

Audit & Governance Committee

To: Councillors Holvey, Hyman, Moore, Watson R, Jones, Scott and Hill

Date: Tuesday, 6 June 2006

Time: 5.00 pm

Venue: Guildhall

AGENDA

1. Declarations of Interest

At this point Members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

2. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Panel's remit can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is Monday, 5 June at 10:00 am.

3. Committee Role, Remit and Key Relationships (Pages 1 - 8)

This report advises Members of the role, remit and key relationships of the new Audit and Governance Committee and asks them to consider a proposed Statement of Purpose for the Committee.

4. The Role and Function of the External Audit Service - Presentation

To receive a presentation by the Audit Commission on the role and function of the external audit service.

5. The Annual Audit Letter 2004/05 and Action Plan (Pages 9 - 56)

This report sets out for approval the action plan prepared further to the Annual Letter of the District Auditor, and covers all of the significant issues raised therein for internal monitoring and reporting purposes during 2006/07.

6. The Annual Audit Plan 2006/07 (Pages 57 - 84)

This report introduces the 2006/07 Audit and Inspection Plan of the District Auditor and asks Members to approve the Plan, having first considered whether it sufficiently reflects the audit needs and interests of the Council.

7. The Role and Function of the Internal Audit Service - Presentation

To receive a presentation from the Internal Audit Service (IAS) on the role and function of the IAS.

8. Annual Report of the Chief Internal Auditor (Pages 85 - 114)

This report details the outcome of audit and fraud work undertaken in 2005/06 and provides an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

9. Audit and Fraud Plan for 2006/07 (Pages 115 - 142)

This report details the planned programme of audit and fraud work to be undertaken during 2006/07, together with arrangements to report on the results of audit work, and seeks Members' approval for the programme.

**10. The Role and Function of the Officer (Pages 143
Governance Group at the City of York Council - 154)**

This report advises Members of the role, function and forward work programme of the Officer Governance Group (OGG) and asks Members to endorse a proposal for the OGG to report progress against the work plan to the Audit and Governance Committee on a bi-annual basis.

**11. Forward Agenda Proposals (Pages 155
- 162)**

This report sets out proposals for the Committee's forward agenda from its inaugural meeting in June 2006 up to and including April 2008, for consideration and discussion by Members.

12. Urgent Business

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

Democracy Officer:

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For more information about any of the following please contact the 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.

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Audit & Governance Committee

6 June 2006

Report of the Assistant Director (Audit & Risk Management)

Committee role, remit & key relationships

Summary

- 1 The purpose of this report is to advise Members of the role, remit and key relationships of the new Audit & Governance Committee.

Background

- 2 Audit Committees play a central role in the good governance of an organisation. Whilst they are a standard feature in many parts of the public and private sectors, there has been a lack of clarity and universal sign up to their operation by councils in previous years. However the requirements of the Comprehensive Performance Assessment (CPA) are challenging authorities to put in place effective audit committees to support the proper exercise of good governance.
- 3 It was deemed appropriate to introduce a properly constituted audit committee at City of York Council for the first time, further to the recent Review of the Constitution. The Audit & Governance Committee is constituted as a non-executive sub-committee of Full Council under the terms and provisions of Article 9 of the new Constitution, as approved by Full Council on the 25 May 2006.
- 4 Best practice advice and guidance¹ on the management and practice of audit committees in local government has been issued recently by the Chartered Institute of Public Finance Professional (CIPFA). This sets out:
 - guiding principles for the creation and management of effective audit committees: their purpose and core function
 - key considerations in the structure and administration of an audit committee.

¹ This has the effective status of non-statutory codified best practice as defined by the Accounts and Audit regulations 2003 (Amended)

Purpose & function

- 5 CIPFA recommend that authorities formally approve a Statement of Purpose for their audit committees. The following statement is suggested for Members consideration and discussion.

“The purpose of the Audit & Governance Committee is to act as the responsible body charged with governance at the Council. In doing so it will provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process”.

- 6 The Audit & Governance Committee is central to the provision of effective corporate governance at the Council, which depends, in part, on a systematic strategy, framework and associated processes for managing risk. Governance is also about raising public confidence in the objectivity and fairness of financial and other reporting as well as helping to deliver improved services. This, in turn, relies upon assurance that issues raised in preparing and auditing annual accounts and other key reports have been properly dealt with. It is important that the Council gains independent assurance about the effectiveness of the mechanisms underpinning these aspects of governance. The potential benefits to be gained from the operation of the Audit & Governance Committee include:

- raising awareness of the need for internal control and the proper implementation of audit recommendations;
- increasing public confidence in the objectivity and fairness of financial and other reporting and decision making;
- reinforcing the importance and independence of internal and external audit and any other similar/related review processes (eg providing an independent view on the annual Statement of Internal Control).

- 7 CIPFA define the core function of an audit committee as including:

- consideration of the effectiveness of the authority’s risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- seeking assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- satisfying itself that the Council’s assurance statements, including the Statement on Internal Control, properly reflects the

risk and control environment and any action necessary to improve it are undertaken;

- responsibility for approving (but not directing) the Internal Audit Strategy, Annual Plan and regular monitoring of progress and performance;
 - responsibility for reviewing summary information arising from IAS reporting activities and seeking assurance that all action has been taken as necessary to rectify identified weaknesses and risk issues;
 - receiving the Annual Report of the Chief Internal Auditor;
 - consideration of reports of the external auditors and inspection agencies;
 - ensuring there are effective relationships between the internal and external audit services, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
 - reviewing the financial statements of the Council, the external auditor's opinion(s) and reports to Members, and for monitoring management action in response to the issues raised by the external auditor.
- 8 The authorities delegated to the Audit & Governance Committee in the new Constitution have been drafted to reflect those requirements and are included in Part 3, Schedule 2 (Audit & Governance Committee) of the Constitution for ease of reference.

Key relationships

Internal Audit

- 9 The Audit & Governance Committee has a clear role in relation to the Council's Internal Audit Service, principally in:
- formally approving (but not directing) the overall audit strategy to make sure it accords with the Council's overall strategic direction;
 - approving an annual programme of audits (paying particular attention to whether there is sufficient and appropriate coverage);
 - monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function.
- 10 The Audit & Governance Committee's role in relation to reviewing the work carried out by Internal Audit would normally include consideration

of summaries of work done, key findings, any issues of concern and the management action taken as a result of audit work. The Committee may well also wish to judge the effectiveness of the Internal Audit function by receiving feedback on its work from key stakeholders such as the Chief Finance Officer (S151 Officer) for the Council and customers of its services. A key part of the Committee's role in relation to Internal Audit is to receive and review the Annual report of the Chief Internal Auditor to inform the Committee's view of the adequacy of the Council's internal control environment and the quality of Internal Audit coverage and impact. It is important to note that the chief internal Auditor provides independent assurance and advice to the Audit & Governance Committee and by doing so supports the discharge of the legal responsibilities of the Chief Finance Officer. The Chief Internal Auditor is designated as the Assistant Director of Resources (Audit & Risk management Services) and has rights of independent reporting and access to all records and information (as set out in Article 13 of the new Constitution and Part C of the Council's Financial regulations). In exercising her responsibilities the Chief Internal Auditor may meet in private with the Audit & Governance Committee.

External Audit

- 11 The Audit & Governance Committee's role include receiving and considering the work of the external auditor. Whilst the work of the external auditor is largely directed by national requirements, the views of the Committee should be sought where they can add to the local 'flavour' of the work done at the Council. The Committee should normally be given a chance to comment on the inclusion of any audit work and should receive reports on agreed audit and inspection items from the external auditor's/relevant inspection body work in order to monitor the action taken. The Committee may contribute to the Council's response to the Annual letter of the District Auditor. It is not responsible for accepting the Letter as this delegated authority is reserved to the Executive. The Committee is however responsible for approving the Action Plan arising from the Annual letter of the District Auditor (reported as a separate item on this agenda) and for monitoring the action taken to respond to the matters raised. The Committee should also express its opinion on the selection and rotation of the external auditors when consulted by the Audit Commission.
- 12 The Committee may choose to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Executive, Scrutiny & Standards Committee

- 13 Whilst the Committee provides assurance to the Council, to be effective (and be seen to be effective) it must act independently of the Executive. The Committee needs to retain the ability to challenge the

Executive as necessary and to report to it on major issues of non-compliance and contravention. It is crucial therefore that the Chair of the Committee is not a Member of the Executive in order to promote the objectivity of its operation and to ensure it is seen to be independent by the public at large. Similarly, whilst the Committee has a duty to scrutinise it must remain separate and independent of the Scrutiny bodies established by the Council. A link with Scrutiny may be beneficial but ultimately the power and authority of the Committee would be compromised by too much cross-membership or working arrangements and CIPFA explicitly advise against such practices in their guidance.

- 14 The link with Standards Committee is less problematic in terms of the Committee's independence. Whilst the work of this Committee and Standards Committee are not the same, they share some common concerns. The scope of the Standards Committee however is distinct in so far as it is limited to matters relating to elected members rather than the good governance and management of the organisation as a corporate entity.

Features of an effective audit committee

- 15 The Committee should be recognised as an important body in the Council's committee structure and it should be allowed to provide essential challenge to the Executive when required. Best practice advice is that an audit committee should report independently of the Executive and Scrutiny and for this reason the Audit & Governance Committee has been constituted as a sub-committee of Full Council. CIPFA regard the key characteristics of an effective audit committee as being:
- a strong Chair who displays a depth of skills and interest in the business and purpose of the Committee;
 - unbiased attitudes and behaviours towards auditors, the Executive and management;
 - the ability and confidence to challenge the Executive when required;
 - a membership that is politically balanced, objective, knowledgeable and independent of mind;
 - meetings that are characterised by free and open discussion by all Members without political influences being displayed;
 - prompt and timely decision making on matters referred for Committee consideration;
 - financial understanding in the consideration of issues;
 - preparedness to monitor and chase managers for responses and action following an audit report should this be necessary.

