&G</p> <p>Financial, legal and procurement support included within the capital budget for specialist support skills</p> <p>Revised Project Management Framework</p> <p>Additional resource to support project management</p> <p>Capital Strategy 2018/19 to 2022/23 approved in Feb 2018</p>	Possible	Moderate (14)	New Risk Detail	Development of capital strategy for 2019-20 (Ian Floyd, 31/01/2019)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

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. The council has a statutory duty to develop a Local Plan, a city wide plan, which helps shape the future development in York over the next 20 years. It sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address our increasing population needs.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Fail to adopt and agree a Local Plan</p> <p>Local Plan adoption process delayed</p> <p>Significant opposition to the plan that may impede its progression</p> <p>The Council has submitted the Local Plan for Inspection and therefore taken a significant step in reducing the risks associated with the Local Plan. However the plan has a public enquiry process to proceed through and the impacts of a failure in the public enquiry phase remain as previous therefore the overall risk score remains unchanged.</p>	<p>Significant negative impact on the council's strategic economic goals</p> <p>Council continues to have no adopted development plan/framework</p> <p>Legal and probity issues</p> <p>Reputational damage</p> <p>Increased resources required to deal with likely significant increase in planning appeals</p> <p>Development processes and decision making is slowed down</p> <p>Widespread public concern and opposition</p> <p>Inability to maximise planning gain from investment</p> <p>Adverse impact on investment in the city</p> <p>Unplanned planning does not meet the authority's</p>	Probable	Major (20)	<p>Continued close liaison with neighbouring authorities.</p> <p>Continued close liaison with MHCLG, Planning Advisory Services and Planning Inspectorate and the appointed planning inspectors</p>	Possible	Major (19)	No change	Ongoing action - Monitoring of controls (Mike Slater, 31/03/2019)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	aspirations of the city Ongoing costs of the preparation of the Local Plan Potential loss of funding if Plan is not approved							

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 9 COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services. The council needs to engage in meaningful consultation with communities to ensure decisions taken reflect the needs of residents, whilst encouraging them to be empowered to deliver services that the council is no longer able to do. Failing to do this effectively would mean that services are not delivered to the benefit of those communities or in partnership.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively engage with the communities we serve</p> <p>Failure to contribute to the delivery of safe communities</p> <p>Failure to effectively engage stakeholders (including Members and CYC staff) in the decision making process</p> <p>Failure to manage expectations</p> <p>Communities are not willing/able to fill gaps following withdrawal of CYC services</p> <p>Lack of cohesion in the planning and use of CYC and partner community based assets in the city</p>	<p>Lack of buy in and understanding from stakeholders</p> <p>Alienation and disengagement of the community</p> <p>Relationships with strategic partners damaged</p> <p>Impact on community wellbeing</p> <p>Services brought back under council provision – reputational and financial implications</p> <p>Budget overspend</p> <p>Create inefficiencies</p> <p>Services not provided</p> <p>Poor quality provision not focused on need, potential duplication, ineffective use of resources, difficulty in commissioning community services e.g. Library services</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>New service delivery models, including Local Area Teams. Local Authority Co-ordination Neighborhood Working</p> <p>Revised Community Safety Plan</p> <p>Devolved budgets to Ward Committees and delivery of local action plans through ward teams</p> <p>Local area working restructures for Children’s, Adults and Housing Services</p> <p>Improved information and advice, Customer Strategy and ICT support to facilitate self service</p> <p>CYC Staff and Member training and development</p>	Possible	Major (19)	New Action	<p>Develop a Community Engagement Strategy (Maxine Squire, 31/12/2019)</p> <p>NEW DATE</p> <p>NEW - New framework of consultation across the City to support the Community Engagement Strategy (Claire Foale 31/3/19)</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 10 WORKFORCE/ CAPACITY: Reduction in workforce/ capacity may lead to a risk in service delivery. It is crucial that the council remains able to retain essential skills and also to be able to recruit to posts where necessary, during the current periods of uncertainty caused by the current financial climate and transformational change. The health, wellbeing and motivation of the workforce is therefore key in addition to skills and capacity to deliver.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>The necessity to deliver savings has resulted in a reduced workforce requiring new and specialist skills</p> <p>Recruitment and retention difficulties as the council may be seen as a less attractive option than the private sector</p> <p>Lack of succession planning</p> <p>HR Policies may not be consistent with new ways of working (eg remuneration policy)</p>	<p>Increased workloads for staff</p> <p>Impact on morale and as a result, staff turnover</p> <p>Inability to maintain service standards</p> <p>Impact on vulnerable customer groups</p> <p>Reputational damage</p> <p>Single points of failure throughout the business</p>	Probable	Major (20)	<p>Workforce Strategy/ People Plan</p> <p>Stress Risk Assessments</p> <p>PDRs</p> <p>Comprehensive Occupational Health provision including counseling</p> <p>HR policies e.g. whistleblowing, dignity at work</p> <p>Development of coaching/ mentoring culture to improve engagement with staff</p> <p>Corporate Cost Control Group monitoring of absence and performance reporting</p> <p>Apprenticeship task group</p> <p>Agency and Interim Staffing Policies</p> <p>NEW – Absence Management Policies</p> <p>NEW – Substance Misuse Policy</p>	Possible	Moderate (14)	New Controls	<p>Develop a comprehensive health and wellbeing policy consolidating all current and planned actions. (Sharon Stoltz, 31/03/2019) –</p> <p>Ongoing action: Review of HR policies to ensure they compliment the new ways of working in the future (Ian Floyd 31/03/19)</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 11 EXTERNAL MARKET CONDITIONS: Failure to deliver commissioned services due to external market conditions.
 The financial pressures experienced by contracted services (in particular Adult Social Care providers) as a result of increases to the living wage could put the continued operation of some providers at risk. The Council has a duty to ensure that there is a stable/diverse market for social care services delivery to meet the assessed needs of vulnerable adults/children.
 Some services provided by the Council cannot be provided internally (eg Park and Ride) and must be commissioned. External market conditions such as the number of providers willing to tender for services may affect the Council's ability to deliver the service within budget constraints.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Increases to the national living wage. Recruitment and retention of staff If failure occurs, the Council may remain responsible for ensuring the needs of those receiving the service continue uninterrupted.	Vulnerable people do not get the services required or experience disruption in service provision Safeguarding risks Financial implications: Increased cost of alternative provider Increased cost if number of providers are limited Reputational damage	Unlikely	Major (18)	Clear contract and procurement measures in place Ongoing review of operating and business models of all key providers and putting further mitigation in place, such as more robust contract monitoring and commissioning some 'enhanced' credit checks CYC investment in extra care OPHs has reduced recruitment pressure Revised SLA with independent care group and quarterly monitoring meetings with portfolio holder Increase in homecare fees to reflect actual cost of care Local policies in place for provider failure NEW – Ongoing analysis of 'no deal' Brexit implications through reports to Executive	Unlikely	Moderate (13)	New Control	Ongoing action: Ongoing attendance at Independent Care Group Provider Conference (Michael Melvin 31/03/19)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

KCR 12 MAJOR INCIDENTS: Failure to respond appropriately to major incidents. Local Authorities are required by law to make preparations to deal with emergencies. Local Authorities have four main responsibilities in an emergency 1. to support the Emergency Services, 2. to co-ordinate non-emergency organisations, 3. to maintain their own services through a robust Business Continuity Management process and 4. to facilitate the recovery of the community. The Council must ensure that its resources are used to best effect in providing relief and mitigating the effects of a major peacetime emergency on the population, infrastructure and environment coming under it's administration. This will be done either alone or in conjunction with the Emergency Services and other involved agencies, including neighbouring authorities.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
An uncoordinated or poor response to a major incident such as: <ul style="list-style-type: none"> • Flood • Major Fire • Terrorist Attack • Outbreak of Communicable disease 	Serious death or injury Damage to property Reputational damage Potential for litigation Potential for corporate manslaughter charges if risks are identified and proposed actions not implemented	Probable	Catastrophic (24)	Emergency planning and Business Continuity Plans in place and regularly reviewed Strong partnerships with Police, Fire, Environment Agency and other agencies Support to Regional Resilience forums Support and work in partnership with North Yorkshire local resilience forums Investment in Community Resilience (re Flooding) Work with partners across the city to minimise the risk of a terrorist attack Implemented physical measures for	Possible	Major (19)	New Control	Ongoing action: Regular review of emergency and business continuity plans (Neil Ferris, 31/3/19) Director of Public Health Annual Health Protection Assurance Report to the Health and Wellbeing Board (Sharon Stoltz, 31/03/19)

**ANNEX A
KEY CORPORATE RISK REGISTER AT M3 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>certain events</p> <p>Review of city transport access measures (Exec Feb 18)</p> <p>Strong partnerships with Public Health England and the NHS via the Local Health Resilience Partnership and Director of Public Health (DPA) Health Protection Assurance Committee</p> <p>NEW – The Health and Wellbeing Board have set up a multi agency Health Protection Committee to deal with communicable disease</p>				

Annex B

Analysis of Key Corporate Risk 5 – Safeguarding

1. This Annex provides a more detailed analysis of KCR5, Safeguarding.
2. The description of this risk is as follows; **A vulnerable child or adult with care and support needs is not protected from harm.**
Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organisational and reputational implications of ineffective safeguarding practice are acute.

Risk Detail

Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)

3. Safeguarding vulnerable children and adults is one of the most important duties of the council and is underpinned by statutory frameworks which describe the way that the local authority needs to work with other agencies to keep children and adults safe.
4. The Children and Social Work Act 2017 abolished local children's safeguarding boards in favour of new safeguarding partnership arrangements. The revised statutory guidance: Working Together 2018 sets the parameters for the new arrangements with three key partners taking the lead: The Local Authority; the Police and the Clinical Commissioning Group.
5. Local Authorities have a statutory duty under the Care Act 2014 to establish a Safeguarding board to oversee arrangements for protecting adults at risk and preventing abuse and neglect.
6. Safeguarding adults at risk requires close partnership working between all parts of the statutory and voluntary services. Failure within this partnership increases the risk of harm to adults at risk.

Implications

7. The implications for the Council include;
 - A vulnerable person is not protected
 - Children's serious case review or lessons learned exercise

Annex B

Analysis of Key Corporate Risk 5 – Safeguarding

- Safeguarding adults review
- Reputational damage
- Serious security risk

Controls

8. The controls in place include;

Safeguarding sub groups

9. Safeguarding sub groups of the Children’s safeguarding board have ensured that partners are held to account. Lessons learned reviews have been commissioned and used to inform programmes of multi-agency training and to identify priorities for further work e.g. in 2018-19 the focus will be on developing understanding of Harmful Sexual Behaviours.

10. The Safeguarding Adults Board has established subgroups focussed on the development of the workforce, lessons learned and performance & quality. The SAB receives regular performance information at each meeting.

Multi agency policies and procedures

11. Multi-agency policies and procedures e.g. the recently revised Children’s Services threshold document are developed and adopted through the Safeguarding boards.

Specialist safeguarding cross sector training

12. Cross sector training has been commissioned by the Children’s Safeguarding Board and has included specialist training provided by partner agencies e.g. NSPCC. Training for schools on safer recruitment and the revised Keeping Children Safe in Education guidance is provided by the Schools Safeguarding Adviser.

Quantitative and qualitative performance management

13. The Chief Executive, lead member and Corporate Director, CEC monitor the performance of children’s social care through monthly

Annex B

Analysis of Key Corporate Risk 5 – Safeguarding

oversight of the performance scorecards for the service. Information from case file audits informs on-going training and development of the service.

Reporting and governance to lead Member, Chief Executive and Scrutiny

14. Children's social care scorecards are regularly reported to the lead member and Chief Executive, this ensures they are well sighted on caseloads and emerging themes identified from case file audits. CEC scrutiny receives an annual programme of reports from Children's social care and the children's safeguarding board which provides information about priorities and the outcomes of work to safeguard vulnerable children. CYC continues to report on its performance through the Safeguarding Adults Return. This is regularly reported to the SAB and through Health Housing and Adult Social Care Policy and Scrutiny Committee. The Health and Wellbeing Board receives the SAB annual report.

Annual self assessment, peer challenge and regulation and ongoing inspection preparation and peer challenge

15. Children's services participate in an annual programme of regional sector-led improvement which informs the development of the self evaluation summary to support service planning and identify the focus for peer review activity. Children's services are externally regulated by Ofsted and self evaluation is a focus of the Ofsted Annual Conversation. In 2018 this takes place on 29th November. This supports the process of on-going inspection preparation through the work of the internal inspection. reference groups.

Further details of Safeguarding Adults Controls

16. Safeguarding Adults Policy have been recently reviewed and updated. Updated local operating guidance has been introduced.
17. Each member of the SAB submits self assessment information to the SAB and is require to provide annual updates on the roll out of 'Making Safeguarding Personal'.

Annex B

Analysis of Key Corporate Risk 5 – Safeguarding

18. The Multi Agency Safeguarding Adults Policy have been recently reviewed and updated. Updated local operating guidance has been introduced.
19. CYC has refreshed its offer of specialist cross sector safeguarding adults training across the health and care sector in line with new procedures.
20. Prevent arrangements have recently been reviewed to ensure alignment with adult safeguarding process.
21. Further resource is in place to enable the SABs management of its strategic and business plans. The SAB's plan and risk register is regularly reviewed by partners at the Board.
22. Following the completion of the Veritau audit on deprivation of liberty safeguards, CYC is completing recommended actions. The sector led peer challenge action plan for the SAB has been completed and shared with the SAB.
23. DBS check and recheck are in place for necessary staff.
24. Further resource is in place to enable the SABs management of its strategic and business plans. The SAB's 2018/2019 plan is approved and on track. This and the risk register are regularly reviewed by partners at the board.
25. Community Safety Plan has been agreed by the Executive and the Community Safety Partnership continues to meet regularly, overseeing the delivery of the plan.
26. Procurement of a new independent chair of the board is underway.

CORAG (Chief Officer Reference and Accountability Group) which brings together Chief Officers from relevant organisations in relation to safeguarding eg. police, CYC

27. CORAG has overseen the move from the local children's safeguarding board to the new children's safeguarding board arrangements. The new model for the partnership has been based on the premise that there should be no change for change's sake to arrangements that are already working well. This was confirmed by

Annex B

Analysis of Key Corporate Risk 5 – Safeguarding

the recent Joint Targeted Area Inspection (JTAI) inspection in September 2018, which highlighted the effective challenge and support provided by the children’s safeguarding board. CORAG has ensured that the new partnership arrangements have been jointly developed and owned by the three safeguarding partners.

Completed restructure of Children’s social care services

28. The new structure is now embedded and a recruitment and retention strategy has been put in place to ensure that remaining vacancies have been filled and the reduce numbers of agency staff. This has been successfully introduced in the Referral and Assessment Service and is now bring implemented in the Safeguarding and Intervention Service. The Assistant Director post was successfully recruited to and the new Assistant Director came into post on 22nd October 2018.

Interim Director arrangements in place in CEC and HHASC directorates, until permanent replacements start

29. The appointments to interim director roles through internal secondment has ensured continuity of approach and a smooth transition until the permanent directors are in post. The appointment to the permanent director role has further strengthened capacity in CEC.

Outstanding Actions

30. The Early Adopter work to engage schools with the Safeguarding Children Partnership arrangements will be completed later in the year.

31. The implementation of Children's Social Care records system will be evaluated to identify any priorities for further development.

Risk Rating

32. The gross risk score is 20 (likelihood probable, impact major). After applying the controls detailed above the net risk score is reduced to 19 (likelihood possible, impact major).

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Impact	Catastrophic	17	22	23	24	25
	Major	12	18	19	20	21
	Moderate	6	13	14	15	16
	Minor	2	8	9	10	11
	Insignificant	1	3	4	5	7
		Remote	Unlikely	Possible	Probable	Highly Probable
Likelihood						

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Audit and Governance Committee

5 December 2018

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

Mazars Annual Audit Letter 2017/18**Summary**

1. The paper attached at Annex A from Mazars – the Council's external auditors – summarises the outcome of their audit of the Council's 2017/18 annual accounts and their work on the value for money conclusion.

Background & Analysis

2. The report covers:
 - a) Audit of financial statements
 - b) VFM Conclusion
 - c) Other reporting responsibilities
 - d) Fees

Options

3. Not relevant for the purpose of the report.

Corporate Priorities

4. The report contributes to the overall effectiveness of the Council's governance and assurance arrangements.

Implications

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

Risk Management

6. The Council will fail to comply with legislative and best practice

requirements to provide for a proper audit of the Council if it does not consider this report.

Recommendations

7. Members are asked to:

a) note the matters set out in the Annual Audit report presented by Mazar's;

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

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/Director of
Customer & Corporate Services

**Report
Approved**



Date 26 Nov 2018

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A - Mazars Annual Audit Report

Annual Audit Letter

City of York Council

Year ending 31 March 2018





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees

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

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

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for City of York Council (the Council) for the year ended 31 March 2018. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2018 included our opinion that the financial statements:</p> <ul style="list-style-type: none"> ▪ give a true and fair view of the Council's financial position as at 31 March 2018 and of its expenditure and income for the year then ended; and ▪ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on the same date included our opinion that:</p> <ul style="list-style-type: none"> ▪ the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 31 July we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts (WGA) return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>We have received correspondence from local electors which we continue to consider before we can issue our certificate formally closing the audit for 2017/18.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Revenue Expenditure.	£8.20m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.25m
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts:	
	- Members' allowances and expenses	£0.13m
	- Senior officer remuneration	£0.005m
	- Exit packages	£0.16m

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls In all entities, 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. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> ▪ accounting estimates impacting on amounts included in the financial statements; ▪ consideration of identified significant transactions outside the normal course of business; and ▪ journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to report, in relation to management override of control.</p>
<p>Valuation of property, plant and equipment The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE), with the majority of property assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.</p>	<p>We have carried out a range of procedures designed to address the risk. These include:</p> <ul style="list-style-type: none"> ▪ assessing the skill, competence and experience of the Council's valuer; ▪ considering the accuracy of source data used by the Council's valuer; ▪ using our own valuation expert to provide information on regional valuation trends; and ▪ testing the valuations of a sample of properties. 	<p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to report, in relation to the valuation of PPE.</p>
<p>Valuation of the defined benefit liability The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>We have carried out a range of procedures designed to address the risk. These included:</p> <ul style="list-style-type: none"> ▪ assessing the skill, competence and experience of the Fund's actuary; ▪ challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; ▪ seeking assurance from the Fund's auditor in relation to asset valuations and other core elements of the IAS 19 valuation; ▪ carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation. 	<p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to report, in relation to the valuation of the defined benefit liability.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiency in internal control as part of our audit.

Description of deficiency	Related party disclosures
	<p>We carried out a full check of officer and member interests in the year, including checks to Companies House records. We have noted two instances of members not declaring directorships in line with the Council's policies. Both of these occurred after the year end so do not relate to this year of account, but are still instances of non-compliance with Council policies by members. The circumstances are outlined below:</p> <ul style="list-style-type: none"> ▪ One instance of a Councillor failing to declare an interest as a Council appointee Director of York BID; and ▪ One instance of a Councillor failing to declare an interest as a Director of a company which has no relationship to the Council. <p>We confirmed that there are no errors in the related party disclosures as a result of these missing declarations.</p>
Potential effects	Failure to properly declare and disclose interests in related parties can erode public trust.
Recommendation	Members should be reminded again of the need to declare interests in line with the Council's policies.
Management response	<p>As identified from a detailed review of all member interests, two issues have been identified. One relates to a Council appointment (as did the single member instance the previous year), so it is fully known and details clearly accessible on the internet, whilst another relates to a relatively new issue and the details have now been received mid July.</p> <p>Reminders are sent to members, twice this year and most recently on 28th June, and this will continue. Whilst these two instances are disappointing, the detailed review has also identified that fundamentally the system of member declarations works well as all other members interests were up to date. Ultimately it is for members to ensure that they have declared all relevant interests, however officers will continue to remind members regularly on this matter, and the matter will be discussed with the chair of Standards Committee.</p>

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

Our approach to Value for Money

We are required to consider 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 in order to form our conclusion, and sets out the 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;
- Working with partners and other third parties.

Our auditor's report, issued to the Council on 31 July 2018, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</p> <p>The Council's internal auditor carries out an annual review of the effectiveness of the Council's system of internal control. In 2017/18 this was a 'substantial assurance' opinion.</p> <p>As those charged with governance, the Audit and Governance Committee is responsible for the oversight of the Council's governance framework. There have been a number of high-profile reports considered by the Committee over the last 18 months and on occasion the relationship between officers and members of the Committee has appeared strained.</p> <p>Reliable and timely financial reporting that supports the delivery of strategic priorities</p> <p>The Council has again delivered an outturn within budget in 2017/18. Financial forecasts are provided to senior officers and members on a quarterly basis, allowing for appropriate levels of scrutiny and challenge of the Council's financial performance and its ability to deliver strategic priorities.</p>	Yes

3. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Planning finances to support the sustainable delivery of strategic priorities and maintain statutory functions</p> <p>As we have reported consistently for a number of years, the Council has continued to respond to the challenges it faces in respect of reductions in central funding. Savings plans have been largely delivered and where individual savings have not been delivered, additional savings have been identified to compensate.</p> <p>The Council, like most local authorities, will face particular challenges in respect of expenditure on social care in the coming years but appears to be well placed to respond to these challenges.</p> <p>The Council's strategic plans, particularly those that will require capital investment, are forecast to lead to an increase in the Council's level of net external debt up to 2022/23. We believe the Council has arrangements in place to appropriately manage this while continuing to fund statutory services over the medium term.</p> <p>Managing and utilising assets effectively to support the delivery of strategic priorities</p> <p>The Council has made good progress in 2017/18 on its programmes to improve the return achieved from its relatively large investment property portfolio. In addition, third party income associated with the rental of space at West Offices has yielded planned net savings in 2017/18.</p>	Yes
Working with partners and other third parties	<p>Working with third parties effectively to deliver strategic priorities</p> <p>The local health economy in York has experienced significant strain in recent years and there is little indication that this situation will abate any time in the near future.</p> <p>The Council has a Better Care Fund arrangement in place with Vale of York Clinical Commissioning Group ('the CCG'). 2017/18 has seen a change in the governance arrangements for the Fund as well as the development of the Fund plan for the period 2017-2019 which was approved by NHS England following a national assurance and escalation process that saw the partners challenged on the plan.</p>	Yes

3. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
	<p>Commissioning services effectively to support the delivery of strategic priorities</p> <p>We have considered the information in VFM profiles published by the Local Government Association, in relation to commissioning activity. These provide data that compares the Council's performance against a range of metrics with those of its statistical nearest neighbours or other comparative groups.</p> <p>Although there are variations in the costs within and between services, overall, the Council's performance against relevant metrics indicates that arrangements are in place to efficiently commission services when compared to its comparator group.</p>	Yes

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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.

In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks. We have subsequently refreshed our risk assessment and can confirm that this has not identified any significant Value for Money risks.

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- make written recommendations to the Council which must be responded to publically.

We have not exercised any of these statutory reporting powers at the date of publishing this report. We have received correspondence from local electors that we are currently considering. As we have not yet finalised our consideration of the matters brought to our attention we have not issued the certificate formally closing the 2017/18 audit.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of the Council's consolidation data. We submitted this information to the NAO on 31 July 2018 and confirmed to them that the Council was below the thresholds requiring further testing to be undertaken.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit and Governance Committee in April 2018.

Having completed our work for the 2017/18 financial year, we can confirm that our final fees are as follows:

Area of work	2017/18 proposed fee	2017/18 final fee
Delivery of audit work under the NAO Code of Audit Practice	£101,607	£101,607
Certification of Housing Benefit Subsidy Claim	£11,415	£11,415

At the time of issuing this letter, we are yet to complete our work on matters brought to our attention by electors and certification of the Council's Housing Benefit Subsidy claim. As such, the final fees quoted above are subject to change.

Fees for other work

Subsequent to the completion of our audit, we have been engaged by the Council to carry out two pieces of assurance work, as follows:

Area of assurance work	2016/17 fee	2017/18 indicative fee
Teachers' Pensions return	£5,000	£5,000
Homes England return	N/A	£2,500

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Audit and Governance Committee

5 December 2018

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 Deadlines

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 26 Nov 18

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 December 2018

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External Audit Progress Report

City of York Council

December 2018





CONTENTS

- 1. Audit progress**
- 2. National publications**

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 - 2017/18 audit

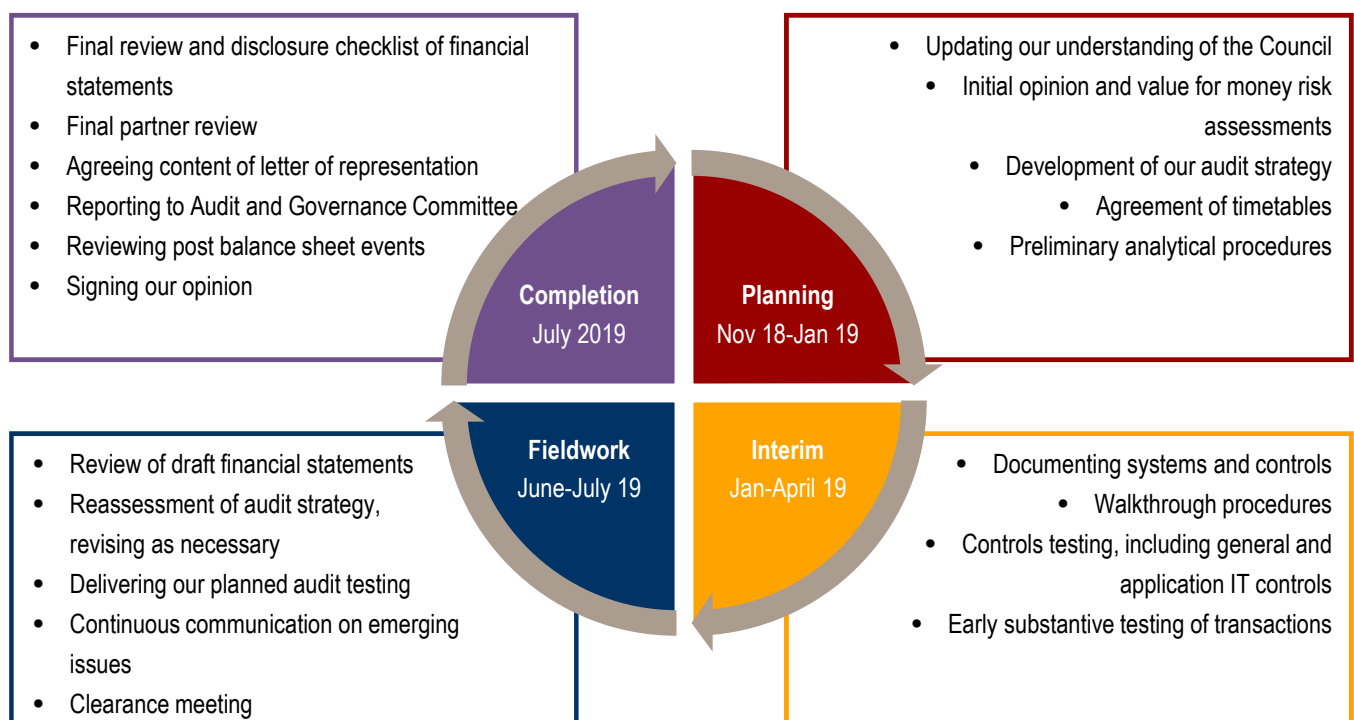
As reported in our Audit Completion Report, we were unable to issue our certificate formally closing the 2017/18 audit as a result of outstanding work to resolve an objection to the Council's accounts from a local elector. Our work on the matters brought to our attention is coming to a close and we anticipate finalising matters early in the new year.

Other work in this period includes the 2017/18 housing benefits subsidy return certification work which has a deadline of 30 November 2018; we will report to the Committee the outcome of this work upon completion.

Audit progress - 2018/19 audit

This is our first progress report in respect of the 2018/19 audit year. Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the February 2019 Audit and Governance Committee for discussion.

There are no significant matters arising from our work to date that we are required to report to you at this early stage of the audit cycle.



2. NATIONAL PUBLICATIONS

Publication / update	
National Audit Office (NAO)	
1.	Transformation guidance for Audit Committees
2.	Exiting the EU
3.	Departmental overview – Ministry of Housing, Communities and Local Government
4.	Departmental overview – Local authorities
Chartered Institute of Public Finance and Accountancy (CIPFA)	
5.	Statement expressing concerns with Councils funding commercial investment through borrowing
6.	Local Authority Leasing Briefing 3
Public Sector Audit Appointments Ltd (PSAA)	
7.	Mazars Annual Regulatory and Compliance Report 2017/18
8.	Report on the results of auditors' work 2017/18: Principal local government and police bodies
9.	Consultation on 2019/20 scale of fees for opted-in bodies
10.	Oversight of audit quality, quarterly compliance reports
Local Government Association (LGA)	
11.	Sector-led improvement in 2017/18
12.	Speeding up delivery: learning from councils enabling timely build-out of high quality housing

1. Transformation guidance for Audit Committees, NAO, May 2018

Transformation is used to describe significant changes in service delivery or in day to day operations in an organisation.

The government continues to aim to make significant savings and transform services by introducing new organisational models and ways of working. However, transformation comes with risk and can be highly complicated. Evidence from the private sector suggests that 70% of transformations fail.

In many cases transformation programmes rely on new technologies and online services, and are highly ambitious and have a high risk of failure. The complexity of public service delivery and user needs can make the successful transformation of public services even more difficult. Oversight of these transformation programmes creates a major challenge for management and audit committees.

The NAO transformation guidance to Audit Committees sets out the questions to ask of management and the evidence and indicators to help audit committees to look out for at the three stages of any transformation project, as summarised below.

- At the set-up and initiation stage the key areas are: vision and strategy, and governance and architecture. The guidance addresses the evolving nature of transformation and what this implies for oversight.
- During the delivery and implementation stage the key areas are: change and implementation, and service and performance management. The guidance highlights the importance of tackling ambiguity and confusion in transformation objectives.
- Once live-running and benefits are being delivered the key areas are: people, process and technology. The guidance considers how audit committees can challenge the role of technology in supporting transformation.

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

2. NATIONAL PUBLICATIONS

2. Exiting the EU, National Audit Office

The National Audit Office has produced a number of publications on the UK's exit from the EU, including:

- The UK border: preparedness for EU exit;
- Department for Environment, Food and Rural Affairs;
- Department for Transport;
- Consumer protection, competition and state aid; and
- Exiting the EU: the financial settlement.

https://www.nao.org.uk/search/pi_area/exiting-the-eu/type/report

3. Departmental overview: Ministry of Housing, Communities and Local Government (MHCLG) 2017-18, National Audit Office, October 2018

The Departmental Overview is designed to provide a quick and accessible overview of the Department and its performance over the last year. The report focuses on the Department's responsibilities setting out how it is structured, how it spends its money, and its major programmes. It also covers key developments in its areas of work, including exiting the European Union, and findings from recent NAO reports.

The main body of the report focuses on three key areas: financial sustainability; housing and homelessness; and devolution and reorganisation. The report concludes by setting out future developments, risks and challenges impacting on MHCLG.

The report also includes a section on the Department for Exiting the EU (pdf page 8).