- 16 In order to be effective, an audit committee needs a Chair and Membership that is knowledgeable, experienced and interested in matters of audit and governance. CIPFA consider that audit committees do benefit from having Members with financial awareness, a proper regard for the function of audit, independence of thinking, and a balanced approach to significant issues. The ability of Members to question, probe and seek clarification about complex issues is also essential. In order to exercise their function effectively, it is recommended that Members of the Committee need to be familiar with:
- the governance agenda – this includes an understanding of the requirements of legislation and local arrangements/regulation;
 - risk management and the requirements of the Comprehensive Performance Assessment in this regard;
 - internal control assurance and again the requirements of the Comprehensive Performance Assessment in this regard;
 - the Council's core activities
 - accounting issues and the overall financial health and well-being of the Council a corporate entity;
 - regulation and compliance.
- 17 Training events will be organised during the course of the coming year to support Members as necessary in discharging their responsibilities as members of this Committee. Members views on this and what they might have a particular interest in attending would be very welcome at this juncture.

Options

- 18 Not relevant for the purpose of the report.

Analysis

- 19 Not relevant for the purpose of the report.

Corporate Objectives

- 20 This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve of the following corporate objectives;
- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
 - Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).

- Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
- Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
- Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
- Implement risk management and business continuity procedures. (Objective 8.10).

Implications

- 21 There are no financial, HR, equalities, legal, crime and disorder or IT&T implications arising from this report.

Risk Management Assessment

- 22 Not applicable to this report

Recommendations

- 23 Members are asked to note the content of this report and specifically to:
- a) consider the proposed Statement of Purpose for the Committee set out at paragraph 5 for adoption by this Committee;
- Reason
- To ensure the effective management and operation of the Committee and promote understanding of its purpose and function at the Council*
- b) consider what kinds of training should be provided to best support Members of the Committee in the proper discharge of their responsibilities as necessary.
- Reason
- To support the proper function of the Committee*

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Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 25 May 2006

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

*The Council Constitution:
Part I Articles 9, 13 & Part 4 Financial regulations*

*Audit Committees:
Practical Guidance for Local Authorities
CIPFA Publications*

Annexes

None



Audit & Governance Committee

6 June 2006

The Annual Audit Letter 2004/05 & Action Plan

Report of the Assistant Director of Resources (Audit & Risk Management)

Summary

- 1 This paper sets out the action plan prepared further to the Annual Letter of the District Auditor, and covers all of the significant issues raised therein for internal monitoring and reporting purposes during 2006/07.

Background

- 2 The Annual Audit Letter of the District Auditor gives an independent opinion of the Council's arrangements based on a programme of work agreed by officers and Members. This programme of work must meet the standards set out in the Code of Audit Practice and centres on consideration of corporate governance arrangements at the Council focused across 3 main areas of interest:
 - the opinion given on the Council's annual Statement of Accounts (which have been extended to include a full Statement of Internal Control with effect from the financial year 2005/06 onwards);
 - the financial aspects of corporate governance (including financial health, systems of assurance, probity and legality);
 - performance management (including CPA, VFM, performance management information and the Best Value Performance Plan).
- 3 The Letter also summarises key findings and any matters arising from the annual Inspection programme and includes the Council's CPA scorecard following the annual refresh exercise earlier this year and a related 'Direction of Travel' statement. The letter is attached here as Annex A to this report for members information.
- 4 Whilst the District Auditor recognised that the overall trend in 2004/05¹ was one of improvement generally there were a number of significant matters requiring action, principally that more work was needed to:
 - improve the Council's overall arrangements for governance;

- improve the way in which competition is used to deliver VFM and service improvement in the future across the organisation;
 - further strengthen and improve certain service delivery and planning functions;
 - improve planning linkages across and between the LSP, Council Plan, Service Plans and the Council's policy and strategy framework and between key strategies;
 - ensure the delivery of a new Constitution.
- 5 An action plan has been drawn up to address these matters, in consultation with CMT and other relevant Chief Officers. This will be monitored at an operational level by CMT and progress reported to the Audit & Governance committee during 2006/07 on the basis of a mid-term monitor and final outturn. The draft plan is attached as Annex B for Members consideration and final approval.

Consultation

- 6 The Plan has been widely consulted with the relevant responsible officers and has been approved as a draft for operational monitoring purposes by CMT and is reported here for due consultation with those Members charged with governance at the Council.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Objectives

- 9 This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve of the following corporate objectives;
- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
 - Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
 - Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
 - Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).

- Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
- Implement risk management and business continuity procedures. (Objective 8.10).

Implications

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

Risk Management Assessment

- 11 The Council will fail to properly comply with legislative and best practice requirements to take action in response to the findings and conclusions of the District Auditor in making their year end report. Any failure to do so would adversely impact on the Council's CPA score for the Use of Resources (and therefore its overall CPA score in 2007).

Recommendations

- 12 Members are asked to:

- note the content of this report and approve the Plan attached as Annex 1 for information and on-going monitoring purposes;

Reason

To allow the effective on-going monitoring of progress against the agreed action plan to address those matters identified as areas for improvement by the District Auditor

- approve the reporting arrangements to be put in place for monitoring progress against the Plan by this Committee during 2006/07.

Reason

To ensure the proper reporting of progress against the agreed action plan effective monitoring purposes by this Committee

- ¹ **Note** *The reported audit year is always the year before the current financial year in which they report their findings. This reflects the fact that the external auditors work on the basis of a retrospective 'opinion' year for the purposes of the accounts. This means in effect that whilst their most recent Letter is referenced to the audit year 2004/05 much of the work done by them to support their judgements was actually done in practice during 2005/06 and hence not reported until January 2006. The action plan is a forward thinking document and actions are therefore couched in terms of activity or tasks that will mostly take place during 2006/07 or beyond.*

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Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 24 May 2006

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A *The Annual letter of the District Auditor*

Annex B *The Action Plan arising from the Annual letter of the District Auditor*

Annex A

The Annual Letter of the District Auditor

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Annual Audit and Inspection Letter

City of York Council

Audit 2004-2005

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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Contents

Key messages	5
Context	5
Council performance	5
Financial position	6
Other accounts and governance issues	6
Action needed by the Council	7
Background	8
The purpose of this letter	8
Audit objectives	8
Performance	10
CPA scorecard	10
Direction of Travel report	11
Other performance work	13
Performance information	16
Working with other inspectorates and regulators	17
Accounts and governance	18
Audit of 2004/05 accounts	18
Report to those with responsibility for governance in the Council	18
Matters arising from the audit of the accounts	18
Overall governance framework	18
Financial standing	19
Systems of internal financial control	22
Standards of financial conduct and the prevention and detection of fraud and corruption	25
Legality of transactions	25
Osbalwick	25
Use of resources judgements	27
Looking forwards	28
Future audit and inspection work	28
Revision to the Code of Audit Practice	28

Closing remarks	29
Availability of this letter	29
Appendix 1 – Audit reports issued	30
Appendix 2 – Fees	31
Inspection fee update	31

Key messages

Context

- 1 This has been an exciting year, with the introduction of the City of Festivals and the hosting of Royal Ascot. You have continued to develop York Pride and have also delivered your biggest ever capital programme, including the new Park and Ride at Monk's Cross. Your good financial performance has been maintained, and you have introduced a number of new corporate arrangements, including:
 - a new corporate service planning and performance system, including integrated financial and performance planning and monitoring;
 - investment in programme and project management skills, most evident in the management of the Easy@York programme;
 - the approval of an embryonic medium term financial strategy; and
 - investment in the management capacity, including the development of the Corporate Leadership Group and the Corporate Operations Group.

Council performance

- 2 Our 2004 Annual Letter reported a mixed performance, and concluded that consistent corporate arrangements were needed to enable you to demonstrate value. These messages were reinforced by the peer review you commissioned this year, particularly the need to improve your approach to prioritisation, performance management and project management.
- 3 This year your overall trend is one of improvement:
 - 58 per cent of BVPIs have improved since 2002/03;
 - good performance in key services such as education and social services has been sustained; and
 - your service improvement programme has delivered improvements in performance in benefits, adult social care and planning.
- 4 We note, however, there has been little improvement in key areas such as waste minimisation and you remain a planning standards authority.
- 5 Your new council plan identifies key deliverables which link to your new service and performance planning and management arrangements and a three-year financial strategy has been adopted. Although these aspects improve arrangements you still have some weak service plans. To demonstrate your contribution to wider community outcomes you recognise the need to develop better performance management and outcome measures.

- 6 You are now making progress to address weaknesses identified in your Corporate Assessment through a management restructure and you are reviewing the role of Transforming York as a change programme.
- 7 As a low cost council, you have a good track record of achieving value for money through effective budgeting and cost management. You have achieved your early efficiency targets and introduced initiatives to sustain and improve value for money. These initiatives are not yet fully effective and they need to be supported by the introduction of an effective procurement policy and competition strategy.

Financial position

- 8 Your financial management arrangements continue to perform well. After taking account of carry-forwards you reported an underspend of £706,000, 0.4 per cent of the £160 million net revenue budget. Your medium-term financial monitoring process shows that you currently face a £28 million budget gap over the next three years.
- 9 You need to make further improvements to the collection of arrears for both council tax and NNDR.