<https://www.nao.org.uk/report/departmental-overview-ministry-of-housing-communities-and-local-government-2017-18/>

4. Departmental overview: local authorities 2017-18, National Audit Office, October 2018

The report summarises the work of local authorities, including:

- what they do and how they are organised;
- the system of accountability;
- where they get their funding and how they spend their money; and
- major programmes and developments across local authorities' main business areas and services.

The main body of the report covers: financial sustainability; housing and homelessness; and adult social care.

The overview addresses further developments in the sector, including those on 'fair funding', empty homes and the government's new Rough Sleeping Strategy will be driven by local authorities. It draws attention to the synergies required across local authorities and with MHCLG for the successful implementation of these programmes.

<https://www.nao.org.uk/report/departmental-overview-local-authorities-2017-18/>

5. Statement expressing concerns with Councils funding commercial investment through borrowing, CIPFA, October 2018

The Committee may be interested to note the CIPFA statement issued recently expressing concerns around commercial investment. The statement raises concerns with potential practices related to borrowing to fund commercial investment. CIPFA confirm in the statement that they will be issuing further guidance on the issue shortly.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties>

<https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns>

2. NATIONAL PUBLICATIONS

6. Local Authority Leasing Briefing 3, CIPFA, October 2018

This briefing focuses on discount rates, lessor accounting, disclosure requirements, concessionary leases – lessees and the measurement of the service concession arrangement (PFI/PPP) liability.

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

7. Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Ltd, July 2018

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2017/18 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2016/17 work.

The report sets out that:

- Mazars is meeting PSAA's standards for overall audit quality and regulatory compliance requirements;
- Mazars' combined audit quality and regulatory compliance rating was green for 2017/18;
- The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor; and
- Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green and the overall weighted audit quality score of 2.55 having increased slightly from last year's 2.45.

From its assessment of all firms, the FRC has identified key issues which firms need to address in order to improve audit quality. These were the:

- challenge and scepticism of management in key areas involving judgment, such as impairment reviews, asset valuations and provisions;
- group audit team's oversight and challenge of component auditors;
- audit of company pension scheme assets and liabilities; and
- arrangements for ensuring compliance with the Ethical Standard and independence requirements.

Summary of PSAA annual assessments – overall combined

	BDO	EY	DT	PwC	GT	KPMG	Mazars
2018	Amber	Amber	n/a	n/a	Amber	Amber	Green
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

1. Audit progress

2. National publications

2. NATIONAL PUBLICATIONS

8. Report on the results of auditors' work 2017/18: Principal local government and police bodies, Public Sector Audit Appointments Limited, October 2018

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers at 495 principal local government and police bodies for 2017/18.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 87 per cent of audited bodies received an audit opinion by the new deadline.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The most common reasons for auditors issuing non-standard conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates – 16 bodies;
- corporate governance issues – 12 bodies;
- financial sustainability concerns – 6 bodies; and
- procurement/contract management issues – 5 bodies.

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

9. Consultation on 2019/20 scale of fees for opted-in bodies, Public Sector Audit Appointments Ltd, October 2018

Public Sector Audit Appointments (PSAA) has published its consultation on the 2019/20 scale of fees for principal local government bodies that have opted into the appointing person arrangements.

The consultation proposes that scale audit fees for 2019/20, the second year of the five-year appointing period, should remain the same as the fees applicable for 2018/19. PSAA will review and update its assumptions and estimates each year, and consult on scale fees for the following year.

<https://www.psaa.co.uk/audit-fees/2019-2020scaleoffees/>

10. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd, September 2018

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality>

11. Sector-led improvement in 2017/18, Local Government Association, July 2018

This report shows how the LGA has used DCLG grant for 2016/17 to help councils and to support improvement in the sector.

Sector-led improvement is the approach that councils and the LGA have put in place to support continuous improvement. Challenge and support from one's peers lies at the heart of sector-led improvement and underpins its success.

During the year the LGA worked with Public Sector Audit Appointments (PSAA) to develop LG Inform Value for Money (VfM) a replacement for PSAA's existing VfM Profiles. The new tool was successfully launched in November. The VfM profiles bring together data about the costs, performance and activity of local councils and fire and rescue authorities. They have been designed to help auditors, people who work for councils and fire and rescue authorities and the public understand the costs of delivering local services, and to get an overview of comparative spend and performance over time and relative to others.

2. NATIONAL PUBLICATIONS

11. Sector-led improvement in 2017/18, Local Government Association, July 2018 - continued

Sector-led improvement: some reflections

- Councils continue to demonstrate exceptional leadership of place when called upon to do so (for example, Manchester and Salisbury). Emergency response demonstrates that partnerships are still strong despite the impact cuts to funding across the local public sector can have on on-going activity.
- Whilst recognising the opportunities, the uncertainty surrounding the potential practical implications of Brexit (funding, workforce, procurement, etc.) is becoming of increasing concern as March 2019 draws ever closer.
- Devolution and local government reorganisation continue to consume significant resources in some areas. This agenda can have a negative impact on relationships and present a distraction to on-going service delivery.
- Councils continue to grapple with the increasingly more challenging financial situation as evidenced by the recent National Audit Office report into local authorities' financial viability and now overlaid by the Fair Funding Review and business rates reset. This period of ongoing financial uncertainty is arguably as damaging to councils as the cuts themselves.
- We have seen an increasing request from councils, as leadership teams change or are renewed, for top team support to help them effectively lead their organisation through turbulent and challenging times.
- There continues to be a strong interest in exploring appropriate commercial opportunities and lots of interest in the commercial skills training that we have offered. But adverse publicity around borrowing to invest has meant that some councils appear less willing to share their knowledge and experience.
- Many councils that took out layers of strategic management, or whole functions such as policy development, are now struggling with capacity. A lack of corporate capacity in particular impacts councils' ability to horizon scan and think through how they need to change and adapt.
- Councils have devoted significant time and effort seeking to be equal partners in sustainability and transformation plans which haven't always led to outcomes, and there is frustration in the sector about this and a continuing concern at the delay in moving to new ways of working.
- Demand pressures particularly on children's and adult social care have become much more noticeable. An increasing number of councils are also reporting budget pressures on their temporary accommodation budgets.
- Homelessness has become a bigger issue for more councils this year and the number of homeless families and individuals placed in temporary accommodation has increased significantly.
- Housing growth is still a big issue. Councils are continuing to explore new vehicles to build homes.

12. Speeding up delivery: learning from councils enabling timely build-out of high quality housing, Local Government Association, August 2018

Many local authorities across the country are working to speed up the delivery and buildout of housing. This report highlights both the potential and the limitations of the measures local authorities can take to enable timely buildout of high-quality development. There are principles that all local authorities can follow and there are actions which may work better in some areas than others, depending to some degree on market conditions and developer activity.

Key points highlighted in the report include:

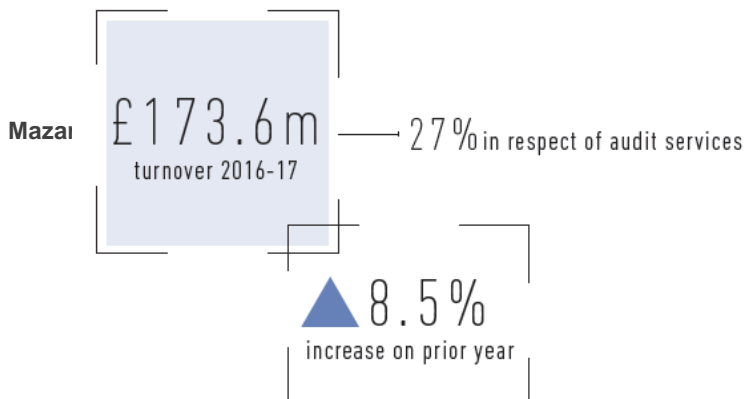
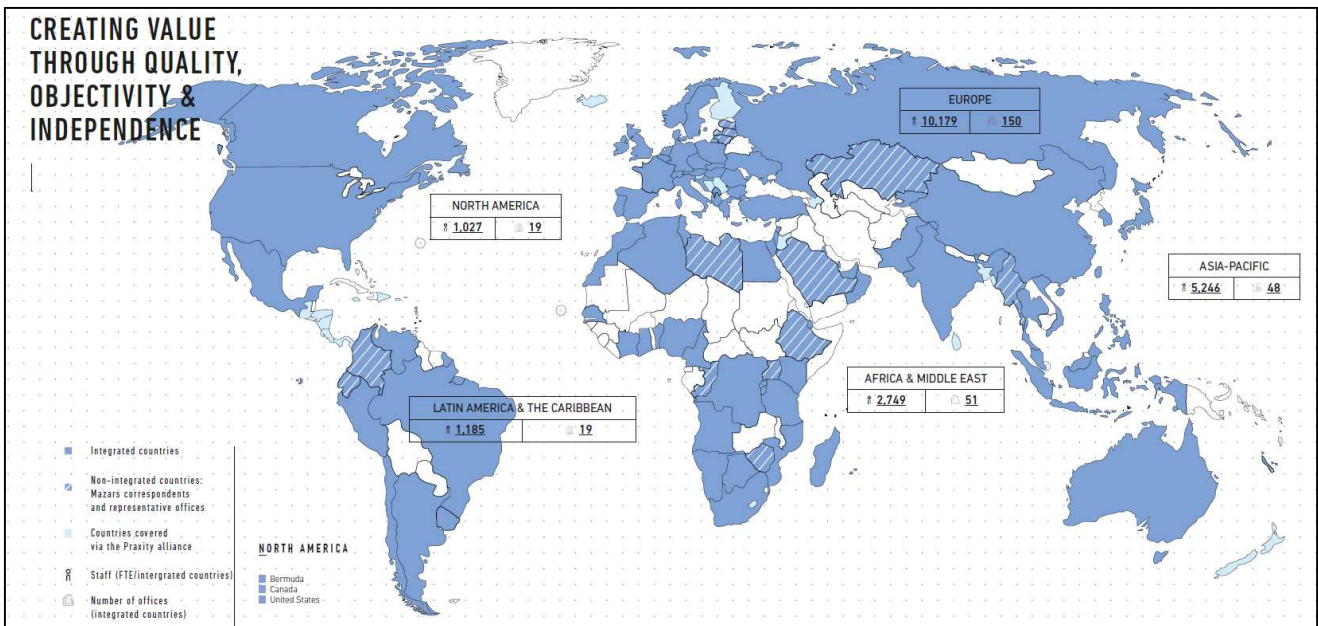
- understanding the issues to delivery in the area;
- considering the use of planning conditions and their proper use;
- design codes which can be a useful tool;
- use existing powers such as s215 enforcement notices;
- use s106 legal agreements to help solve the delivery problem;
- culture change in the planning department is key; and
- partner with others to help unlock sites by offering the types of housing needed that the industry isn't able to.

<https://www.local.gov.uk/speeding-delivery-learning-councils-enabling-timely-build-out-high-quality-housing>

MAZARS AT A GLANCE

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- 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



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Audit & Governance Committee

5 December 2018

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

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

Summary

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2018/19 approved by full Council on 22 February 2018. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
 - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
 - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
2. Attached at annex one is the Treasury Management Mid Year Review and Prudential Indicators 2018/19 report presented to November Executive. This information provides Members with an update of treasury management activity for the first six months of 2018/19.

Recommendations

3. Audit & Governance Committee are asked to note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2018/19 at Annex A

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

Analysis

4. The report reviews the economic and market conditions highlighting that, whilst the UK economy is performing better than expected, the continued uncertainty around the Brexit negotiations and both consumer and business confidence presents challenges for the Council's treasury function.
5. Short term interest rates for investment opportunities continue to be low and the counterparty list, where the council's surplus funds can be invested is limited. The average rate of return achieved to date in 2017/18 is higher than in 2017/18 and whilst this is lower than current Bank Rate, it reflects that for much of the period covered by this report Bank Rate has been 0.5%.
6. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.
7. Borrowing rates have continued to fluctuate with the recent trend now being upwards. The finance team continues to closely monitor the opportunities that arise and receive daily updates from Capita Asset Services in respect of borrowing timings and amounts.
8. One loan has been redeemed prematurely when the Council was approached by the provider of one of its LOBO loans who advised they would be willing to negotiate a reduced premium to redeem the loan early. The s151 officer agreed to do this on the basis that it generates ongoing average savings of approximately £29k pa. Further details are in paragraph 29 of the Executive report attached at annex one.

Consultation

9. Not applicable

Options

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

Council Plan

11. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priority areas as set out in the council plan. It therefore underpins all of the council's aims.

Implications

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

Risk Management

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

Contact Details			
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Tel: (01904) 554161		Report approved	✓ 24 Nov 2018
Specialist Implications Officer(s) None			
Wards Affected:			All ✓

For further information please contact the author of this report

Background Working Papers

None

Annexes

Annex 1: Treasury Management Mid Year Review and Prudential Indicators 2018/19

Annex A to Annex 1 – Prudential Indicators 2018/19



Executive

29 November 2018

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

Treasury Management Mid Year Review and Prudential Indicators 2018/19

Summary

1. The Council is required through legislation to provide members with a mid year update on treasury management activities. This report provides an update on activity for the period 1 April 2018 to 30 September 2018.

Recommendations

2. Members are required, in accordance with the Local Government Act 2003 (revised), to:
 - Note the Treasury Management activities to date in 2018/19
 - Note the Prudential Indicators set out at Annex A and note the compliance with all indicators.

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

Background

3. In December 2017 the Chartered Institute of Public Finance & Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. As from 2019/20 all local authorities will be required to prepare a Capital Strategy which is intended to provide the following:
 - A high level 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
4. A report setting out our Capital Strategy will be taken to full council alongside the usual suite of budget reports in February 2019.

5. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.
6. This mid year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:
 - An economic update for the first part of the 2018/19 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The prudential indicators;
 - A review of the Council's investment portfolio;
 - A review of the Council's borrowing strategy;
 - A review of compliance with the Treasury and Prudential Limits.

Economic Background and Analysis

7. The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.
8. Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.
9. As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month

average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

Interest Rate Forecast

10. Table 1 is Link Asset Services Interest Rate forecast for both the bank rate and long term Public Works Loans Board borrowing rates (note all figures are percentages):

	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20	Dec 20	Mar 21
Bank Rate	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.50	1.50
5 Yr PWLB rate	2.00	2.10	2.20	2.20	2.30	2.30	2.40	2.50	2.50	2.60
10 Yr PWLB rate	2.50	2.50	2.60	2.70	2.70	2.80	2.90	2.90	3.00	3.10
25 Yr PWLB rate	2.90	3.00	3.10	3.10	3.20	3.30	3.30	3.40	3.50	3.50
50 Yr PWLB rate	2.70	2.80	2.90	2.90	3.00	3.10	3.10	3.20	3.30	3.30

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

11. The flow of generally positive economic statistics after the end of 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, to 0.75%.

Annual Investment Strategy Update

12. The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by Council on 22 February 2018. There are no policy changes to the TMSS and the details in this report do not amend the TMSS.
13. The Council's Annual Investment Strategy, which is incorporated in the Strategy, outlines the Council's investment priorities as follows:
 - security of capital
 - liquidity
 - yield
14. The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and the Council's risk appetite.

Investment Portfolio

15. The average level of cash balances available for investment purposes in the first 6 months of 2018/19 was £92.174m (£114.243m for the same 6 month period in 17/18). The level of cash balances available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants, receipt of developers contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. These funds are therefore only available on a temporary basis depending on cash flow movement.
16. The average level of cash balances has decreased compared to a year ago due to a number of factors. These include a number of delayed capital schemes now-progressing.
17. The Council continues to use cash balances instead of taking long term debt to finance the Council's capital programme. This strategy remains a prudent one as investment rates continue to be lower than borrowing rates when viewed on a short term projection but the potential to secure long term funding is kept under review to ensure this remains the most effective use of cash balances, given long term rates are currently at attractive levels. As cash balances are set to decrease in the short to medium term, due to previously agreed capital schemes progressing and new schemes being added to the capital programme, consideration is being given to long term debt in order to finance the Council's capital programme.

18. Investment return (calculated as the amount of interest earned against the average cash balance for the period) during the first six months of 2018/19 is shown in table 2:

	2017/18 (full year)	2018/19 (part year to date)
Average CYC Rate of Return	0.41	0.65
<u>Benchmarks</u>		
Bank of England Base Rate	0.25	0.75
Average 7 Day LIBID	0.21	0.44
Average 1 Month LIBID	0.28	0.47

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

19. The average rate of return achieved to date in 2018/19 has increased compared to the average seen in 2017/18, due to the increase in Bank Rate.
20. It remains a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates continue to be very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.
21. Figure 1 shows the interest rates available on the market based on LIBID rates between 7 days and 1 year and also the rate of return that the Council has achieved for the first six months of 2018/19. It shows that favourable / competitive interest rates have been obtained for investments whilst ensuring the required liquidity and security of funds for the Council.

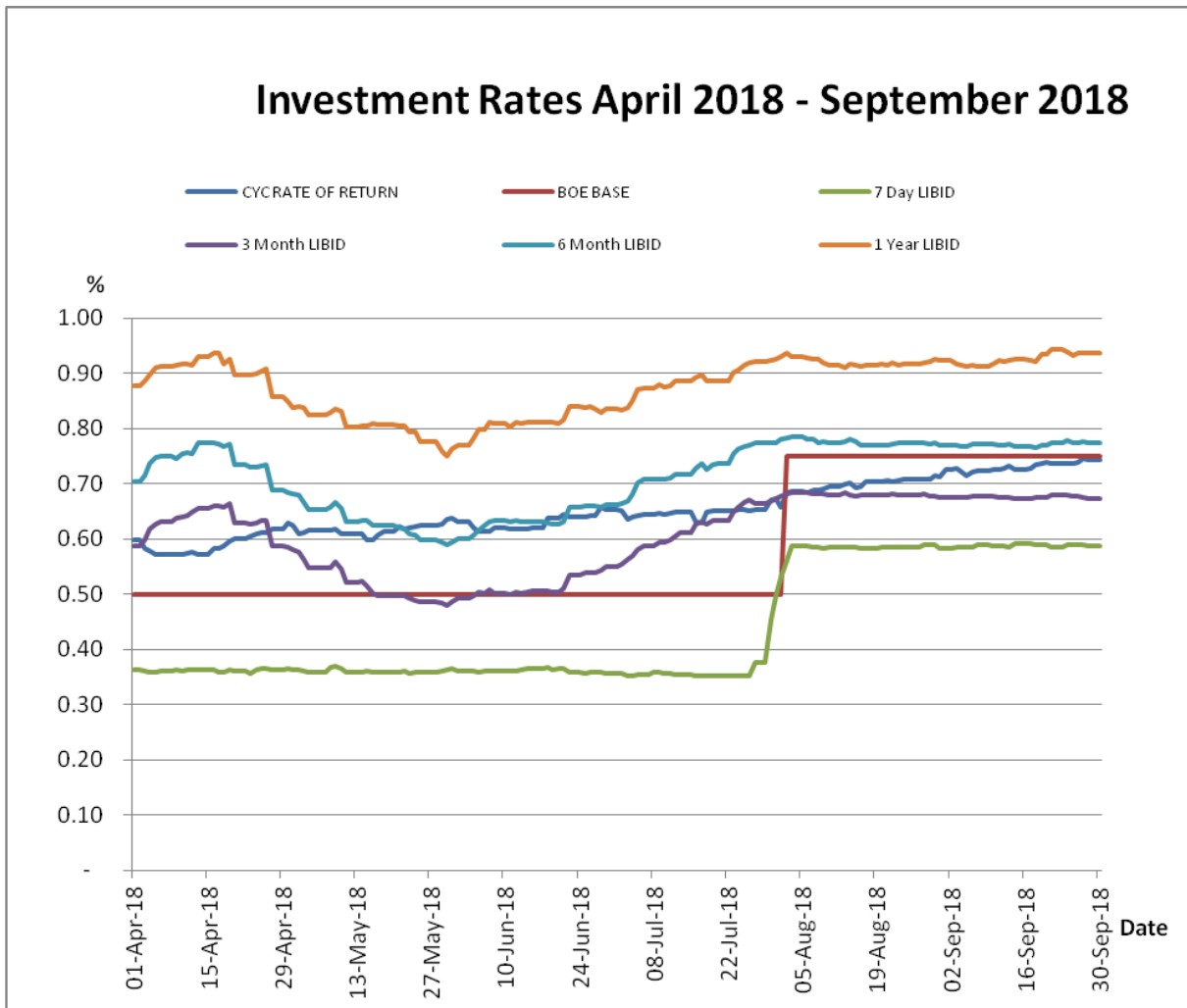


Figure 1 CYC Investments vs Money Market Rates up to 30th September 2018

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

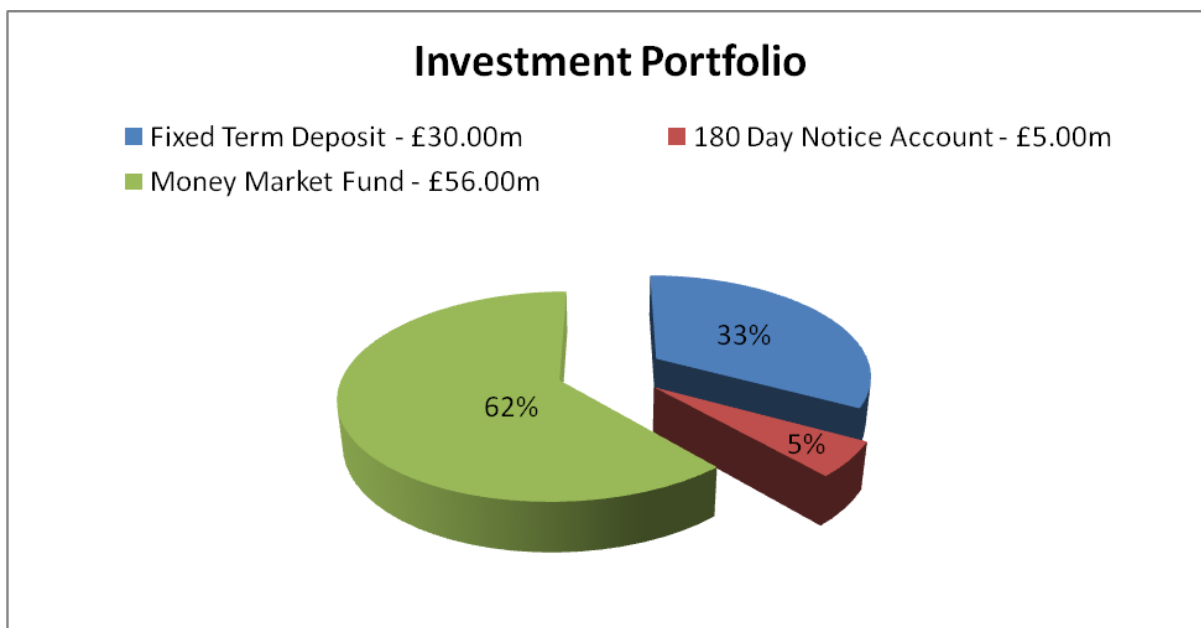


Figure 2 Investment Portfolio by type at 30th September 2018

Borrowing Portfolio

24. The Council undertakes long term borrowing in accordance with the investment requirements of the capital programme and all borrowing is therefore secured for the purpose of its asset base.
25. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (the Councils underlying need to borrow for capital expenditure purposes). Borrowing needs to be affordable, sustainable and prudent.
26. Under regulation, the Council can borrow in advance of need and Markets are therefore constantly monitored and analysed to ensure that advantage is taken of favourable rates and the increased borrowing requirement is not as dependant on interest rates in any one year.
27. On the reverse side, the Council's level of borrowing can also be below the Capital Financing Requirement. This would mean that instead of increasing the Council's level of borrowing, surplus funds held for investment purposes would be utilised. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.
28. The finance team continues to closely monitor the opportunities that arise and receive daily updates from Link Asset Services in respect of borrowing timings and amounts. One new loan has been taken during

the first six months of 2018/19 on 13th April 18 from West Yorkshire Combined Authority at 0% interest, repayable on the 28th February 2027. No repayments are due during the term of the loan. The purpose of the loan is to help to fund York Central infrastructure projects.

Members are reminded that this is a further instalment of a total £2.550m loan agreed by Executive on the 14th July 2016.

29. One loan has been redeemed prematurely. The Council was approached by the provider of one of its LOBO loans who advised they would be willing to negotiate a reduced premium to redeem the loan early. The Council asked its treasury management advisers to review the proposal and they highlighted that, given our strong cash position, it would be financially advantageous to accept the offer. The £5m loan was redeemed on the 12th October and, based on the loan not being refinanced, the saving to the treasury budget is £51k in 2018/19 and £111k in 2019/20 although this gradually reduces over the remaining life of the loan. The average saving generated is £29k pa. The net benefit over the remaining 42 years of the original loan period would be £1.242m in cash terms, and £738k on a net present value basis, split between GF and HRA.
30. The TMSS allows us to repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.
31. The Councils long-term borrowing started the year at a level of £257.059m. On 12th October 2018 a £5m RBS LOBO loan was repaid taking the Councils long-term borrowing figure to £252.465m. The Housing Revenue Account settlement debt amounts is 48% of the borrowing portfolio (£121.550m) and the General Fund debt is 52% (£130.915m).
32. Figure 3 illustrates the 2018/19 maturity profile of the Council's debt portfolio at 12th October 2018. The maturity profile shows that there is no large concentration of loan maturity in any one year, thereby spreading the interest rate risk dependency.

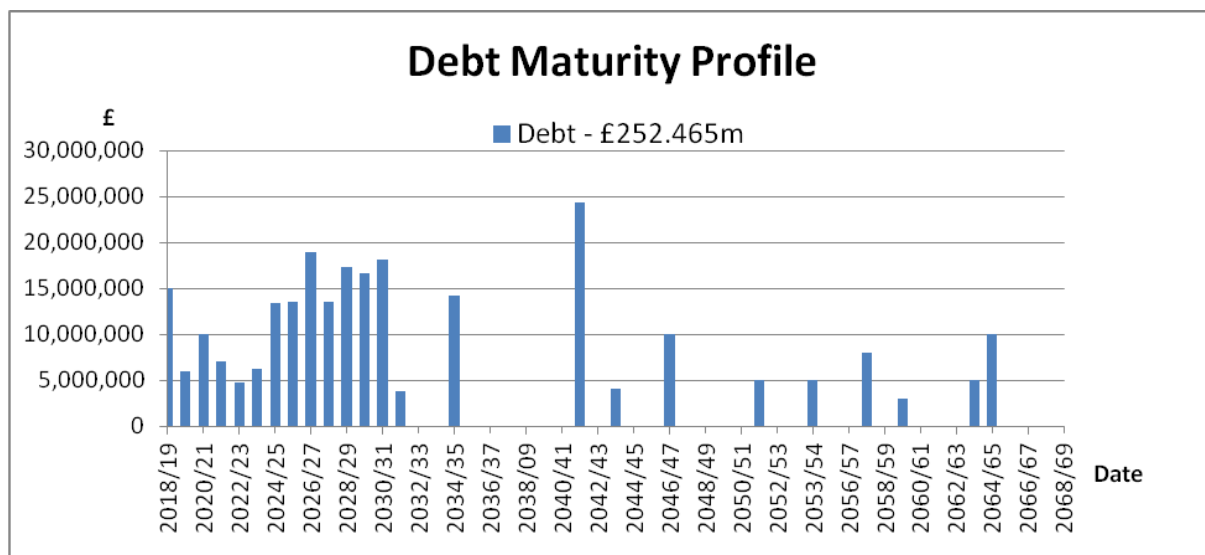


Figure 3 – Debt Maturity Profile 18/19 at 12th October 2018 [after RBS lobo repayment.]

33. Table 3 shows PWLB Certainty borrowing rates available for selected loan durations. There have been fluctuations in the rates with an average trend upwards to 30th September 2018.

	PWLB Certainty borrowing rates by duration of loan				
	1 Year	5 Year	10 Year	25 Year	50 Year
Yr High	1.57%	1.99%	2.43%	2.83%	2.64%
Yr Low	1.28%	1.67%	2.09%	2.50%	2.25%
Yr Avg	1.46%	1.84%	2.25%	2.64%	2.41%
Spread	0.29%	0.32%	0.34%	0.33%	0.39%

Table 3 – PWLB Borrowing Rates (%) – to 30th September 2018

Compliance with Prudential Indicators

34. The Prudential Indicators for 2018/19 included in the Treasury Management Strategy Statement are based on the requirements of the Council's capital programme and approved at Budget Council on 22 February 2018.
35. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits" included in the Prudential Indicators. The monitoring of the Prudential Indicators is attached at Annex A.

During the financial year 2018/19 to date the Council has operated within the treasury limits and Prudential Indicators set out.

Consultation and Options

36. The report shows the six month position of the treasury management portfolio in 2018/19. The treasury management budget was set in light of the council's expenditure plans and the wider economic market conditions, based on advice from Link Asset Services. It is a statutory requirement to provide the information detailed in the report.

Council Plan

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

Financial implications

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

Legal Implications

39. 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

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

Risk Management

41. The Treasury Management function is a high-risk area because of the level of large money transactions that take place. As a result of this there are procedures set out for day to day treasury management operations that aim to reduce the risk associated with high volume high

value transactions. These are detailed in the Treasury Management Strategy Statement at the start of each financial year.

Contact Details

Authors:	Cabinet Member & Chief Officer Responsible for the report:		
Debbie Mitchell Corporate Finance Manager (01904) 554161	Ian Floyd Deputy Chief Executive & Director of Customer & Corporate Services		
Sarah Kirby Principal Accountant (01904) 551635	Report Approved	✓	Date 5 November 2018
Wards Affected: All			
For further information please contact the author of the report			

Specialist Implications:
Legal – Not Applicable
Property – Not Applicable
Information Technology – Not Applicable

Annexes

Annex A – Prudential Indicators 2018/19

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Prudential Indicators 2018/19 Mid-Year

	Prudential Indicator		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	Capital expenditure To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets.	GF	£93.0m	£92.1m	£36.1m	£30.1m	£10.9m	
		HRA	£29.2m	£31.1m	£25.9m	£11.0m	£9.1m	
		PFI	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	
		<u>Total</u>	<u>£122.2m</u>	<u>£123.2m</u>	<u>£62.0m</u>	<u>£41.1m</u>	<u>£20.0m</u>	
2	CFR as at 2017/18 outturn Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	GF	£238.7m	£254.0m	£247.2m	£240.0m	£232.9m	
		HRA	£139.0m	£139.0m	£139.0m	£139.0m	£139.0m	
		PFI	£46.5m	£44.9m	£43.1m	£41.3m	£39.4m	
		<u>Total</u>	<u>£424.2m</u>	<u>£437.9m</u>	<u>£429.3m</u>	<u>£420.3m</u>	<u>£411.3m</u>	
3	Ratio of financing costs to net revenue stream An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from rents.	GF	12.42%	15.22%	17.18%	17.75%	17.77%	
		HRA	13.25%	13.25%	13.25%	13.25%	13.25%	
		<u>Total</u>	<u>12.59%</u>	<u>14.80%</u>	<u>16.35%</u>	<u>16.80%</u>	<u>16.81%</u>	
4	External debt To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.	Gross Debt	£299.0m	£316.3m	£329.6m	£330.7m	£334.2m	
		Invest	£85.9m	£20.0m	£20.0m	£20.0m	£20.0m	
		<u>Net Debt</u>	<u>£213.1m</u>	<u>£296.3m</u>	<u>£309.6m</u>	<u>£310.7m</u>	<u>£314.2m</u>	

	Prudential Indicator		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
5 a	<p>Authorised limit for external debt</p> <p>The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.</p>	Borrowing / Other long term liabilities Total	£450.3m £30.0m <u>£480.3m</u>	£447.9m £30.0m <u>£477.9m</u>	£439.4m £30.0m <u>£469.4m</u>	£430.3m £30.0m <u>£460.3m</u>	£421.3m £30.0m <u>£451.3m</u>	—————
5 b	<p>Operational boundary for external debt</p> <p>The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.</p>	Borrowing Other long term liabilities Total	£440.3m £10.0m <u>£450.3m</u>	£437.9m £10.0m <u>£447.9m</u>	£429.4m £10.0m <u>£439.4m</u>	£420.3m £10.0m <u>£430.3m</u>	£411.3m £10.0m <u>£421.3m</u>	—————

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Audit and Governance Committee

5 December 2018

Report of the Head of Internal Audit

Audit & Counter Fraud Monitoring Report**Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2018/19 and on current counter fraud activity.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

Internal Audit

- 3 To date (up to 21st November 2018), internal audit has completed 15% of the 2018/19 audit plan (compared to 31% at this point last year). The figure is based on reports issued and does not reflect audits in progress or recently completed¹. The level of completion is lower than originally anticipated at this point for a number of reasons. For example scheduling issues and a higher level of non-plan audit work (for example audits of grant claims) in the early part of the year. Workplans continue to be updated to ensure that all remaining audit work can be completed and it is anticipated that the 93% target for the year will be exceeded by the end of April 2019 (the cut off point for 2018/19 audits). The current status of audits included in the audit plan is shown in annex 3.