Other accounts and governance issues

- 10 Last year, we highlighted our concerns about two key weaknesses:
 - the lack of clarity in how Members gain assurance about the adequacy and operation of the governance framework as a whole; and
 - procurement arrangements had not led to adequate levels of competition.
- 11 Despite some improvements in the governance framework, particularly risk management, internal audit and the governance of partnership arrangements, there has been a lack of progress on these key issues. Continued delays in agreeing and implementing a new constitution are impeding the roll-out of proposed improved arrangements.
- 12 We issued an unqualified opinion on your 2004/05 accounts on 27 October.

Action needed by the Council

- 13 We expect you to form your own action plan in response to this letter. Key over-arching actions are:
- improve performance management of community objectives;
 - review the Transforming York programme, and its progress in driving corporate change;
 - implement a procurement strategy and competition strategy;
 - improve your collection of both council tax and NNDR; and
 - improve the role of members in the governance framework.

Background

The purpose of this letter

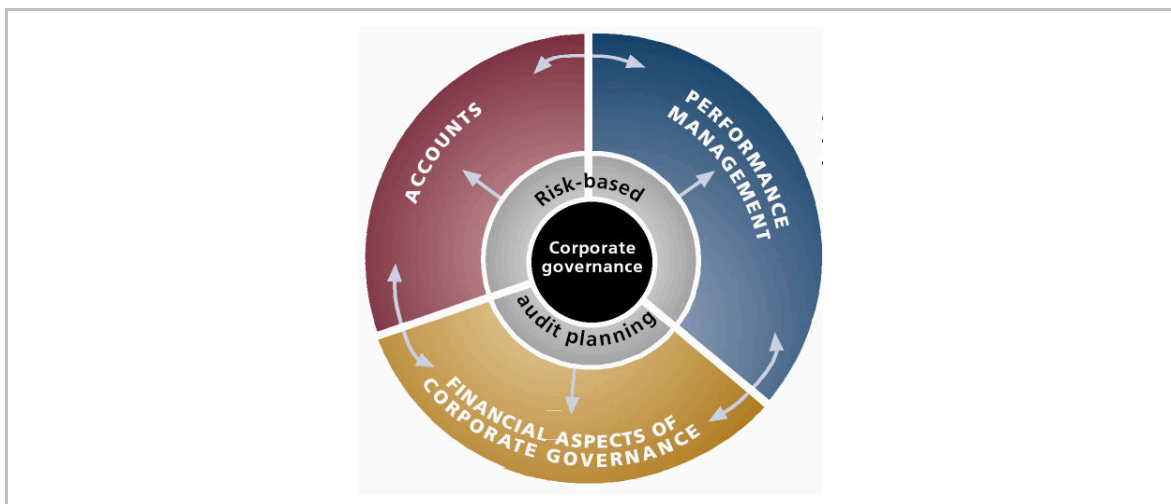
- 14 This is our Audit and Inspection 'Annual Letter' for members letter summarises the conclusions and significant issues arising from our recent audit and inspections work. We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 1 for information.
- 15 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 16 Appendix 2 provides information about our fee.

Audit objectives

- 17 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 18 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Performance

York continues to perform well.

CPA scorecard

- 19 York is a council that is improving adequately and demonstrating a three-star overall performance.

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Overall, the Council is improving adequately.
Current performance	4
Children and young people	3
Social care (adults)	3
Use of resources	3
Housing	2
Environment	2
Culture	3
Benefits	
Corporate assessment/capacity to improve, not reassessed in 2005	Good

(Note: 1=lowest, 4=highest)

- 20 The CPA judgements have applied the revised methodology: CPA - the harder test. As the title implies, CPA is now more stringent and emphasises outcomes for local people and value for money. Our Direction of Travel judgement confirms that under the new framework the Council is improving adequately.

Direction of Travel report

- 21** You have a track record of delivering service improvement. This year you have sustained a high level of performance in key services such as education whilst achieving significant improvement in adult social care. There have also been targeted improvements in weaker performing services such as benefits and development control. Most key deliverables identified through the service planning process have been achieved. However, there have been some notable exceptions such as a failure to achieve your targeted reductions in waste to landfill and despite reporting better performance in your planning performance indicators (PIs) you remain a planning standards authority.
- 22** You have made improvements in line with community priorities, particularly in respect of street cleanliness and the built environment, through the York Pride initiative. You can demonstrate a contribution to wider community outcomes, for example, the City of Festivals programme has successfully promoted cultural activities and the council has contributed to the health agenda through promotion of the healthy schools standard. However, more appropriate performance management for the local strategic partnership is required before impact against community objectives can be measured and the achievement of objectives which cut across service plans can be demonstrated.
- 23** You are delivering planned improvements in a number of outward-facing areas, but have been slower to address weaknesses in corporate capacity. This year, progress has been made through the introduction of the corporate leadership group, the corporate operations group and the leadership development programme. A management restructure is in progress to strengthen corporate capacity and user focus. To ensure that the objectives of the restructure are achieved this will need to be supported by cultural change.
- 24** You are still developing an approach to ensure the needs of all sectors of the community are understood and addressed. Improving access to services is an established priority, delivered primarily through the Easy@York project. Early successes have included significant increases in electronic access to services. Improvements to the website include access to GoDisabled which provides information on disabled access to public and private sector facilities, and you have also been successful in increasing the take-up of benefits.
- 25** You recently adopted an improved equalities strategy, which you have assessed as being adequate to satisfy Level 2 of the equalities standard for local government. However, to successfully deliver the strategy you need to identify clearly areas of deprivation and exclusion before appropriate actions can be agreed and embedded in service planning and delivery.

- 26** You have a good track record in achieving value for money; council tax levels and spend per head of population are amongst the lowest in the country. A transparent budget-setting process supported by a programme of service reviews has enabled you to meet early national efficiency targets. You are taking steps to ensure that value for money continues to improve, including more integrated management of service and financial performance. Your existing framework needs to be developed to bring it up-to-date and to include a competition strategy and a corporate approach to procurement.
- 27** You have some robust plans for improving elements of corporate and service performance, although others, such as Transforming York, lack clarity. As the key driver of organisational development, clarity about this programme is needed if you are to respond effectively to the changing local government agenda.
- 28** Action has already been taken to improve corporate planning and performance management processes to ensure alignment between the council plan and community priorities and a more integrated approach to service and financial management. A three-year financial strategy has been developed, although the links to your strategies for human resources or IT could be improved so that savings identified can be reflected in your financial plans. While a detailed plan exists for Easy@York, there is less clarity about detailed actions in relation to other community priorities such as Safer City.
- 29** You have a number of plans to improve services in response to inspections and national government requirements. You have clear improvement plans for education, transport and benefits. There are, however, opportunities to develop the improvement plan for waste management. The achievement of your long-term ambitions for waste management are dependent on the development of a county-wide waste management strategy.
- 30** Although you continue to manage your finances within tight constraints funding issues relating to some key projects remain unresolved. There are examples of effective operational partnerships and good use of procurement to deliver financial savings on the provision of supplies and services. You need to establish a strategic procurement policy to ensure that procurement is consistently used in a strategic way to drive improvement across all services.

Other performance work

- 31 In addition to our CPA work, we have reviewed some specific aspects of your performance arrangements. The key messages are summarised below.

Service and financial planning

- 32 In 2004/05, you successfully introduced an integrated service and financial planning and reporting system. The new corporate approach, developed by the Transforming York Service Planning and Performance project, is making a positive impact. Service managers applied the standard planning methodology and as a result reported improvement in:
- the role of service plans in driving improvement;
 - the integration of risk management into service planning and, therefore, the achievability of performance objectives; and
 - the clarity of the links between service performance and financial resources.
- 33 A new system of reporting operational and financial performance to members in a single, integrated report is now in place to allow a fuller understanding of how services are performing, both financially and in delivering key outcomes.
- 34 The service planning process is relatively new, and there are areas where arrangements need to be developed. These areas include the need to:
- evaluate the benefits of a corporate approach assess whether all directorates should follow the standard process;
 - ensure a consistent approach to involving users on cross-service issues; and
 - consider workforce planning issues within the service plan framework.
- 35 There are currently 50 service plans which clearly link to the Council's 69 objectives, however there is no explicit linkage to the priorities of the Council. Without this link, it is difficult for officers and members to assess how the individual service contributes to the achievement of the Council priorities.
- 36 The service planning process has identified those activities which are critical success factors within each service plan. These were then developed and prioritised into the 'key deliverables' for each service, by the Corporate Leadership Group. However, as a key theme for effective integration of service and financial planning is the support and engagement of members, there is scope to improve the involvement of members in this prioritisation process.
- 37 You have produced a three-year medium-term financial strategy. This identifies your key budgetary challenges and plans how you intend to manage the funding gap. The linkages from this strategy to your strategies for human resources or IT could be improved. Without these links there is a risk that your key plans are not consistent with each other, and are therefore unachievable.

- 38 The financial strategy outlines the concept of benchmarking which will be a significant step forward in demonstrating that budgets are linked to priorities. Benchmarking will identify services which are high-cost in comparison to other councils. Also assessed will be the performance of the service and the importance of the service in respect of its links with the achievement of local priorities and statutory functions. This will allow you to make informed decisions on whether a service requires more resource or possible disinvestment based on performance and importance. The benchmarking reviews are at an early stage, and as such we have not being able to measure their impact.
- 39 You apply a transparent system to demonstrate budgetary growth and savings are linked to your priorities. You do not, however, currently demonstrate that resource shift occurs in the base budgets to reflect the importance of a service in the achievement of priorities and objectives. You plan to use the benchmarking information to assess the adequacy of the budget for key services.