¹ The figure including work in progress and work completed but not yet reported is 69%.

- 4 Details of audits completed and reports issued since the last report to this committee in September 2018 are given in annex 1.
- 5 A number of variations to the audit plan have been approved by the Director of Customer and Corporate Services since the last report to this committee in September 2018. Details of the variations are included in annex 2.

External Assessment

- 6 An external assessment of Veritau internal audit working practices was completed by the South West Audit Partnership (SWAP) in the week commencing 5 November. The review included a discussion of internal audit work with the chair of the Audit and Governance Committee and a range of chief officers at the council. Initial verbal feedback from the assessment was positive and it is expected that the reviewers will conclude that internal audit arrangements generally conform² to the Public Sector Internal Audit Standards (PSIAS). A report is expected at the end of November and a verbal update will be provided at the meeting on 5 December if it is available by that date. The findings will be reported formally to a future meeting of the committee, including any areas for improvement identified in the report.

Breaches of Financial Regulations

- 7 No breaches of the council's financial regulations have been identified during the course of recent audit work.

Counter Fraud

- 8 Counter fraud work has been undertaken in accordance with the approved plan. Annex 4 provides a summary of the work undertaken in the period.
- 9 Up to 31st October, the fraud team had achieved £277k in savings for the council as a result of investigation work (against a target for the year of £200k). Successful outcomes were recorded for 62% of investigations completed - where

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

cases have resulted in some form of action against the perpetrator such as recovery of funds, prosecution, issue of a warning, or other action.

Consultation

- 10 Not relevant for the purpose of the report.

Options

- 11 Not relevant for the purpose of the report.

Analysis

- 12 Not relevant for the purpose of the report.

Council Plan

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

Implications

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

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

Risk Management Assessment

- 15 The council will be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could

therefore be exposed to increased levels of scrutiny and challenge.

Recommendation

- 16 Members are asked to note the progress made in delivering the 2018/19 internal audit work programme, and current counter fraud activity.

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

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Corporate
Services
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**Report
Approved**



Date 22/11/2018

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2018/19 Internal Audit and Counter Fraud Plan

Annexes

Annex 1 - 2018/19 Audits Completed and Reports Issued

Annex 2 - Variations to the 2018/19 Audit Plan

Annex 3 - Current Status of Planned Audits

Annex 4 - Counter Fraud Activity

Available on the Council's website

The following Internal Audit reports referred to in annex 1 are published on the council's website:

- ICT Governance & Cyber Security
- Overtime
- Section 106 Agreements

Information which might increase risk to the council, its employees, partners or suppliers has been redacted.

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AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

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

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

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

Priority

Long Definition

Short Definition – for use in Audit Reports

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

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

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

3

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

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

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

Draft Reports Issued

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

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in September 2018. In all cases the actions have been agreed with management, and will be followed up by internal audit when the due date is reached.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
CQC Improvement Plan	No Opinion Given	0	0	0	This audit assignment provided support and advice in relation to the council's response to the CQC improvement plan issued following a recent visit. No formal report was produced but feedback to managers was provided.
ICT Governance & Cyber Security	Substantial Assurance	0	1	2	A review of the overall governance of ICT within the council as well as a strategic overview of cyber security risks. It found that the council had good structures in place but could do more to document and discuss ICT risks corporately.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Overtime	Reasonable Assurance	0	2	2	A review of overtime payments within Waste Services. The audit found that improvements could be made in relation to the provision of supporting information for overtime claims and ensuring waste collection drivers take sufficient breaks.
Section 106 Agreements	Reasonable Assurance	0	3	2	This audit included a review of monitoring and enforcement action, and arrangements for ensuring developer contributions are used correctly. Findings included a need to improve enforcement arrangements by more timely review of old cases and the commencement of new enforcement cases earlier.

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VARIATIONS TO THE 2018/19 AUDIT PLAN

Additions to the plan are considered where:

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

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

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

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

To reflect the contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the S151 Officer. Details of variations are communicated to the Audit and Governance Committee for information.

2018/19 Audit Plan Variations

The following variation has been approved by the Director of Customer and Corporate Services since the last report to this committee in September 2018.

Audit	Days	Reason For Variation
Additions / Increases to the Audit Plan		
Adult Education Service	15	A number of issues have arisen during the audit resulting in more time being required to fully explore them.
Bodyworn CCTV	10	An audit requested by the Governance, Risk and Assurance Group (GRAG) to follow-up findings identified in an internal Information Governance report.
Wenlock Terrace	10	This audit was more complex than first envisaged and has resulted in additional days being required. In addition, the responsible officer changed during the audit resulting in the need for additional meetings.
NHS Information Governance Toolkit	10	An allocation of time to review the annual submissions. This follows on from an audit carried out by NHS Digital.
Schools	10	An allocation of time to carry out two school audits.
Report Finalising 2017/18	10	Additional time required to discuss and agree actions, timescales and responsible officers for a number of audits.
Jewson Managed Stores	7	A review of ordering procedures under the arrangements with Jewson, in advance of contract renewal.

Audit	Days	Reason For Variation
Additions / Increases to the Audit Plan		
Ward Committees funding	5	A brief follow-up of previous audit findings to review the continued effectiveness of controls for ward committee funding.
Section 106 Agreements (Education)	5	An additional allocation of time to review agreements in this area, which were not covered by the 2017/18 s106 audit.
	82	

Audit	Days	Reason For Variation
Deletions / Reductions from the Audit Plan		
Council Tax & NNDR	25	To fund the additions above; this audit will now be carried out in Q1 2019/20. This will have the benefit of avoiding year-end, which the service had requested.
Housing Development	25	To fund the additions above; the service requested a deferral as the Housing Development programme is in its early stages.
Schools Funding	20	To fund the schools additions above.
Corporate Complaints	15	To fund the additions above; a new complaints policy is being introduced in late 2018/19 - a review will now be undertaken once the new arrangements are implemented.
	85	

The remaining three days will be transferred back to contingency.

CURRENT STATUS OF WORK IN AUDIT PLAN

AUDIT	STATUS	TARGET DATE FOR A&G COMMITTEE
Corporate & Cross-Cutting		
Annual Governance Statement & Governance Support	In progress	n/a
Asset Management	In progress	March 2019
Budgetary Control	Not started	June 2019
Corporate Complaints	Deferred	n/a
Data Quality	Not started	June 2019
Equalities	Planning Commenced	March 2019
GDPR Compliance	In progress	March 2019
Governance	In progress	March 2019
ICT – Asset Management	In progress	March 2019
ICT – Governance & Cyber Security	In progress	March 2019
ICT – Licence Management	Planning Commenced	June 2019
Information Security	Fieldwork Complete	March 2019
Insurance	In progress	March 2019
Multi-Agency Incident Planning	Not started	June 2019
Procurement & Contract Management	Not started	June 2019
Project Management	In progress	March 2019
Workforce Planning	Planning Commenced	June 2019

AUDIT	STATUS	TARGET DATE FOR A&G COMMITTEE
Staff Parking (addition to plan)	Fieldwork Complete	March 2019
Bodyworn CCTV (addition to plan)	Fieldwork Complete	March 2019
NHS Information Governance toolkit (addition to plan)	Not started	June 2019
Ward Committee Funding (addition to plan)	Not started	March 2019
Main Financial Systems		
Council Tax & NNDR	Deferred	n/a
Council Tax Support and Housing Benefits	In progress	March 2019
Debtors	In progress	March 2019
Housing Rents	Not started	June 2019
Main Accounting System	Not started	June 2019
Ordering and Creditor Payments	Fieldwork Complete	March 2019
Payroll	Not started	June 2019
VAT Accounting	Not started	June 2019
Health, Housing and Adult Social Care		
ASC Absence Management	Not started	June 2019
ASC Budget Management	In progress	March 2019
Continuing Healthcare	In progress	March 2019
CQC Improvement Plan	Complete – no report issued	December 2018
Housing Development	Deferred	n/a

AUDIT	STATUS	TARGET DATE FOR A&G COMMITTEE
Housing Fraud	Not started	June 2019
Public Health – Health Protection Standards	Not started	June 2019
Responsive Repairs	Not started	June 2019
Section 117 of the Mental Health Act (follow-up)	Fieldwork Complete	March 2019
Economy and Place		
Capital Projects	Not started	June 2019
Clean Air Data	High Assurance	September 2018
Contract Management – Allerton Park	Not started	June 2019
Contract Management – Park and Ride	Not started	June 2019
Waste Services – Procurement	In progress	March 2019
Section 106 Agreements – Education (addition to plan)	Not started	March 2019
Children, Education and Communities		
Adult Education Service	Fieldwork Complete	March 2019
Children’s Social Care Funding and Budget Management	Not started	June 2019
Free Early Education Funding	In progress	March 2019
Schools themed audit – Budget Management	In progress	March 2019
Schools themed audit – Information Governance	In progress	March 2019
Schools Funding	Deferred	n/a

AUDIT	STATUS	TARGET DATE FOR A&G COMMITTEE
Schools Maintenance Programme	Not started	June 2019
Services to Schools	Not started	June 2019
Wenlock Terrace	Fieldwork Complete	March 2019
Schools: St Wilfrid's Primary School Wigginton Primary School Clifton Green Primary School St Paul's Primary School	Draft report issued Fieldwork Complete Fieldwork Complete Planning Commenced	December 2018 March 2019 March 2019 March 2019

COUNTER FRAUD ACTIVITY 2018/19

The table below shows the level of savings achieved through counter fraud work during the current financial year.

	2018/19 (Actual: 31/10/18)	2018/19 (Target: Full Yr)	2017/18 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£277,932	£200,000	£298,155

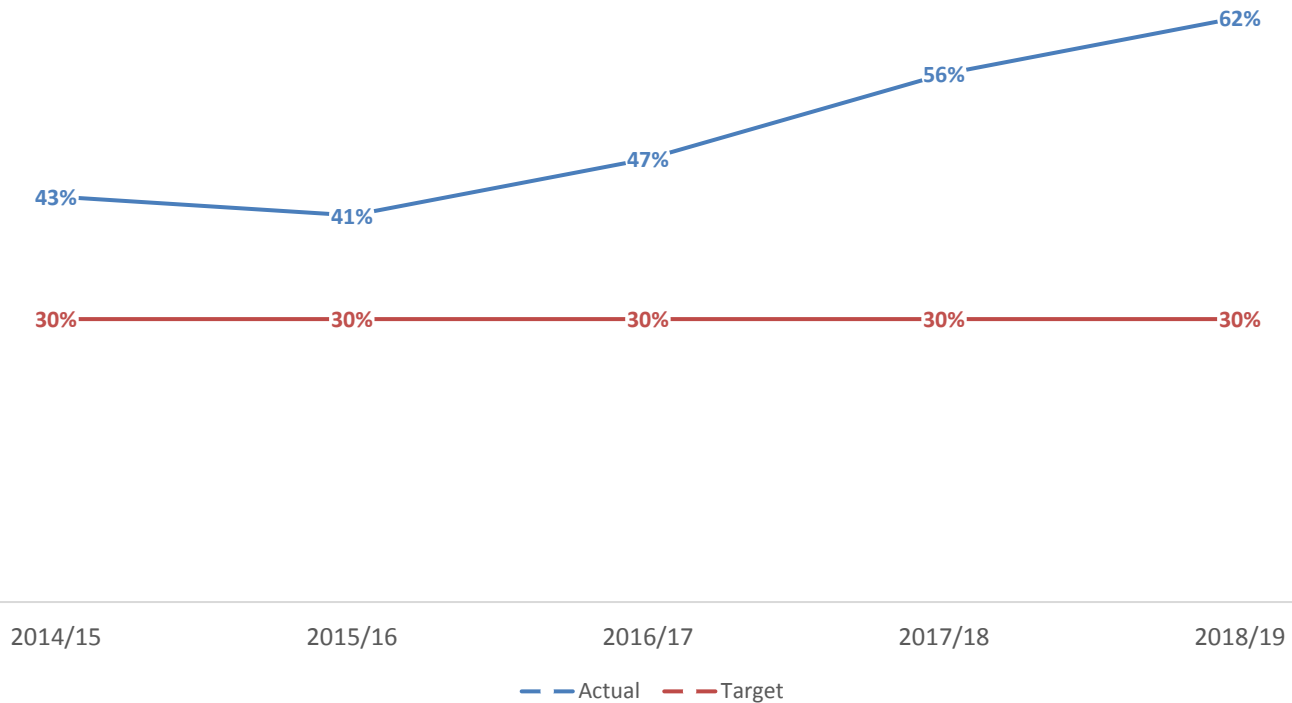
Caseload figures for the period are:

	2018/19 (As at 31/10/18)	2017/18 (Full Year)
Referrals received	184	365
Number of cases under investigation	133	120 ¹
Number of investigations completed	108	209

¹ As at 31/3/18

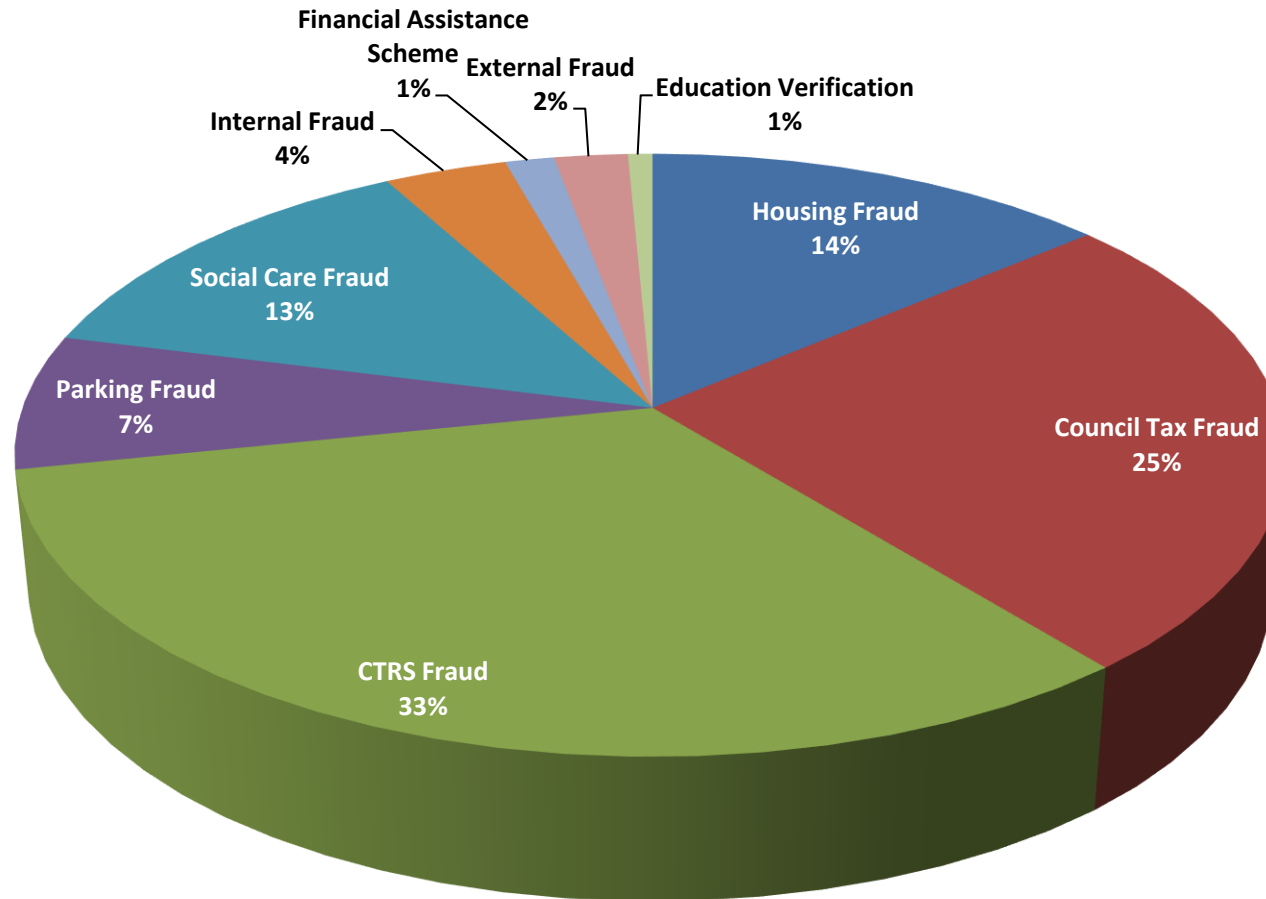
The agreed target for successful outcomes from investigations is 30%. Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, or management action taken. The graph below shows percentage success rates over the last 4 years and 2018/19 to date.

SUCCESSFUL INVESTIGATION OUTCOMES



The chart below shows the proportion of different case types under investigation as at 31 October 2018.

Active Investigations by type



Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative is underway. A range of council data was gathered and securely sent to the Cabinet Office for data matching in October. Resulting data matches are expected early in the New Year.</p> <p>The council participated in an NFI Business Rates pilot alongside regional partners. In total, over 10,000 matches were returned at the beginning of October. Initial sampling has been undertaken and a number of the matches have resulted in referrals to the Business Rates team and the Valuation Office Agency (VOA).</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Social Care fraud – This area continues to pose a substantial risk to the council. It represents the highest levels of financial loss due to fraud detected at the council. The counter fraud team work alongside council colleagues to mitigate the risk, investigate potential fraud and recover any losses identified. In the current financial year the team has detected £120k of loss to the council due to social care fraud. • Council Tax/Non Domestic Rates fraud – Council tax and business rate investigations are an area of focus for the team. They have a direct impact on council budgets and potentially an even greater impact in the future should rate retention policies be implemented, as planned, by central government. To date, 2 people have been successfully prosecuted and a further 10 people and 3 businesses have been cautioned, warned, or found to have underpaid council tax or business rates. In 2018/19 the team has identified £44k of loss to the council in this area. • Internal fraud - The team has received 7 referrals for possible internal fraud in 2018/19; 7 cases are currently under investigation.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li data-bbox="371 197 1948 448">• York Financial Assistance Scheme fraud – The fraud team continues to work with council officers and external organisations to deter fraud against this scheme. In the current financial year two people have been prosecuted by the council for falsely applying for white goods they did not require with the intention of selling them at a reduced cost. They were ordered to repay the council over £800 as well as undertaking community punishment. A further 3 people have been cautioned or warned in relation to fraud against the scheme. <li data-bbox="371 499 1948 624">• Council Tax Support fraud – In 2018/19 the fraud team has completed 18 investigations into potential CTS fraud. One person has been cautioned and 3 people were issued formal warnings. <li data-bbox="371 675 1948 799">• Housing fraud – Working alongside colleagues in the housing department, the counter fraud team has prevented 3 council homes from being let to applicants who provided false information in housing applications. <li data-bbox="371 850 1948 1147">• Parking fraud – The fraud team work with the parking department to combat blue badge and other types of parking related fraud. The two teams periodically undertake ‘days of action’ together where all blue badges are checked to ensure correct usage. During this financial year a couple have been prosecuted for using a blue badge while parking in a disabled parking bay in York city centre and subsequently providing false information to conceal the offence. Both parties pleaded guilty and were fined over £500 by magistrates. A further 14 people have been cautioned or issued warnings relating to parking fraud offences. <li data-bbox="371 1198 1948 1323">• Education verification – The fraud team works with the schools team to investigate and deter false applications for school placements. No cases have been referred to Veritau to date in 2018/19.

Activity	Work completed or in progress
Fraud liaison	The fraud team acts as a single point of contact for the Department for Work and Pensions and is responsible for providing data to support their housing benefit investigations. The team has dealt with 251 requests on behalf of the council in 2018/19.
Fraud Management	<p>In 2018/19 a range of activity has been undertaken to support the council's counter fraud framework.</p> <ul style="list-style-type: none"> • Raising awareness of fraud is part of the annual programme of work for the team. Awareness sessions have been provided to the business rates team and housing department in the current financial year. • The counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year. • During this year's National Fraud Initiative data gathering exercise, the counter fraud team has confirmed that, as part of the council's legal obligation, privacy notices are in place to facilitate data processing. • As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week. • A new counter fraud e-learning package was launched in November for council staff. The training seeks to ensure that staff are aware of the types of fraud currently affecting public sector bodies and what to do if they have suspicions it is occurring.



Audit and Governance Committee**5 December 2018****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
- ICO decision notices
- Use of FOI Act exemptions including section 14
- Personal data breach
- LGSCO Complaints

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 last two full quarters (April to September 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 continues to exceed the 90% target, which the ICO sets as an indicator for those authorities which may require attention. This is despite an increase in the volume of both FOI and EIR requests received.

- 2.3 In response to requests from the Committee for benchmarking information with other local authorities, I have been able to get via WYLaw (a collaborative group of York and the five West Yorkshire legal teams who work together to share knowledge and good practice, provide mutual support and undertake collaborative procurements) figures for numbers of requests received. This is shown in the table below. I will continue to look for additional benchmarking information and update committee through my next report.

WYLaw - 1st April 2017 - 31st March 2018

	FOI	EIR
BRADFORD	1503	226
CALDERDALE	1267	43
KIRKLEES	1263	250
LEEDS	2009* est:1507/502	
WAKEFIELD	1349	17
YORK	1290	562
WYCA	77	18

* Leeds - We do not separate FOI/EIR requests - estimated split 75% FOI/25% EIR

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 Further to committee's request that the details and summaries from the ICO decision notices are provided and the discussion

around this at the last meeting, these are shown in Annex 2. These are from 14 August to 1 November 2018 as the ones prior to these dates are from December 2017.

- 3.3 The committee's attention is drawn to the most recent ICO decision notice - FS50754577 – at paragraph 2:

“The Commissioner’s decision is that the request is vexatious and that it would have been unreasonable in the circumstances for City of York Council (“the Council”) to have been required to issue a fresh refusal notice. The Council is therefore entitled to rely on Section 17(6) of the FOIA in order not to issue a fresh refusal notice.”

And also at paragraph 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.”

See Annex 4 for the full decision notice.

4. Use of FOI Act exemptions including section 14

- 4.1 The council does not reject or ignore any FOI requests or enquiries, as we will respond with one of the following responses

- that the information is not held by the council
- the information requested
- none of the information requested with an explanation of what exemption(s) we have applied including public interest test if applicable
- part of the information requested and an explanation of what exemption(s) we have applied for the information we have not supplied, including public interest test if applicable

- 4.2 Exemptions are set out in the FOI Act as sections 21 to 44 but some common examples are however some of the more common ones are other individual(s) personal data, prejudicing someone's commercial interests, endangering health and safety, prejudicing legal professional advice
- 4.3 For 1 April 2017 to 31 March 2018, from a total of 1852 requests, 165 were exempted in full (8.9% of the total received) and a further 79 were partially exempt (4.3% of the total received). This means that we provided all or part of the information requested in 91.1% of requests.
- 4.4 For period 1 April 2018 to 30 September 2018 (which is the last full reporting period for this financial year), from a total of 1057 requests, 97 were exempted in full (9.2% of the total received) and a further 20 were partially exempt (1.9% of the total received). This means that for April to September we provided all or part of the information requested in 90.8% of requests.

	April 17 to March 18	April 18 to Sept 18
total requests received	1852	1057
exempt in full	165	97
exempt in part	79	20
% exempt in full	8.9%	9.2%
% exempt in part	4.3%	1.9%
% answered in full	86.8%	88.9%

- 4.5 When considering the use of section 14 exemption, it is the FOI request that is considered vexatious, not the requester and if after refusing a request as vexatious, we receive a subsequent request from the same person, and we can refuse it, only if it also meets the criteria for being vexatious.
- 4.6 As per the ICO's guidance on the section 14 exemption, we should be prepared to find a request vexatious in legitimate circumstances and exercise care when we do refuse a request in this way.

- 4.7 As a general rule, we do not take into account the identity or intentions of a requester when considering whether to comply with a FOI request. This is because we cannot refuse a request simply because it does not seem to be of much value. However, a minority of requesters may sometimes abuse their rights under the FOI Act, which can threaten to undermine the credibility of the freedom of information system and divert resources away from more deserving requests and other council business.
- 4.8 If we do refuse to comply with a request that is vexatious, we do not have to comply with any part of it, or even confirm or deny whether we hold information. When assessing whether a request is vexatious, the FOI Act permits us to take into account the context and history of a request, including the identity of the requester and our previous contact with them, including where we have responded to the same or similar request previously and advised the requester we will not respond further. The decision to refuse a request often follows a long series of requests and correspondence.
- 4.9 When we do this we follow the ICO's guidance including asking ourselves whether the request is likely to cause a disproportionate or unjustifiable level of distress, disruption or irritation.

5. Personal data breach

- 5.1 On 1 November 2018, a third party contacted the council and told us they had found a way to access personal data of those people who use the One Planet York app. We cannot say for certain what the third party responsible has done with the data. They notified the Council of the vulnerability and did not request anything in return which suggests they are someone who looks for data vulnerabilities in the public interest. The data accessed included personal information such as name, address, postcode, email, phone and encrypted password.
- 5.2 The One Planet York is isolated from other council systems and therefore no access to other records held through happened as a result of this breach.
- 5.3 Both the Information Commissioner's Office (ICO) and the local cyber crime unit at North Yorkshire Police were notified of this

breach and we continue to co-operate with their investigations. This is alongside our own internal investigation as part of the breach management procedures and when these are completed, an update will be provided to Committee.

- 5.4 All registered users of the app were contacted with details of the breach, how it happened, what we doing about it along with advice and guidance for any concerns they may have.

6. Complaints

- 6.1 The cases where the Local Government and Social Care Ombudsman (LGSCO) made a decision between April and November 2018 are shown at Annex 3.
- 6.2 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.
- 6.3 The public report case was taken to Executive on 29 November 2018
- 6.4 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.

7. Consultation

Not relevant for the purpose of this report.

8. Options

Not relevant for the purpose of this report.

9. Analysis

Not relevant for the purpose of this report.

10. Council Plan

10.1 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.

11. Implications

Relevant implications are set out in the body of the report

12. 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.

13. Recommendations

Members are asked:

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

Reason: To keep Members updated.

Contact Details

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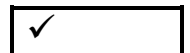
Report
Approved



Date 27 Nov 2018

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 – ICO decision notices summary

Annex 3 – LGSCO decision summaries

Annex 4 – ICO full decision notice

Background Information

Not applicable

Information Governance

Definition	April to September 2017		April to September 2018	
	Q1	Q2	Q1	Q2
FOI & EIR - Total Received - (YTD)	401	849	554	1057
FOI (Freedom of Information) - Total Received - (YTD)	273	578	363	742
EIR (Environmental Information Regulations) - Total Received - (YTD)	128	271	191	315
FOI & EIR - Total Received	401	448	554	503
FOI (Freedom of Information) - Total Received	273	305	363	379
EIR (Environmental Information Regulations) - Total Received	128	143	191	124
FOI & EIR - In time - (YTD)	371	778	514	975
FOI & EIR - % In time - (YTD)	92.50%	91.64%	92.80%	92.24%
FOI (Freedom of Information) - In time - (YTD)	248	515	331	674
FOI (Freedom of Information) - % In time - (YTD)	90.80%	89.10%	91.20%	90.83%
EIR (Environmental Information Regulations) - In time - (YTD)	123	263	183	301
EIR (Environmental Information Regulations) - % In time - (YTD)	96.10%	97.05%	95.80%	95.55%
FOI & EIR - In time	371	407	514	461
FOI & EIR - % In time	92.50%	90.85%	92.80%	91.65%
FOI (Freedom of Information) - In time	248	267	331	343
FOI (Freedom of Information) - % In time	90.80%	87.54%	91.20%	90.50%
EIR (Environmental Information Regulations) - In time	123	140	183	118
EIR (Environmental Information Regulations) - % In time	96.10%	97.05%	95.80%	95.20%
FOI & EIR - Out of time - (YTD)	30	71	40	82
FOI & EIR - % Out of time - (YTD)	7.50%	8.36%	7.20%	8.41%
FOI (Freedom of Information) - Out of time - (YTD)	25	63	32	68
FOI (Freedom of Information) - % Out of time - (YTD)	9.20%	10.90%	8.80%	9.16%
EIR (Environmental Information Regulations) - Out of time - (YTD)	5	8	8	14
EIR (Environmental Information Regulations) - % Out of time - (YTD)	3.90%	2.95%	4.20%	4.44%
FOI & EIR - Out of time	30	41	40	42
FOI & EIR - % Out of time	7.50%	9.15%	7.20%	8.35%
FOI (Freedom of Information) - Out of time	25	38	32	36
FOI (Freedom of Information) - % Out of time	9.20%	12.46%	8.80%	9.50%
EIR (Environmental Information Regulations) - Out of time	5	3	8	6
EIR (Environmental Information Regulations) - % Out of time	3.90%	2.10%	4.20%	4.80%
DP (Data Protection Act) / SAR (Subject Access Request) - Total Received - (YTD)	13	28	35	59
DP (Data Protection Act) / SAR (Subject Access Request) - In time - (YTD)	11	24	29	44
DP (Data Protection Act) / SAR (Subject Access Request) - % In time - (YTD)	84.60%	85.71%	82.80%	74.58%
DP (Data Protection Act) / SAR (Subject Access Request) - Out of time - (YTD)	2	4	6	15
DP (Data Protection Act) / SAR (Subject Access Request) - % Out of time - (YTD)	15.40%	14.28%	17.10%	25.42%
DP (Data Protection Act) / SAR (Subject Access Request) - Total Received	13	15	35	24
DP (Data Protection Act) / SAR (Subject Access Request) - In time	11	13	29	15
DP (Data Protection Act) / SAR (Subject Access Request) - % In time	84.60%	86.67%	82.80%	62.50%
DP (Data Protection Act) / SAR (Subject Access Request) - Out of time	2	2	6	9
DP (Data Protection Act) / SAR (Subject Access Request) - % Out of time	15.40%	13.33%	17.10%	37.50%

YTD – Year to Date

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Summary of ICO decision notices from 14 August 2018 to 1 November 2018

1 Nov 2018 Decision notice FS50754577

The complainant has requested copies of background documents provided to the Audit & Governance Committee. The Commissioner's decision is that not only is the request vexatious, but that it would have been unreasonable in the circumstances for City of York Council to issue a fresh refusal notice. The Council is therefore entitled to rely on Section 17(6) of the FOIA to issue a fresh refusal notice. The Commissioner does not require the Council to take further steps.