Easy@York

- 40 In last year's letter, we noted your withdrawal from the North Yorkshire ICT partnership and the need to develop an alternative approach to deliver both national e-government requirements and your priority of improving access to services. You have now established the Easy@York project.
- 41 The programme is set to cost the Council £18 million over the next eight years, and aims to deliver fundamental change to the way in which services are delivered. Early successes have included significant increases in electronic access to services. You reported the achievement of your e-government target for 31 December 2005 with all relevant transactions being e-enabled.
- 42 It is important that the objectives, and expected benefits, for the programme are clearly measurable. In the first version of the programme initiation document outputs are not specified, and the level of improvement is not detailed. You intend to identify and levels of improvement as part of the ongoing service improvement stream. This is essential as without these it will not be possible to assess the success of the project and whether value for money has been achieved from the investment.
- 43 The project involves the management and co-ordination of six streams. You have adopted a robust project management methodology, PRINCE. We raised some issues around management at programme rather than project level. These have been reviewed and the revised arrangements look more workable.
- 44 Our initial concerns about change management and championing for the programme have now been resolved.
- 45 In order to ensure that our work is timely and relevant, we expect to maintain regular contact with the programme management team and consider the individual components of the programme as they develop.

Local public service agreement (LPSA)

- 46 In last year's letter we noted that you were working with the ODPM to develop a second local public service agreements (LPSA) by December 2005. You are currently awaiting confirmation from Government Office finalising the agreement. You are currently agreeing:
- the final measures, ensuring that they are linked to corporate priorities; and
 - the required improvements to performance for individual targets balancing the need to challenge key services against achievability.
- 47 You have agreed an improved framework for managing delivery that includes:
- the allocation of pump priming grant to services being linked to the receipt of target holder action plans which achieve an agreed corporate standard;
 - an early challenge built into the LPSA2 process to ensure that performance being monitored is in accordance with agreed definitions; and
 - a monitoring profile for each target based on milestones and performance.

Value for money (VFM) follow-up

Protecting cultural property

- 48 In 2001/02, we reviewed your arrangements to protect your collections of cultural property. We agreed an action plan, focused on three areas, museums, archives and the Mansion House. Following a lack of progress in dealing with the agreed recommendations in 2003, we have undertaken further follow-up work this year. We are pleased to note that the majority of recommendations in respect of the Museums and the Mansion House have either been implemented or form part of the service plan actions. However, there is still a need to set clear timescales for the cataloguing of all artefacts and to monitor progress against these targets.
- 49 Little progress has been made regarding the agreed action plan for the archives. In our 2002 report, you were about to decide the future location of the archives. No decision has been made. You need to address this issue if envisaged improvements to the service are to be delivered and compliance with both your access to services agenda and the Disability Discrimination Act is to be achieved.

Follow-up - homelessness

- 50 We are pleased to report that you have implemented the majority of recommendations from the agreed action plan in our 2003 homelessness report. This has led to improved service procedures which should facilitate improvements in performance.
- 51 However, the monitoring of the ethnicity of applicants and the respective outcome of their application remains weak. Without effective monitoring it is difficult to demonstrate fair and equitable treatment of all homelessness applications.

Performance information

National PIs

- 52 The success of the new performance reporting and management arrangements in delivering improved service performance is underpinned by the quality of the performance information. Table 2 shows that for the second consecutive year we have reported an improvement in the accuracy of your national indicators, BVPIs.

Table 2 Quality of performance information

Issue	2003/04	2004/05
Qualification	4	3
Not qualified because external agencies	1	1
Recalculations	16	8
Total number of incorrect PIs	21	12
Total number of PIs	162	144
Percentage of incorrect PIs	13%	8%

- 53 The increasing reliability of performance information has been achieved through further improvements to your central quality assurance arrangements. These arrangements aim to verify the accuracy of the information you report. There are, however, opportunities to improve your arrangements further and make them more timely to support the improvements in your performance management system by enhancing the culture of ownership of both interim and year-end performance information within directorates.

Local PIs

- 54 To help measure the achievement of your objectives you use local indicators. We have raised concerns about the accuracy of these PIs. Our assessment of a small sample identified a 40 per cent error rate (20 per cent last year). You need to improve quality assurance arrangements for local indicators.

Statutory best value responsibilities

- 55 We have issued an unqualified opinion in our statutory report. We have reported elsewhere in this letter that you do not yet have a corporate approach to competition. Without such a framework it is unclear how competition will be stimulated within individual services and how you fulfil your statutory duty.

Working with other inspectorates and regulators

- 56** An important aspect of the role of the relationship manager is to work with other inspectorates and regulators who also review and report on your performance. These include:
- Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - Local Government Office contact.
- 57** We share information and seek to provide 'joined up' regulation. During the last year, you have received annual performance assessments (APA) from other inspectorates.
- 58** The Benefits Fraud Inspectorate judged that the overall performance of your benefits service is good, reflecting mixed performance across the four performance standard themes. This is a significant improvement from the overall score of one last year. Your arrangements to support security and resource management were assessed as excellent, complemented by fair arrangements for claims administration and poor user focus - reinforcing comments elsewhere in this letter.
- 59** You have improved most aspects of adult social services identified for attention in last year's APA, and continue to consolidate your working partnerships with other agencies to develop and implement strategies, which will deliver national priorities and objectives. Overall, you are judged as consistently delivering above the minimum requirements for users.
- 60** Your APA for education and children's social care services judged your performance as well above the minimum requirements for users, with excellent capacity to improve further.

Accounts and governance

We have given your accounts an unqualified audit opinion.

We have made some recommendations to improve the arrangements for members to fulfil their responsibilities.

Audit of 2004/05 accounts

- 61 We gave an unqualified opinion on your accounts on 27 October 2005.

Report to those with responsibility for governance in the Council

- 62 We are required by professional standards to report to those charged with governance any changes to the accounts which would have a material impact on the readers understanding, or any issues raised by the audit with which the Council disagree. For the second consecutive year, we have not needed to prepare a report to those charged with governance

Matters arising from the audit of the accounts

- 63 The published accounts are an essential means by which you report your stewardship of public funds and its financial performance in the use of those resources. Your statement of accounts, including the statement of internal control, were reviewed by the Resources Scrutiny Committee on 18 July 2005 and approved by full council on 27 July 2005.
- 64 In last year's letter, we emphasised that timeliness in producing the accounts will become increasingly important over the next few years as the deadline is brought forward in line with the Government's requirement. Despite this earlier date for approval, you maintained the quality of the accounts. You are already planning how to meet the increasingly difficult deadlines for future years.
- 65 The supporting working papers were better but there is, scope to develop these further, particularly for both creditor and debtor balances. We are working with you to develop an understanding of exemplary working papers.

Overall governance framework

- 66 Your governance framework is the series of policies and internal controls which operate to ensure that your decisions and transactions are conducted within the law, with probity and to achieve your objectives. It is from the successful operation of this framework that members are able to gain the assurance required to discharge their responsibility.

- 67 In the 2003/04 Annual Letter, we reported that although there are some reporting arrangements in place, it was not clear to us how members gained assurance about the adequacy and operation of the framework. Although improvement to your reporting arrangements is planned as part of the constitutional review there has been no change during 2004/05.
- 68 There has been improvement in the following specific areas:
- the contribution of Internal Audit to the system of internal financial control;
 - the governance and performance management framework for partnership working; and
 - the integration of risk management into decision-making.
- 69 We still have significant concerns in the following areas:
- as reported last year, there are no transparent arrangements in place to monitor the overall operation of the governance framework, including the role of members and the information received by the section 151 officer;
 - the delay in delivery of the constitutional review and realising the proposed improvements to governance that will derive from it; and
 - the arrangements to deliver competition.
- 70 We issued our draft report in July and discussed it with officers but we have not yet received detailed comments or an action plan.

Financial standing

- 71 Your financial management arrangements continue to perform well. You have managed your net expenditure in line with your agreed budget. Table 3 shows that after carry forwards you have an underspend of £706,000.

Table 3 Comparison of outturn against budget with last year

	2003/04 £000	2004/05 £000
Net revenue budget	157,602	160,472
Outturn - underspend	3,024	2,633
Carry forward	759	1,927
Revised outturn	(2,265)	(706)
Carry forward as percentage budget	1.44%	0.44%

- 72 Each year you carry-forward the budget on specific projects which have not been completed within the year, but are still necessary to support the achievement of your service objectives. The level of carry forward has increased by £1.2 million this year to 1.2 per cent of the net revenue budget. You have a process to assess the need to carry forward budget. However, as resources become tighter it is important to test this against current budget requirements, and review the impact of project management arrangements on the timeliness of delivery.
- 73 In last year's Annual Letter, we reported that you were predicting a gross budget gap of £17 million, net £10 million, for 2005/06, and that you didn't have a medium-term financial strategy on how to address this. We also raised concerns about the use of one-off funding to support the 2004/05 budget.
- 74 You achieved a balanced budget for 2005/06. This was achieved through a combination of:
- savings, £6.1 million;
 - approved use of general fund reserves £0.9 million;
 - use of ear-marked reserves £0.433 million; and
 - one-off funding and income £1.6 million.
- 75 You have developed a medium-term financial strategy for the three years 2006/07 to 2008/09. You are currently predicting a budget gap of £9.8 million in 2006/07 and a total budget gap of almost £25 million over the next three years. For 2006/07 this budget gap includes discretionary pressures of £5.7 million.
- 76 After planned annual 5 per cent efficiency savings, and individual project savings the medium-term budget gap is £5.5 million. The Director of Resources is working with other directors, service managers and members to develop plans to address both the short-term and medium budget gaps.

Income collection and arrears

- 77 You need to improve your arrangements for collecting council tax, otherwise you could jeopardise your financial position. Last year, problems with the arrears collection system meant that you collected £2.4 million less than targeted and £420,000 less rents. Although collection rates have improved in 2004/05, Table 4 shows that they are still relatively low for both council tax and NNDR, both are lowest quartile performance.

Table 4 Comparison of collection rates

	2002/03	2003/04	2004/05
Percentage of council tax collected	97.4	93.5	95.1
Percentage of NDR	97.9	95.7	96.7
Percentage rent collected	95.7	93.7	95.8

- 78** These figures show the in-year collection rates. They do not show whether you have been successful at collecting the increased arrears from 2003/04. During the year, you have improved your information and you are able to identify who owes what debt. You have also improved your monitoring arrangements with monthly monitoring of performance to the Director of Resources.
- 79** You have increased your bad debt provision for council tax by £720,000, to £2.8 million, in 2004/05. This is money that cannot be spent on services. At the year end you have almost £7 million of council tax income outstanding:
- £3.8 million from previous financial years and has been summonsed; and
 - £2.9 million from 2004/05.
- 80** The older debt becomes the harder, and more costly it is to collect. It is, therefore, essential that you continue to improve your arrangements to collect both in-year and old debt.

Housing revenue account

- 81** Your housing revenue reserve has increased by £1.9 million to £4.86 million; £3.6 million more than originally budgeted. It represents 6 per cent of your housing revenue account annual turnover, £77 million. There are a number of reasons for this unbudgeted surplus, but the most significant is the impact of slippage in the capital schemes which has reduced the revenue funding required this year by £1.7 million. Your HRA business plan shows that the HRA balance is to be used to support the capital investment in council houses required to achieve the decent homes standards by 2010.

Capital programme

- 82** The new management arrangements introduced to improve the delivery of the capital programme, have helped you achieve your largest ever capital programme. Table 5 shows that despite a £7 million, 21 per cent, increase in the agreed capital programme for 2004/05, overall slippage has reduced by £0.4 million, from 7.8 per cent of the total programme to 5.6 per cent. This is a significant improvement.

Table 5 Comparison of capital outturns

	2002/03	2003/04	2004/05
Agreed programme - £000s	30.3	33.0	40.4
Outturn - £000s	22.2	30.4	38.2
Slippage - £000s	3.4	2.6	2.2
Slippage	13%	7.8%	5.6%

School balances

- 83 The amount of money your schools have in balances at the bank has increased from £8.3 million 2003/04 to £9.4 million this year. The proportion of the total balance held by secondary schools has reduced, whilst that held by primary schools has increased. You have recognised that the high level of school reserves is an issue and have taken action:
- the new BAFS scheme has introduced an interest charge on individual school balances; and
 - members have approved a scheme which allows funding to be clawed back if schools maintain excessive balances in the medium-term.

Pension fund deficit

- 84 Your total future liability for pensions earned by your employees has risen from £65 million to £104 million this year. This figure is provided by the actuary for the pension scheme based on his assessment of the current value of liabilities and investments. While the fund value fluctuates you should use this information to develop your own assumptions about the future liability and how you will fund it.

Systems of internal financial control

Assurance framework

- 85 It is your responsibility to ensure that you maintain adequate systems of internal financial control. Officers who manage financial systems should clearly document the system, identify key controls and use performance measures and validation against other data to ensure the system is operating effectively. This standard is not achieved consistently.

- 86 There is currently no formal system to provide the section 151 officer and members with assurance that systems are effective and key controls are operating. We have recommended that you develop a range of performance measures to report the operation key controls. These should form part of your performance appraisal arrangements, and should be reported periodically to the section 151 officer.

Internal Audit

- 87 In previous Annual Letters, we have reported concerns about the low level of delivery by Internal Audit, (IA) against the agreed plan. In 2004/05, IA achieved 90 per cent coverage of their plan by the end of April, a significant improvement. We have been able to place reliance on the work of IA where appropriate and adopt the managed audit approach at York.
- 88 Last year, we reported that the Director of Resources, supported by the new audit team had taken significant step to improve arrangements for IA. Our detailed work this year, following up the 2003/04 agreed action plan shows further progress. Table 6 summarises the key recommendations and actions achieved. The key issue outstanding is member awareness and use of audit information.

Table 6 Summary of action achieved by Internal Audit

2003/04 recommendation	Summary of position	Conclusion
The IA plan should be linked into the risk management system.	The corporate risk register was a key source in the preparation of 2005/06 IA plan.	Satisfactory.
Members should understand the role of IA, and use their findings to assess the governance framework.	Resources EMAP is informed of progress against the IA plan. This also raises any critical issues arising from IA work. It is not clear to us how members use this information.	Satisfactory reporting but issues around governance.
Formal process for following up recommendations must be introduced.	Self-assessment is completed by the client six months after the audit. Responses are substantively tested for high priority recommendations.	Partially implemented Outcomes should be reported to members.
Internal and external audit continue to review opportunities to develop joint working.	Quarterly meetings are held between IA and Audit Commission, and evidence of working together in areas such as PIs.	Satisfactory.
Professional qualifications should be reviewed.	Seven of the eight full-time staff either are qualified or are training.	Satisfactory.

Risk management

- 89** An established risk management system based on your corporate priorities that allow you to change behaviour or resource allocation is increasingly important as resources become tighter. Last year, we reported that the system needed to be developed to improve consistency and the consideration of risk implications in the decision-making process. We also raised concerns about the roll-out of a system to manage operational risks. Our follow-up shows significant progress as:
- each directorate now has a risk champion to co-ordinate risk identification and management at both directorate and service level;
 - risk management training has been provided to service managers across all directorates, except education;
 - the service planning and performance system requires the identification of operational and strategic risks as part of the service planning process, and consideration of how to manage these risks; and
 - the new project management standards include risk management.
- 90** We still have concerns about the level of member involvement in the risk management process. There has been no specific member training and the management of risks is not considered overtly within reports to members. To improve this position, you have appointed a member champion who will work with the risk manager to embed risk management.

Partnership arrangements

- 91** Partnership working presents an opportunity to use different skills and resources to improve services in a way that one organisation working alone could not achieve. You have embraced these opportunities and are involved in a large number of partnerships. It is essential that robust governance arrangements are maintained to ensure value for money and probity of transactions.
- 92** Our review of your corporate arrangements for monitoring and supporting partnerships shows that you have strengthened your arrangements for both effective partnership working and:
- the publication of partnership guidelines outlining corporate good practice requirements in the management of partnerships;
 - this has been supported by a training programme;
 - the partnership database has been overhauled to ensure that it is up to date and comprehensive;
 - the aims of the database have been reviewed to improve the quality and relevance of information held; and
 - streamlining has reduced the number you are involved in from 219 to 173.

- 93 You have not yet incorporated partnerships into your risk management processes to ensure all risks are identified and considered. This is an important issue as although the benefits of working with partners can be considerable these need to be evaluated against any increased risks.

Standards of financial conduct and the prevention and detection of fraud and corruption

- 94 We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption. We have recommended that improvement is needed in the level of officer awareness of your fraud and corruption strategy and response plan, and your whistleblowing arrangements. Nine out of ten staff we interviewed were not aware of your anti-fraud and corruption policy or whistleblowing policies.

Legality of transactions

- 95 We have not identified any significant weaknesses in the framework established for ensuring the legality of your significant financial transactions.

Osbaldwick

- 96 We have undertaken a specific review of your arrangements to dispose of significant piece of land at Metcalfe Lane, Osbaldwick. This followed the receipt of correspondence from two residents and the local MP. We considered:
- whether there is a need to exercise any statutory audit responsibilities in respect of the proposed transaction; and
 - your arrangements to secure value for money and maintain probity.
- 97 In 1999, you entered into partnership with Joseph Rowntree Foundation, (JRF), to develop a 'model village' design for the site. You considered this innovative approach so important you agreed to accept a reduced capital receipt to achieve it. In 2002, the nature of the arrangement changed from an agreement for JRF to oversee the preparation of the land for sale, to an agreement to sell the land to JRF for £8.5 million. This was supported by a legal agreement specifying the outcomes of the partnership and agreeing to compensate JRF with £1.25 million, subject to agreed conditions, if you do not proceed with the disposal.
- 98 Due to weaknesses in the controls over the selection and agreement of the partnership arrangements with JRF, at the inception of the project you did not demonstrate:
- how you were to achieve best value for your council tax payers; and
 - that you were acting lawfully.

- 99 However, in response to our audit you have demonstrated that members considered relevant performance criteria about JRF at the time of the selection and reported that you have not contravened EU procurement regulations. On the basis of the information obtained during the audit there are no grounds for the exercise of statutory audit responsibilities.

Use of resources judgements

- 100** Our use of resources assessment focuses on how well financial management supports your priorities and delivers value for money. It is to be carried out annually as part of the CPA framework. You are performing well and we are pleased to note that none of the arrangements we assessed were deemed to be below minimum requirements. However, the need to develop your governance arrangements is reflected in the lower scores for internal control.