FOI 17: Complaint not upheld

30 Oct 2018 Decision notice FS50657329

The complainant requested information with regards to the need for Grade A offices. City of York Council (the council) responded that it did not hold the requested information. The Commissioner's decision is that the request is for environmental information and that the council does not hold the requested information as per regulation 12(4)(a) of the EIR. The Commissioner did find that the council should have provided advice and assistance in accordance with regulation 9 of the EIR in order to provide some clarity to why the specific information requested was not held. As this clarity has been provided by the council to the Commissioner in response to her enquiries, the Commissioner does not require the council to take any steps.

EIR 12(4)(a): Complaint not upheld EIR 9: Complaint upheld

13 Sep 2018 Decision notice FS50730008

The complainant has requested information regarding unpaid business rate accounts. City of York Council refused to disclose the requested information citing section 44(1)(a) of the FOIA by virtue of the statutory prohibition in section 2(2) of the Local

Government Act. The Commissioner's decision is that the exemption is not engaged, City of York Council incorrectly cited section 44(1)(a). The Commissioner requires the public authority to disclose the requested information.

FOI 44: Complaint upheld

11 Sep 2018 Decision notice FER0722488

The complainant has requested information relating to Mount School playing field sale of land and proposed development. City of York Council confirmed that some information was not held and withheld other information under the exceptions for commercial confidentiality (regulation 12(5)(e)) and interests of the information provider (regulation 12(5)(f)). The Commissioner's decision is that City of York Council complied with regulation 5(1), in failing to carry out an internal review, breached regulation 11(3) and regulation 11(4) and, failed to demonstrate that the exceptions in regulation 12(5)(e) regulation 12(5)(f) are engaged. The Commissioner requires the public authority to disclose the information in parts 3, 4 and 5 of the request (excluding the personal data of third parties).

**EIR 5(1): Complaint not upheld EIR 12(5)(e): Complaint upheld
EIR 12(5)(f): Complaint upheld**

14 Aug 2018 Decision notice FS50683673

The complainant has requested information held by City of York Council (the council) about a referral it had made to the Local Government Association (the LGA). The Commissioner's decision is that the council has correctly applied section 14(1) of the FOIA (vexatious request) and does not require the council to take any steps.

FOI 14: Complaint not upheld

14 Aug 2018 Decision notice FS50682076

The complainant has made a number of requests relating to an investigation into the procurement of certain external contracts by

the City of York Council (the council). The Commissioner's decision is that two of the three requests which have been considered within this Decision Notice are not vexatious and the council is not entitled to rely on section 14(1) in relation to these requests. With regards to a third request, the Commissioner has concluded that the council can no longer rely on its current reasoning for the application of section 14. The Commissioner requires the council to issue a fresh response in respect of the first two requests that does not rely on section 14(1). The council should then go on to issue a fresh response to the third request.

FOI 14: Complaint upheld

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Local Government and Social Care Ombudsman cases – decisions for April 2018 to November 2018

LGSCO Ref	Our Reference	Service Area	Directorate	Summary of Final Decision	Actions	Decision	Date of Final Decision
17017675	IGF/5305	Parking	EAP	The Ombudsman will not investigate this complaint about compensation for a cancelled parking penalty charge notice. There is insignificant injustice remaining to the complaint to warrant our involvement	Not investigated	Closed after initial enquiries/ no further action	04/04/2018
18008361	IGF/09801	Enforce - ment	HHASC	The Ombudsman will not investigate this complaint about a dog fine because there is insufficient evidence of fault by the council.	Not investigated	Closed after initial enquiries / no further action	08/10/2018
18009506	IGF/10057	Parking	EAP	The Ombudsman will not investigate the complaint about the Council's handling of her challenge to a penalty charge notice. If Mrs X disputed the contravention it would have been reasonable for her to appeal.	Not investigated	Closed after initial enquiries / no further action	29/10/2018
18008007	IGF/6914	Planning	EAP	Mr B complains the Council's consideration of a planning application he made was flawed and that it then failed to rectify the matter and to deal properly with his correspondence. Mr B needs to submit a fresh application, incurring additional costs. The Ombudsman finds there was fault by the Council as well as by Mr B in this matter. A financial remedy to reflect this finding has been agreed by the Council.	Process planning application at half fees. Issue an apology	Upheld – maladministration and injustice	20/11/2018

18006245	IGF/3697	Planning	EAP	The Ombudsman will not investigate this complaint. This is because the matter is out of time.	Not investigated	Closed after initial enquiries/ no further action	21/11/2018
17005221	IGF/1803	Special Education Needs	CSC	There was fault by the Council because of a delay in completing an education, health and care plan for the complainant's daughter. The Council agreed to provide a financial remedy to reflect the injustice suffered by the complainant's daughter. I found fault by the Council because of a delay in completing an EHCP for Ms X's daughter. I closed the complaint because the Council agreed to provide a financial remedy to Ms X's daughter.	Case closed as financial remedy of £750 agreed.	Upheld – maladministration and injustice	12/04/2018
17010002	IGF/4581	Civic	CCS	Mr X says councillors refused to discuss a planning application he opposed and a councillor with a conflict of interests failed to withdraw from the planning committee. The Council was at fault for failing to impress on councillors the importance of discussing applications with the public but this did not cause Mr X injustice. I find fault with the Council in that it failed to impress on councillors the importance of speaking to the public about planning applications. But I do not find that the fault caused injustice. I have not made any recommendations. I have closed my investigation.	Fault found but did not cause injustice, no recommendations and case closed	Not upheld and no injustice	13/04/2018

17011836	IGF/1850	Highways	EAP	<p>The Council failed to properly follow its policy and guidance when it replaced a street light outside Mr B's home. The Council has agreed to develop a new decision-making process and properly determine whether it should have replaced a 5-metre street light in a conservation area with a 6-metre column, which is a departure from its policy and guidance. It will also apologise to Mr B. I have completed my investigation and uphold Mr B's complaint. There was fault by the Council which caused him injustice. The action the Council has agreed to take is sufficient to remedy that injustice.</p>	<p>Within four weeks, the Council will</p> <ul style="list-style-type: none"> • apologise to Mr B for the failings identified in this case; • develop a clear process to show how decisions about street lighting should be reached when the proposal does not accord with its street lighting policy, the 'City of York Streetscape Strategy and Guidance' or the views of the conservation team; and • send a copy of this process to the Ombudsman. <p>Within eight weeks, the Council will:</p> <ul style="list-style-type: none"> • follow this new process to properly determine whether it should have departed from its policy and replaced the 5-metre swan neck street light outside Mr B's home with a 6-metre column; • write to Mr B and the Ombudsman with its decision and evidence to show how it reached its decision. If the Council decides that it should not have installed a 6-metre column, it will arrange for remedial works to be carried out within four weeks of the decision. 	Upheld – maladministration and injustice	24/04/2018
17020382	IGF/7259	Civic	CCS	<p>The Ombudsman will not investigate Mr X's complaint as he is unlikely to find fault in the way the Council dealt with his code of conduct complaint about a councillor. I will not investigate this complaint</p>	Not investigated	Closed after initial enquiries / no further action	30/04/2018

				because I have not seen any evidence of fault in the Council's actions.			
17005114	IGF/4304	Information Governance, Complaints and Feedback	CCS	Mrs X complains about the way the Council considered her need for extra post-adoption counselling after it completed its Stage Two investigation of her complaint. She also complains that the Council gave misleading information to the Ombudsman during his investigation of her previous complaint. We have completed the investigation and found no evidence of fault by the Council. I have completed the investigation and found no fault with the Council's actions.	No fault	Not upheld/ No injustice	24/05/2018
18000757	IGF/5662	Business Rates	CCS	The Ombudsman does not have grounds to investigate this complaint that the Council had unreasonably charged business rates in respect of a commercial property. This is because there is no sign of fault by the Council. It also appears the ratepayer would need to approach the Valuation Office Agency to pursue any complaint about a delay in the rates listing process in his case. The Ombudsman does not have grounds to investigate Mr X's complaint that the council had unreasonably charged him business rates on his commercial property. This is mainly because there is no sign of fault by the Council. In addition it appears Mr X would need to raise any concerns he has about delay in the rates listing process with the Valuation Office Agency.	No grounds to investigate and no signs of fault	Closed after initial enquiries outside of jurisdiction	24/05/201

18001336	IGF/6951	Planning	EAP	The Ombudsman will not investigate Miss X's complaint about the Council's failure to consult on her neighbour's planning application. The Council accepts fault and has apologised but we cannot achieve the outcome Miss X wants and it is unlikely investigation will achieve anything further for her. The Ombudsman will not investigate this complaint. This is because it is unlikely we could achieve any meaningful outcome for Miss X.	Will not investigate – council accepted fault	Closed after initial enquiries/ no further action	29/05/2018
17011448	IGF/2403	Registrars	CCS	The Council was at fault for issuing a marriage certificate with an incorrect date to Mrs X and Mr Y. The Council have apologised and agreed to issue an amended marriage certificate. The Council has agreed to remedy the injustice by providing Mrs X and Mr Y with a payment of £250 for the avoidable distress it caused and the time and trouble they spent pursuing the complaint and obtaining an amended marriage certificate. I have found fault with the Council and it has agreed to my recommendations to remedy the injustice caused to Mrs X and Mr Y.	To remedy the injustice caused, specifically the distress caused and the time and trouble they have spent in pursuing this complaint, within 4 weeks of my final decision the Council will make a payment of £250 to Mrs X and Mr Y. Within four weeks of my final decision the Council will arrange an appointment for Mr and Mrs X to witness the correction and provide them with an amended marriage certificate.	Upheld – maladministration and injustice	31/05/2018
17013769	IGF/2816	Licensing	EAP	Mr X complained the Council did not apply its Vehicle Licensing Policy fairly when it failed his vehicle's taxi test due to a tinted rear window. There is no fault in how the Council applied its policy. There is no fault with the Council's application of its policy when licensing Mr X's vehicle. Therefore, I have completed my	No fault and investigation closed	Not upheld/No injustice	01/06/2018

				investigation and closed this complaint.			
18001813	IGF/7298	Waste	EAP	The Ombudsman will not investigate Mr X's complaint that the Council took more than two weeks to deliver him a recycling box which he believes is second-hand. Mr X paid only £6 for the box and this is not a significant enough amount to warrant the cost of investigation. The Ombudsman will not investigate this complaint. This is because the actions Mr X complains about have not caused him significant injustice.	Will not investigate	Closed after initial enquiries/ no further action	07/06/2018
18002201	IGF/2232	Planning	EAP	The Ombudsman will not investigate Mr X's complaint that the Council failed to provide him with planning policy and guidance documents. It is unlikely we would find fault by the Council causing Mr X significant injustice. The Ombudsman will not investigate this complaint. This is because it is unlikely we would find fault by the Council causing Mr X significant injustice.	Will not investigate	Closed after initial enquiries/ no further action	14/06/2018
17014432	IGF/1826	Commissioning Provisions	HHASC	There was no administrative fault in the way the Council reached its decision to take into account all of Mrs B's Disability Living Allowance care component when assessing how much she should contribute to the cost of her care. The Ombudsman has not investigated Mrs B's complaint that the Council's decision was unlawful because the Ombudsman does not interpret legislation; this is a matter for the courts. I have completed my investigation and do not uphold Mrs B's	No fault	Not upheld/ no injustice	28/06/2018

				complaint. There was no fault by the Council.			
17019006	IGF/5222	Council Tax	CCS	Mr B complains the Council acted with fault in failing to contact him about his council tax arrears despite holding his contact details. There is no evidence of fault by the Council and we will not pursue the complaint any further.	No evidence of fault	Closed after initial enquiries/ no further action	29/06/2018
17010589	IGF/2128	ASC Assessment	HHASC	There is no fault by the Council in relation to this complaint from Ms X about decisions it took in relation to care it provided to her father, Mr Y. I have completed my investigation and made a finding of no fault by the Council in relation to the matters Ms X has complained about.	No fault	Not upheld/no further action	17/07/2018
18003525	IGF/7172	Social Care and Child Protection	CSC	The Ombudsman should not investigate Mr J's complaint about the Council's involvement with his family, because the issues are ones it would be reasonable for Mr J to raise in court. The Ombudsman will not investigate this complaint because the substantive issues are ones it would be reasonable to raise in court.	Will not investigate	Closed after initial enquiries/ no further action	17/07/2018
18004579	IGF/7169	Highways	EAP	The Ombudsman will not investigate Mr B's complaint about the Council's failure to maintain a public highway. It is reasonable to expect Mr B to use his right of remedy in the courts if he considers the Council is liable for the damage to his car. The Ombudsman will not investigate this complaint. This is because it is	Will not investigate	Closed after initial enquiries/ no further action	31/07/2018

				reasonable for Mr B to take the matter to court.			
18004395	IGF/8344	Benefits	CCS	The Ombudsman will not investigate this complaint that the Council failed to inform the complainant that changes to her circumstances might have meant she was entitled to Housing Benefit and Council Tax Support. This is because there is insufficient evidence of fault by the Council. The Ombudsman will not investigate Miss B's complaint.	Will not investigate Case closed	Closed after initial enquiries/ no further action	06/08/2018
17013420	IGF/0898	Housing standards	HHASC	Mrs X complains the Council failed to properly adapt the shower in her Council tenancy. My draft decision is there was fault in the way the adaptation was carried out meaning water got under the flooring. When this was corrected the repairs were not carried out to the same specification as the original adaptation resulting in a trip hazard. Mrs X has been put to unnecessary time and trouble pursuing this and been caused distress because of the work to the flooring. The Council should pay Mrs X £300 to recognise this and reassess her current needs to see what work is needed to make the shower safe. I have completed my investigation. This is because I have found fault causing injustice and the actions I have recommended provide a suitable remedy for this.	<ul style="list-style-type: none"> • Within 8 weeks of my final decision the Council should: <ol style="list-style-type: none"> a) Apologise to Mrs X for the work not being carried out to the proper standard and in line with the agreed schedule of works. b) Pay Mrs X £300 for her time and trouble pursuing the complaint and distress caused as a result of poor standard of work to the flooring. • Within 2 weeks of my final decision the Council should visit Mrs X to reassess her current needs and the layout of her bathroom to see what work is needed so that Mrs X is able to use her shower safely. Any work should be carried out within three months of my final decision. 	Upheld/ Maladministration and Injustice	29/08/2018

18007133	IGF/8063	Transport	EAP	The Ombudsman will not investigate this complaint about road works the complainant would like the Council to carry out. It is unlikely the Ombudsman would find that fault by the Council had caused the complainant injustice that warrants his involvement. I have decided we will not investigate this complaint. This is because we are unlikely to find fault by the Council has caused Ms B personal injustice that would warrant our involvement.	Will not investigate	Closed after initial enquiries/ no further action	05/09/2018
18008264	IGF/8720	Highways	EAP	The Ombudsman will not investigate this complaint about the Council's decision not to move a street light. This is because there is insufficient evidence of fault by the Council and because it is unlikely he could add to the Council's response.	Will not investigate	Closed after initial enquiries/ no further action	11/10/2018