Table 7 Use of resources scores

Element	Assessment
Financial reporting	3
Financial management	3
Financial standing	3
Internal control	2
Value for money	3
Overall	3

(Note: 1=lowest, 4=highest)

- 101** The scores reflect your continued focus on sound budgetary control and cost management. You are also delivering a number of improvements to corporate processes aimed at supporting sustained improvement in service delivery, for example, the new service and financial planning and monitoring system, the service improvement programme, the improvement of programme and project management and the new equalities strategy linked to consultation.
- 102** It is important that the corporate success of these initiatives is reviewed. You have a number of examples of good practice which could be shared, or where the success of a new policy is not measured, most notably:
- the service improvement programme has had some positive results in benefits, planning and adult social care, but the level of improvement is not quantified and therefore cannot be evaluated against the cost;
 - equity information has been used to improve the take up of benefits and to improve the design of the service; and
 - there have been some notable developments in procurement practice but these are not yet within the framework of a consistent strategy.
- 103** Two key challenges facing you to improve further and they are:
- increasing the involvement of stakeholders in service development; and
 - developing the role of members as strategic managers, who set policy and challenging targets and hold officers to account in their achievement.

Looking forwards

Future audit and inspection work

- 104** We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.
- 105** We have sought to ensure, wherever possible, that our work relates to your improvement priorities. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2006. We will continue to work with others to deliver a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 106** The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 107** The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan. The key changes include:
- the requirement to draw a positive conclusion regarding your arrangements for ensuring value for money; and
 - a clearer focus on overall financial and performance management arrangements.

Closing remarks

- 108 This letter has been discussed with the Chief Executive and the Director of Resources. A copy of the letter will be presented at the meeting of the Executive in February 2006.
- 109 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the assistance and co-operation provided.

Availability of this letter

- 110 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk.

MJ Kirkham
District Auditor and Relationship Manager
January 2005

Appendix 1 – Audit reports issued

Table 8

Report title	Date issued
Audit Plan	March 2005
Governance Report	June 2005
Updated Cultural Property Action Plan	
Updated Homelessness Action Plan	
Service and Financial Planning	July 2005
Interim Report on Easy@York	July 2005
Best Value Report	October 2005
Report on Financial Statements	October 2005

Appendix 2 – Fees

Table 9 Audit fee update

Audit area	Plan 2004/05 £	Actual 2004/05 £
Accounts	50,000	50,000
Financial aspects of corporate governance	75,350	80,600
Performance, including best value	134,650	134,650
Total Code of Audit Practice fee	260,000	265,250
Additional – voluntary improvement work	0	0
Total	260,000	265,250

- 1 The difference between the planned fee and actual fee for governance work is the £5,215 fee charged for our additional work in relation to legal challenge.

Inspection fee update

- 2 The full year inspection fee, included in the performance line in Table 9, is £35,000. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.

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Annex B

Action Plan in response to issues raised in the Annual Audit Letter (2004/05)

Note on the abbreviations used in this Plan:

<i>RD</i>	<i>Responsible Director and lead Chief Officer where appropriate (individuals are referred to by their initials)</i>
<i>CB</i>	<i>Action plan information completed by (individuals are referred to by their initials)</i>
<i>WIP</i>	<i>Work in progress</i>
<i>TBC</i>	<i>To be completed</i>
<i>N/A</i>	<i>Not applicable</i>
<i>N/K</i>	<i>Not known</i>
<i>DIRs</i>	<i>All Directors</i>

AAL Issue	AAL Ref	Action(s) to be taken	Due date	RD	Status	CB
Planning & performance management						
There is a need to develop better performance management & outcome measures to clearly demonstrate the Council's contribution to wider community outcomes and help drive the achievement of cross-cutting community objectives	Para 22	<ul style="list-style-type: none"> Corporate strategy developed with Improvement Statements. Forward plan and performance management to be arranged around these statements 	Aug 06	DNA CM	WIP	CM
		<ul style="list-style-type: none"> Improved performance monitoring arrangements in place as part of LAA 	April 07	CM	WIP	CM
There is a need to ensure all strategies and plans are clearly linked and referenced within a coherent policy framework for the Council as whole	Para 28	Major strategies and plans to be signposted within the Corporate strategy or Council Plan	July 06	DNA CM	WIP	CM
There is a need to further evaluate the Service Planning initiative and specifically consider: <ul style="list-style-type: none"> the benefits of moving to a corporate Service Planning standard developing a consistent approach to involving users on cross service issues including workforce planning issues within the Service Plan framework putting in place formal feedback mechanisms 	Para 35	Evaluation process to be undertaken to determine benefits	Aug 06	SW CM	WIP	CM
	Para 35	Central Services to consult on service plans	Nov 06	SW CM	TBC	CM
	Para 35	N/A	-		Done	CM
	Para 35	Formal feedback process already exists. Feedback evidence to be documented	Nov 06	SW CM	TBC	CM

AAL Issue	AAL Ref	Action(s) to be taken	Due date	RD	Status	CB
Planning & performance management						
<ul style="list-style-type: none"> better engaging Members up front in determining the critical success factors and key deliverables in each Service Plan 	Para 37	<ul style="list-style-type: none"> Members involved in setting Improvement statements in Corporate Strategy. 	Nov 06	DNA CM	WIP	CM
		<ul style="list-style-type: none"> Directors to agree with portfolio members 	Nov 06	DIRs	WIP	CM
Service delivery						
Improvement is needed in the area of waste minimisation	Para 5	<p>Waste minimisation action plans for 2005/06 and 2006/07 in place by April 2005. Campaigns around:</p> <ul style="list-style-type: none"> Reuse Home composting Real nappies Packaging <p>Targets to stabilise waste growth at 2% per annum by 2006/07 and reduce waste growth to a level of 1% per annum by 2007/08</p>	Apr 05	JG	WIP	JG
The Council remains a 'Planning Standards' authority (for performance in respect of turnaround times for major applications)	Para 5	Prepare improvement plan and put in place regular monitoring and reporting arrangements to Members to track progress	Mar 06	BW	WIP	JB

AAL Issue	AAL Ref	Action(s) to be taken	Due date	RD	Status	CB
Corporate management						
Completion of the CEX management restructure	Para 23	Series of papers for CMT and Executive, to be produced, approved and implemented	June 06	DNA	WIP	CM
There is a need to review the Transforming York project as a change management programme and clarify it's purpose as a key driver for organisational development	Para 27	To be reviewed further to 'Improving our organisational effectiveness programme' Report scheduled to CMT	May 06	DNA	TBC	CM
Equalities						
There is a need to clearly identify areas of deprivation and exclusion as a basis for identifying and agreeing appropriate actions for service planning and delivery purposes further to work done to date on developing the Council's Equalities Strategy	Para 25	It is thought this may follow a provisional recommendation of a recent Scrutiny Panel to establish an elected member and community representative Social Inclusion Working Group to progress work on deprivation, inequality and exclusion.	TBC	DNA CM	TBC	CM
LPSA						
There is a need to agree the final measures to be used and the required levels of performance improvement in concluding the LPSA2 agreement with the ODPM	Para 47	N/A	-	DNA CM	Done	CM
Efficiency & VFM						
There is a need to embed early initiatives to sustain and improve Council arrangements for securing VFM	Para 7	To be informed by Budget Scoping & Efficiency report work (see next action)	July 06	SW CMT	WIP	SW

AAL Issue	AAL Ref	Action(s) to be taken	Due date	RD	Status	CB
Financial management						
There is a need to ensure the forecast budget gap of £28m over the next 3 years is addressed and dealt with effectively as part of the Council's forward financial planning and management arrangements	Para 76	<ul style="list-style-type: none"> Balanced budget set for 2006/07. 2007/08 Budget Scoping & Efficiency Report to be produced for CMT and Medium Term Financial Strategy to be further developed for 06/07-08/09 	March 06 July 06	SW PS	Done TBC	PS SW
Improvement is needed in respect of current Council Tax and NNDR recovery rates	Para 79	<ul style="list-style-type: none"> Regular reminder runs and court actions have been taken throughout the year In year collection for 05/06 is expected to be up 1.0% on 04/05. In year collection for NNDR is expected to be up 0.3% on 04/05 	On-going June 06	SW JD	WIP WIP	JD JD
There is a need to review how resources should be allocated across base budgets to reflect service needs and corporate priorities based on comprehensive assessments of comparative performance and investment requirements	Para 39	<ul style="list-style-type: none"> 2007/08 Budget Scoping Report to be produced for CMT On-going development of benchmarking and service planning Corporate priorities work on-going as discussed above 	June 06 On-going On-going	SW PS SM CM	TBC TBC WIP	PS CM
There is a need to develop in-house assumptions about the Council's future liability to the Pensions Fund	Para 86	<ul style="list-style-type: none"> General reliance on actuarial valuations, no further action planned Annual appraisal against equity performance 	- Feb 06	SW PS	N/A Done	PS
Further improvements in Final Accounts working papers are desirable	Para 67	<ul style="list-style-type: none"> Advice incorporated into 2005/06 closedown guidance 	Feb 06	PS	WIP	PS

AAL Issue	AAL Ref	Action(s) to be taken	Due date	RD	Status	CB
Governance						
Satisfactory arrangements must be put in place to ensure Members are able to satisfy themselves with the adequacy and operation of the Council's governance framework as a whole	Para 71	Officer Governance Group established as a sub-Committee of CMT in 05/06 and forward plan drafted for approval. New Audit & Governance Committee to be adopted by CYC further to the review of the Constitution during 06/07. A&G remit to cover governance agenda at Member level on behalf of the Council.	From May 06	SW ERA	WIP	ERA
There is a need to ensure that the Review of the Constitution is followed through and implemented without further delay	Para 71	Implementation planned to follow formal Council approval of the new Constitution on 27 April 2006	April 2006	DNA SW SH ERA	WIP	ERA
There is a need to establish formal reporting systems for providing the S151 Officer and Members with assurance on the performance management of key financial systems and internal controls on a regular basis <i>(NB this is distinct from the normal assurance work provided by the Internal Audit function)</i>	Para 88	Formal arrangements already in place for reporting the audit/risk management issues to the S151 Officer. Further work needed to establish reporting requirement in respect of financial systems	- March 2007	SW SW PS	- TBC	ERA SW
There is a need for the Council to identify a Member Champion for Risk Management and provide Member training in this area of expertise	Para 92	This has been done. Awaiting formal appointment at Annual Council in May	May 2006	ERA SH	WIP	ERA
Procurement						
There is a need to further develop a robust Competition Policy & Strategy alongside a comprehensive approach to strategic procurement	Para 30	Work on-going. Consultation scheduled for summer 2006, followed by formal Council approval by autumn 2006.	Oct 2006	SW ERA	WIP	ERA

AAL Issue	AAL Ref	Action(s) to be taken	Due date	RD	Status	CB
Service Inspections						
<p>Cultural Property</p> <ul style="list-style-type: none"> there is a need to set clear timescales for the cataloguing of all artefacts and ensure progress is regularly monitored against these targets 	Para 49	The programme of cataloguing is being undertaken by the York Museums Trust. Clear targets for this were set out in the Performance Delivery Plan agreed between the Council and the YMT in 2002. Progress against them is reported to members twice yearly. Good progress is being made.	On-going	CC	On-going since 2002	CC
<ul style="list-style-type: none"> decision to be taken regarding the future location of the Archives 	Para 49	As an outcome of a recent scrutiny report into this topic, expressions of interest are being sought from potential external suppliers. A decision on offers received is likely in July.	July 06	CC	WIP	CC
<p>Benefits</p> <ul style="list-style-type: none"> there is a need to ensure further improvement in Claims Administration and User Focus to support on-going improvement in the overall assessment of this service area following the BFI review (from a 1 overall previously to a 3 overall in 2005/06) 	Para 60	Work on-going to complete action plan agreed following 2005 BFI inspection (70% complete)	March 07	JD	WIP	JD

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Audit & Governance Committee

6 June 2006

The Annual Audit Plan 2006/07

Report of the Assistant Director of Resources (Audit & Risk Management)

Summary

- 1 This paper introduces the Audit & Inspection Plan of the District Auditor.

Background

- 2 The Annual Audit Plan sets out the audit and inspection work to be conducted by the District Auditor in discharging their statutory duties to:
 - give an opinion on financial statements of the audited body;
 - draw conclusions as to the arrangements put in place by the audited body to secure value for money (ie the extent to which there are satisfactory arrangements in place for securing economy, efficiency and effectiveness in the use of resources).

The Audit Plan for the 2006/07 is attached as Annex A to this report.

Key planning issues

- 4 In preparing their Plan, the Audit Commission have taken into account:
 - the outcomes of the 2005 CPA Use of Resources work;
 - the quality and coverage of the work conducted by Internal Audit, placing reliance on the Internal Audit Annual Plan to make best use of scarce audit resources and reduce costs wherever possible;
 - an understanding of the key issues facing the organisation in the coming year based on a series of individual interviews conducted with key officers and leading Members over the last few months;
 - their assessment of the inherent audit risks arising;
 - the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit.

Consultation

- 6 The Plan has been widely consulted on with the relevant responsible officers and has been approved in draft by CMT. It is reported here for due consultation with those Members charged with governance at the Council.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Objectives

- 9 This report contributes to the overall effectiveness of the Council's management & assurance arrangements in helping to achieve of the following corporate objectives;
- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
 - Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
 - Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
 - Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
 - Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
 - Implement risk management and business continuity procedures. (Objective 8.10).

Implications

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

Risk Management Assessment

- 11 The Council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful and adversely impact on the Council's CPA score for the Use of Resources (and therefore its overall CPA score in 2007).

Recommendations

12 Members are asked to:

- a) consider the matters set out in the draft Annual Audit Plan presented for discussion by the District Auditor;

Reason

To ensure the effective deployment of scarce external audit resources to best effect

- b) approve the Plan having first considered whether it sufficiently reflects the audit needs and interests of the Council.

Reason

To ensure the effective deployment of scarce external audit resources to best effect

Liz Ackroyd
AD Resources (Audit & Risk Management)
24 May 2006

Author:

Liz Ackroyd
Assistant Director of Resources
(Audit & Risk Management)
Resources
Ext 1706

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 24 May 2006

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A *The Annual Audit & Inspection Plan (Audit Commission)*

Annex A

*The Annual Audit & Inspection Plan
(Audit Commission)*

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Audit and Inspection Plan

City of York Council

Audit 2006-2007

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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Contents

Introduction	4
Our responsibilities	4
The fee	5
CPA and inspections	6
Summary of key audit risks	7
Value for money conclusion	7
Use of resources judgement	8
Performance information	9
Best value performance plan	9
Financial statements	9
Whole of government accounts	10
Certification of claims and returns	11
Other information	12
Outputs from the audit and inspection plan	12
The team	12
Appendix 1 – Audit and inspection fee	13
Specific audit risk factors	13
Assumptions	14
Specific actions City of York Council Could take to reduce audit fees	14
Process for agreeing any changes in audit fees	15
Appendix 2 – Criteria to inform the auditor’s conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources	16
Appendix 3 – Planned outputs	18
Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity	20

Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake in 2006/07. The plan has been drawn up from our risk-based approach to audit planning and the requirements of the new Comprehensive Performance Assessment CPA – the Harder Test. It reflects:
 - our responsibilities under the Code of Audit Practice;
 - audit and inspection work specified by the Audit Commission for 2006/07;
 - your local risks and improvement priorities; and
 - current national risks relevant to your local circumstances.
- 2 Your relationship manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.

Our responsibilities

- 3 In carrying out our audit and inspection duties we have to comply with the statutory requirements governing them, and in particular:
 - the Audit Commission Act 1998 and the Code of Audit Practice (the Code) with regard to audit; and
 - the Local Government Act 1999 with regard to best value inspection and audit.
- 4 The Code defines auditors' responsibilities in relation to:
 - the financial statements of audited bodies; and
 - audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources.
- 5 Auditors are now required to draw a positive conclusion regarding arrangements for ensuring value for money in its use of resources. We will give the first such conclusion by 30 September 2006 as part of the 2005/06 audit.

The fee

- 6 For 2006/07 the Audit Commission has changed its fee scale structure and details are set out in the Commission's Work Programme and Fee scales 2006/07. Audit fees are based on a number of variables, including the type, size, location and complexity of the audited body and the national and local risks.
- 7 Inspection fees are based on the actual number of days included in the plan for each programmed activity.
- 8 The total fee estimate for the audit work planned for 2006/07 is £225,000 and the total fee estimate for inspection work planned for 2006/07 is £20,000, which give a total audit and inspection fee of £245,000. This compares with a total audit and inspection fee of £253,000 in 2005/06.
- 9 In addition we estimate that we will charge approximately £50,000 for the certification of claims and returns.
- 10 The audit and inspection fees include all work identified in this plan, unless specifically excluded. Further details are provided in Appendix 1 which includes:
 - specific audit risk factors;
 - the assumptions made when determining the audit fee;
 - specific actions you could take to reduce audit fees; and
 - the process for agreeing any additional fees.
- 11 Changes to the plan and the fee may be necessary if our audit risk assessment changes during the course of the audit. This is particularly relevant to:
 - the opinion on the 2006/07 accounts, since we have yet to audit the accounts for 2005/06, and detailed financial reporting requirements for 2006/07 are not yet known; and
 - work on selected performance indicators, since we have yet to assess your overall arrangements for securing the quality of this data and then to undertake a formal risk assessment.
- 12 We will formally advise you if any changes to the fee become necessary.

CPA and inspections

- 13 We have applied the principles set out in the new CPA framework, CPA – The Harder Test recognising the key strengths and weaknesses in York's performance. These include:
- good performance in achieving value for money and budgetary control; and
 - weaker arrangements for risk management, strategic procurement and systems of internal control.
- 14 As a consequence our inspection activity will focus on the following these issues.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager role	To act as the Commission's primary point with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel statement	To provide focus for continuous improvement and to include in CPA scorecard.

Summary of key audit risks

- 15 This section summarises our assessment and the planned response to the key audit risks which may have an impact on our objectives to:
- provide an opinion on your financial statements;
 - provide a conclusion on your use of resources;
 - provide a scored judgment on the use of resources to feed into the CPA process;
 - undertake audit work in relation to specified performance indicators to support the service assessment element of CPA; and
 - provide a report on your best value performance plan (BVPP).
- 16 In assessing risk we have:
- held meetings with key officers and the leader;
 - reviewed current strategies and business plans;
 - shared information with other regulators, and where appropriate government departments;
 - taken account of the impact of the local health economy; and
 - reviewed your performance in comparison to similar authorities
- 17 Our planned work takes into account information from other regulators, where available. Where risks are identified that are not mitigated by information from other regulators, or your own risk management processes, including Internal Audit, we will perform work as appropriate to enable us to provide a conclusion on your arrangements.

Value for money conclusion

- 18 The Code of Audit Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources, the value for money conclusion. The Audit Commission has developed relevant criteria for auditors to apply in reaching our value for money conclusion. These criteria are listed in Appendix 2. In meeting this responsibility, we will review evidence that is relevant to your corporate performance management and financial management arrangements. We will give the first such conclusion by the end of September 2006 as part our audit of the 2005/06 accounts. This may influence our risk assessment for similar work to be carried out as part of the 2006/07 and we will keep you informed of any changes to this plan that may become necessary.