17006785	IGF/3955	Children's safeguard - ing	CSC	<p>Ms X and Mr Y complain about what happened when their youngest son, who we shall call Z, was admitted to hospital. Ms X and Mr Y's son passed away whilst he was in hospital and whilst the family were subject to ongoing court action by the Council regarding their children. Ms X and Mr Y say the Council restricted their ability to spend time with Z when he was in hospital which limited the time they were able to spend with him before he passed away. Ms X and Mr Y complain the Council delayed dealing with their complaint under the statutory children's complaints procedure.</p>	<p>To remedy the injustice caused, we recommend the Council:</p> <ul style="list-style-type: none"> • write to Ms X and Mr Y to apologise for the failure to review supervision arrangements for Z and the fact this meant they lost out on spending time with their son. The Council should also apologise for the delays in dealing with Ms X and Mr Y's complaint and for misleading them in relation to the reasons for those delays; and • pay Ms X and Mr Y £2000 for the distress caused as a result of the failure to properly review supervision arrangements whilst Z was in hospital. In reaching a view on the level of distress caused we have taken account of the fact Ms X and Mr Y missed out on spending time with Z which they cannot get back. We consider this would allow the family to spend quality time together, for example on a holiday. However, the family can choose to spend it how they wish. This payment is in addition to the monies already paid by the Council. The Council should take this action within three months of our final decision. The Council should also take the following action to ensure other people using it's services are not similarly affected: 	Report issued /upheld/ maladministration and injustice	16/10/2018
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					<ul style="list-style-type: none"> • Review its existing policies to set out supervision arrangements which can be made available for parents or other relatives visiting looked after children in hospital. • Contact the second hospital and relevant council to develop a closer working relationship for when looked after children receive treatment outside the Council's area. • Review training needs of Council officers at all levels with regards to the statutory complaints process and relevant timescales. • Review the Council's handling of statutory children's complaints since September 2016 to ensure complaints are being dealt with in line with statutory timescales. 		
18009576	IGF/10176	Parking	EAP	The Ombudsman will not investigate this complaint that the Council will not accept objections about a Penalty Charge Notice by phone. This is because there is insufficient evidence of fault by the Council and insufficient evidence of injustice.	Will not investigate	Closed after initial enquiries/ no further action	01/11/2015

18003432	IGF/1739	Children's safeguard - ing	CSC	Mr and Mrs B complain the Council wrongly started a child protection investigation and accessed their personal information without consent. There was fault because the Council did not complete the single assessment within prescribed timescales. This short delay did not lead to significant injustice as Mr and Mrs B chose to stop working with the Council during the assessment. I have completed my investigation. There was some fault on behalf of the Council in completing an assessment. This fault did not cause any significant injustice.	Some fault but did not cause any significant injustice	Upheld/ maladministration / no injustice	08/11/2018
17016139	IGF/1127	Children's safeguard - ing	CSC	Mrs X complains of failures by the Council in safeguarding her son, A. Although there were no safeguarding failures, there was other fault by the Council in the way it communicated with Mrs X. It will apologise and pay her £250 for the unnecessary worry and time and trouble this caused her. I have upheld the complaint and closed the case as the Council has agreed to offer a suitable remedy for the injustice caused by the fault found.	To remedy the injustice caused by the fault found, the Council will, within one month of the final decision: <ul style="list-style-type: none"> • Apologises to Mrs X for its poor communication and complaint handling, including sending the Stage 2 investigation report to the wrong address; and • Pays Mrs X £250 for her unnecessary worry and the time and trouble it has caused her in pursuing her complaint. 	Upheld/ maladministration and injustice	14/11/201

18002045	IGF/2793	Information Governance, Complaints and Feedback	CCS	<p>Mr D says the Council misadvised him and his wife about flooding services during a telephone call. The Ombudsman has found some evidence of fault in the Council's complaint handling which the Council accepts. He is completing the investigation and upholding the complaint because the Council agrees to apologise to Mr D. It seems to me the Council's letter of 23 October failed to be clear about what evidence was considered and the reasons why. The subsequent complaints response did not sufficiently clarify this matter. This caused Mr D confusion and led him to believe that his original call had been recorded and was being withheld from him thereby propelling his further complaints.</p>	<p>I asked the Council to consider the following recommendations:</p> <ul style="list-style-type: none"> • Send Mr D a letter of apology for the poor-quality complaints response he received in October 2017; • Remind complaints staff that letters need to be clear and specify what evidence has been considered. 	Upheld/ maladministration and no injustice	12/11/2018
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Freedom of Information Act 2000 (FOIA)**Decision notice**

Date: 1 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 requested copies of background documents provided to the Audit & Governance Committee.
2. The Commissioner's decision is that the request is vexatious and that it would have been unreasonable in the circumstances for City of York Council ("the Council") to have been required to issue a fresh refusal notice. The Council is therefore entitled to rely on Section 17(6) of the FOIA in order not to issue a fresh refusal notice.
3. The Commissioner does not require the Council to take further steps.

Background

4. On 20 December 2016, the Commissioner issued Decision Notice FS50626507 in which she found that a particular request from this complainant was vexatious¹. That Decision Notice included a concise history of the complainant's interaction with the Council. The Commissioner does not consider it necessary to reproduce that history

¹ <https://ico.org.uk/media/action-weve-taken/decision-notice/2016/1625609/fs50626507.pdf>

here but it has some relevance to understanding why the present request is also vexatious.

Request and response

5. On 13 April 2018, the complainant contacted the Council via whatdotheyknow.com and requested information in the following terms:

"At the April meeting of Audit and Governance regarding the item on the forward audit plan, prioritisation of internal audits for the next financial year, Cllr Lars Kramm expressed concern that the 'helpful' materials sent just to Councillors could not be discussed as they were not on the agenda.

"As many of the challenges the council faces could be mitigated by better internal audit selection and a rational prioritised system, it came as a surprise to me that officers (S151 and Head of Internal Audit, and The Monitoring Officer) were knowingly breaching ICO guidance as well as possible breaches of FOI regulations.

"I recall this issue has cropped up before and I wonder if by-passing ICO guidance is becoming a new way to avoid oversight from the broader Councillor body, the Executive, Chief Officers, citizens and external auditors, may I say it a silo strategy limiting knowledge to a few and we know knowledge is power.

"Accordingly please provide the following:

- 1. For this most recent incident, the materials provided to members to help them see how the auditors prioritised the audits. Please include the 'universe' of all possible audits promised to Councillors previously.*
- 2. For the calendar year 2017 and to 1April 2018 please provide all emails and materials sent by the Council and internal auditors to the committee. The S151 often promises to send materials in committee, members have asked that those materials are added to the record of the meetings, there is no evidence of either.*
- 3. Please confirm what action will be taken against the staff who are deliberately circumventing the committee system to avoid proper oversight by members, external auditors, colleagues and citizens."*

6. The Council acknowledged the request on the same day, but did not provide a formal response.

Scope of the case

7. The complainant contacted the Commissioner on 29 May 2018 to complain about the lack of a response to the request.
8. In line with her usual practice for addressing complaints about delayed responses, the Commissioner contacted the Council on 13 June 2018. The Council responded on 18 June 2018 to say that it considered that Section 17(6) applied to the request and that it would be unreasonable to issue a fresh refusal notice.
9. The complainant has requested that the Commissioner find that the Council has breached its responsibilities under Section 10 of the Act by failing to respond to the request within 20 working days. However, Section 10 relates to the time limit for the Council to *comply* with the request and, if the request is vexatious the Council is not obliged to comply with it. Furthermore, if Section 17(6) applies, the Council is not obliged to issue a refusal notice. Therefore if the Commissioner finds that the Council is entitled to rely on Section 17(6), she does not need to consider the promptness of the Council's response.
10. The Commissioner considers the scope of her investigation to be to determine whether the Council was entitled to rely on Section 17(6) of the FOIA.

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. In Decision Notice FS50626507, the Commissioner set out why she considered that that particular request was vexatious, noting at paragraph 24:

"The complainant's previous requests and communications with the Council, as well as the comments on social media all suggest that the request is the continuation of a pattern of behaviour that is unreasonably persistent and that collectively imposes a significant burden on the Council. The Commissioner is also mindful that some of the language used by the complainant is somewhat aggressive and confrontational. It also appears that this request is part of her wider protest and opposition to the Council due to what she perceives as wrongdoing or corruption by some of its officers. In the Commissioner's view this adds weight to the argument that the request is indeed vexatious."

15. The starting point for Section 17(6) to apply is that the request in question must be vexatious. However, given that Section 17(6) is designed to give public authorities some protection against the burden of persistent vexatious requests, the Commissioner has taken a proportionate approach to assessing this particular complaint. Rather than consider the question of vexatiousness anew, which is likely to involve revisiting ground already covered in the earlier decision notice, she has asked the Council to focus on the links between the current request and the request that the Commissioner previously found to be

vexatious. Having previously identified "*a pattern of behaviour that is unreasonably persistent.*" It would follow that any requests which continue that pattern would also be vexatious.

16. In its submission to the Commissioner, the Council has stated that the complainant has made numerous requests in recent years (as well as contacts via other means) and that these have "*never been limited to any specific issue, information, area of interest or complaint.*" However, the Council also points out that: "*many have the same intention of unjustly, repeatedly and publicly discrediting a number of senior officers and some Councillors with the intention of them losing their posts.*" [emphasis added]
17. The Council noted that the preamble of the request included allegations that council officers had committed breaches of the law and that the complainant had left a further annotation on the whatdotheyknow.com thread alleging that "*the Cllrs are being unfairly and I would say, unreasonably (even possibly unlawfully) constrained.*"
18. The Council also provided the Commissioner with examples of other requests which the complainant had submitted which continued to make allegations of impropriety and/or malfeasance on the part of council officers and which often focused on involvement of the Section 151 Officer.²
19. The Council also noted that, whilst it had refused some of the complainant's requests as vexatious, it had also responded to several of the requests and that it "*continues to be careful to differentiate between cases where the applicant is abusing their information rights to continue to engage in a campaign of harassment and the times, where it is felt this there is a matter of wider public interest and responding would be beneficial to progressing this interest.*"
20. The Council has argued that, given the frequency of the correspondence it receives from this complainant and the numbers of requests it considers to be vexatious, that it would be an unacceptable drain on its resources to continue to issue refusal notices. The Council states that, in all the circumstances, it would have been unreasonable to have issued a fresh refusal notice in respect of this request.

² Section 151 of the Local Government Act 1972 requires all local authorities to appoint an officer responsible for the proper administration of its financial affairs (also known as the Responsible Financial Officer).

The Commissioner's view

21. The Commissioner considers that the request was vexatious and therefore it would have been unreasonable to have expected the complainant to have issued a fresh refusal notice in the circumstances.
22. The Commissioner's view is that Section 17(6) should be used sparingly and in relation to requests on specific themes or matters which have been dealt with previously by a public authority. It should not generally be used as a "blanket ban" to prevent a particular requestor from making requests.
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.
26. Therefore the Commissioner concludes that the use of Section 17(6) of the FOIA was appropriate in this case, hence the Council was not obliged to respond to the complainant's information request.

Right of appeal

27. 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

28. 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.
29. 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**

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Audit & Governance Committee**5 December 2018**

Report of the Chief Executive

Internal Audit**Purpose of Report**

1. This report seeks the Committees views on the draft Executive report (attached at annex A) regarding the new internal audit services contract for the period 2020-30.

Recommendation

2. Audit and Governance Committee is asked to:
 - i. comment on the draft report and specification attached to this report
 - ii. provide views on the report to feed into the Executive

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.

Background

3. Members of this Committee are aware that the Council's internal audit and counter fraud function is provided by Veritau, a company created jointly 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 at Annex A 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 are currently undergoing an external assessment. At the time of writing, the outcome of this assessment was not and therefore a verbal update will be given at the meeting.
8. Members are asked to comment on the report before it is presented to Executive. It is proposed, subject to any comments from this committee, to add this to the forward plan for February 2019.

Implications

Financial Implications

9. The annual budget for internal audit and fraud services is £566k. The service specification outlined in Annex 1 to Annex A (Executive Report) can be delivered within this approved budget.

Human Resources (HR)

10. There are no HR implications.

Legal

11. 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

12. There are no other One Planet Council, equalities, crime and disorder, information technology, property or other implications.

Risk Management

13. 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 24 Nov 18
Wards Affected: <i>All</i>			
<i>For further information please contact the author of the report</i>			

Annex A – Draft Executive Report & Service Specification

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Executive
To be confirmed

Report of the Chief Executive

Internal Audit**DRAFT REPORT FOR COMMENT****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, and 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 [insert any additional comments or feedback from A&G if not covered elsewhere in report]

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. To include outcome of external assessment when available.

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. It is proposed to agree a new 10 + 5 year contract with Veritau. 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

33. If the council no longer wished to continue to support the shared service using the Veritau model, then options could include the following.
- i. Bring the service in house. However, 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.
 - ii. Seek another vehicle for the delivery of a 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. Changing the delivery model would pose a significant risk to the stability of current arrangements and is likely to result in significant costs in winding up, negotiating and creating a new vehicle with the other member councils. The other member councils all remain committed to the Veritau model.
34. Both of these alternative options have been discounted on the basis of cost 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. As there are a limited number of suppliers for an internal audit and counter fraud service of this size and complexity, it is considered that any procurement exercise would not drive out further value.

Council Plan

35. 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

36. 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.
37. 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 cost of providing the service in house would depend on whether we wish to

continue to achieve all the all the advantages outlined in paragraph 10 of this report such as resilience of service and access to specialist skills. This option would also remove the current economies of scale that we benefit from where management costs and associated overheads are shared with other councils. For example, one head of internal audit currently covers 6 councils whereas if the Council were to bring the service back in house, we would need our own head of internal audit. 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.

38. 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)

39. There are no HR implications.

Legal

40. 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

41. There are no other One Planet Council, equalities, crime and disorder, information technology, property or other implications.

Risk Management

42. 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: <i>All</i>			
<i>For further information please contact the author of the report</i>			

Annex 1 – Service specification

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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

5 December 2018

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

Audit & Governance Committee Forward Plan to September 2019**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 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 September 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 September.
4. The review of the effectiveness of the Audit & Governance committee has been deferred until July 2019.
5. The update on the Council's Whistleblowing policy and arrangements has been deferred until the next meeting in February.

Consultation

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

Options

7. Not relevant for the purpose of the report.

Analysis

8. Not relevant for the purpose of the report.

Council Plan

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

Implications

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

Risk Management

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

Recommendations

12.
 - (a) The Committee's forward plan for the period up to September 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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Technical Accountant
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551170

Ian Floyd
Deputy Chief Executive/Director of
Customer & Corporate Services
Telephone: (01904) 551100

**Report
Approved**



Date 26 Nov 18

Specialist Implications Officers

None

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex A - Audit & Governance Committee Forward Plan to September 2019

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ANNEX A

Audit & Governance Committee Draft Forward Plan to September 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 February 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.
Counter Fraud: Risk Assessment & Review of policies	<u>Veritau</u> – Max Thomas/ Richard Smith		An update to the committee on counter fraud arrangements and action taken as part of the counter fraud strategy. To include a review of the fraud risk assessment and any updates to the counter fraud strategy and policy.
Audit & Counter Fraud Plan & Consultation	<u>Veritau</u> – Max Thomas/ Richard Smith		Consultation with the committee on its priorities for internal audit and counter fraud work for 2019/20.
Whistleblowing Policy	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on the council's whistleblowing policy and arrangements.
Information Governance & Complaints	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
Committee 6th March 2019			

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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
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
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</u> – Gareth Davies/ Jon Leece		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</u> – Max Thomas/		This report will summarise the outcome of audit and counter fraud work undertaken in 2017/18 and provide an opinion on the overall

ANNEX A

	Richard Smith		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</u> – Gareth Davies/ Jon Leece		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.
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

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Internal Audit & Fraud Plan Progress Report	<u>Veritau – Max Thomas/ 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			