Use of resources judgement

- 19 In addition to the Code requirements described above, the Audit Commission requires auditors to make more qualitative assessments on the effectiveness of those arrangements in the form of a series of use of resources judgements. The key lines of enquiry (KLOEs) issued in June 2005 will be updated in spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment. Our fee estimate 2006/07 assumes that the KLOEs will be broadly similar to those used in 2005/06. If this changes we will discuss with you the implications, including any impact on the fee.
- 20 These judgements are also used by the Commission as the basis for its overall use of resources judgement for the annual CPA.
- 21 Using our cumulative knowledge and experience, including the results of previous work and other regulators' work, we have identified the following areas of audit risk to be addressed.

Table 2 Summary of use of resources audit risks

Audit risk	Response
Waste minimisation presents a key risk to your financial health.	Follow up of waste management inspection including a review of strategic planning for waste minimisation and the impact on financial health. To ensure that our work is streamlined we will also include assessment of partnership working and performance management.
You are required to establish a local area agreement by the start of April 2007. This will account for significant funding flows.	Review of proposed governance and performance management arrangements for the local area agreement.
You face a number of significant challenges to people management, including reducing high levels of sickness absence and implementing single status and job evaluation.	Follow up review of people management arrangements, including a review of arrangements to manage: <ul style="list-style-type: none"> • Restructures; • sickness absence; and • the implementation of single status and job evaluation.

Audit risk	Response
You are currently managing a number of major projects to deliver your corporate objectives, including Easy@York, the accommodation review and the west-side review.	We will audit your arrangements for financial management, project management, risk management and user focus of these three key projects.
You have undertaken a service improvement review of the planning service, but in 2005/06 you remain a planning standards authority.	Review of performance management in planning service to inform the use of resources assessment. We will discuss the continued relevance of using the planning service to test arrangements with York in spring 2007.

Performance information

- 22 Auditors are required to undertake audit work in relation to specified performance indicators to support the service assessment element of CPA. This work will be risk based and will link in part to our review of the Council's overall arrangements to secure data quality as required for our use of resources conclusion. Our fee estimate includes an element for this work on the basis that we will assess you as low risk in relation to national performance indicators, and medium risk in relation to your own local performance indicators.
- 23 This risk assessment may change depending on our assessment of your overall arrangements. When we have finalised our risk assessment we will update our plan including any impact on the fee quoted above.

Best value performance plan

- 24 We are required to consider and report on whether or not you have complied with legislation and statutory guidance in respect of the preparation and publication of your best value performance plan (BVPP). Our fee estimate for this element of work is on the basis that it is low risk.

Financial statements

- 25 We will carry out our audit of the 2006/07 financial statements and comply with the International Standards on Auditing (UK and Ireland).
- 26 We are also required to review whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the statement is misleading or inconsistent with our knowledge.

- 27 On the basis of our preliminary work to date we have identified the following audit risks.

Table 3 Summary of opinion risks

Opinion risks	Response
<p>Local authorities are required to prepare their accounts in accordance with 'proper practices' such as those defined in the Code of Practice on Local Authority Accounting in the United Kingdom which is a Statement of Recommended Practice (SORP). The Code will be revised for the 2006/07 accounts, and you will need to implement the requirements of the revised SORP.</p>	<p>We will review your implementation of the new SORP.</p>

- 28 Our fee estimate for 2006/07 is based on the assumption that:
- the current standard of working papers will be improved;
 - internal audit will complete their planned work on key information systems to the agreed quality by the agreed date; and
 - the accounts will be prepared and fully supported by working papers.
- 29 We have yet to undertake the audit of the 2005/06 financial statements and our 2006/07 financial statements audit planning will continue as the year progresses. This will take account of:
- the 2005/06 opinion audit;
 - our documentation and initial testing of material information systems;
 - our assessment of the 2006/07 closedown arrangements; and
 - any changes in financial reporting requirements.
- 30 When we have finalised our risk assessment in respect of your financial statements, we will update our plan in advance of the audit detailing our specific approach, including any impact on the fee quoted above.

Whole of government accounts

- 31 The government is introducing whole of government accounts (WGA) in order to produce consolidated accounts for the whole public sector. WGA will include the accounts of local authorities and WGA data returns will be required to be audited. The Audit Commission is currently discussing the scope of the likely audit work with stakeholders. The fee for this work is not included in this plan and we will discuss this with the Director of Resources when further details are available.

Certification of claims and returns

- 32** We will continue to certify your claims and returns:
- claims for £50,000 or below will not be subject to certification;
 - claims between £50,001 and £100,000 will be subject to a reduced, light touch, certification audit; and
 - claims over £100,000 have an audit approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced audit approach for these claims.
- 33** Charges for this work are based on skill-related fees scales set out in the Audit Commission's work programme and fee scales 2006/07. Based on this, and on the assumption that the level of grant work will remain unchanged, we estimate that the fees for grant certification work will be around £50,000.

Other information

Outputs from the audit and inspection plan

- 34 The expected outputs from our planned audit and inspection work are listed in Appendix 3.

The team

Table 4

Name	Title
Mark Kirkham	District Auditor & Relationship Manager
Rachel Lindley	Audit Manager
Paul Goodlad	Area Performance Lead
Jamie Brambles	Audit Team Leader

- 35 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.
- 36 We comply with the ethical standards promulgated by the Auditing Practices Board and with the Commission's requirements in respect of independence and objectivity as set out at Appendix 4.

Appendix 1 – Audit and inspection fee

Table 5

Fee estimate	Plan 2006/07	Plan 2005/06
Audit		
Accounts	£69,000	£112,000
Use of resources	£156,000	£103,000
Total audit fee	£225,000	£215,000
Inspection	£10,000	*
Relationship management	£10,000	*
Service inspection	0	*
Corporate inspection	0	*
Total inspection fee	£20,000	£30,000
Total audit and inspection fee	£245,000	£245,000
Certification of grants and returns	£50,000	£55,000
Voluntary improvement work	0	0

* Comparative information is not available for 2005/06 due to the changed fee structure.

- 1 The total audit fee compared to the indicative fee banding equates to 13 per cent above the mid-point.
- 2 The fee (plus VAT) will be charged in 12 equal instalments from April 2006 to March 2007.
- 3 The fee above includes all work contained in this plan except:
 - any work required in relation to the whole of government accounts.

Specific audit risk factors

- 4 In setting the audit fee we have taken account of the risk factors as set out in the audit plan.

Assumptions

- 5 In setting the audit fee we have assumed:
 - you will inform us of significant developments impacting on our audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes appropriate work on all material information systems that provide figures in the financial statements sufficient that we can place reliance for the purposes of our audit recognising the shift in requirements introduced by the International Standards on Auditing (ISA);
 - officers will provide good quality working papers and records to support the financial statements.
 - officers will provide requested information within agreed timescales;
 - officers will provide prompt responses to draft reports; and
 - the key lines of enquiry for our use of resources judgement will be broadly similar to those used in 2005/06. (These may be revised in the light of a post-implementation (The key lines of enquiry (KLOEs) issued in June 2005 will be updated in spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment.)
- 6 Where these requirements are not met or our assumptions change, we will be required to undertake additional work which is likely to result in an increased audit fee.
- 7 Changes to the plan will be agreed with you. These may be required if:
 - new risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - there are any changes to financial reporting requirements, professional auditing standards or legislation which results in additional audit work.

Specific actions City of York Council Could take to reduce audit fees

- 8 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. We have identified the following actions City of York Council could take:
 - Improve the quality assurance arrangements for the financial statements;
 - develop the quality assurance arrangements around grant claims; and
 - improve working papers to support the use or resources self-assessment.

Process for agreeing any changes in audit fees

- 9 If we need to amend the audit or inspection fees during the course of this plan we will firstly discuss this with the Director of Resources.

Appendix 2 – Criteria to inform the auditor’s conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources

Arrangements for establishing strategic and operational objectives and for determining policy and making decisions

- 1 The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.

Arrangements for ensuring that services meet the needs of users and taxpayers, and for engaging with the wider community

- 2 The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.

Arrangements for monitoring and reviewing performance, including arrangements to ensure data quality

- 3 The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.
- 4 The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.

Arrangements for ensuring compliance with established policies, procedures, laws and regulations

- 5 The body has put in place arrangements to maintain a sound system of internal control.

Arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working

- 6 The body has put in place arrangements to manage its significant business risks.

Arrangements for ensuring compliance with the general duty of best value

- 7 The body has put in place arrangements to manage and improve value for money.

Arrangements for managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body

- 8 The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.
- 9 The body has put in place arrangements to ensure that its spending matches its available resources.
- 10 The body has put in place arrangements for managing performance against budgets.
- 11 The body has put in place arrangements for the management of its asset base.

Arrangements for ensuring that the audited body’s affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption

- 12 The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

Appendix 3 – Planned outputs

- 1 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 6

Planned output	Start date	Draft due date	Key contact
Audit and Inspection Plan*	February 2006	31 March 2006	Audit Manager
Interim Audit Report	January 2007	31 May 2007	Audit Manager
BVPP Report	March 2006	October 2006	Audit Manager
Report on Selected PIs	March 2006	October 2006	Audit Manager
Report on Financial Statements to Those Charged with Governance	August 2007	September 2007	Audit Manager
Opinion on Financial Statements	April 2007	September 2007	District Auditor
VFM conclusion	April 2007	September 2007	Performance Lead
Final Accounts Report	1 July 2007	October 2007	Audit Manager
Local performance work			
Follow-up to Waste Management Inspection	To be agreed	To be agreed	Performance Lead
Review of Local Area Agreement	September 2006	March 2007	Audit Manager
Follow-up to People Management	September 2006	March 2007	Performance Lead
Project Management	April 2006	March 2007	Audit Manager
Review of Performance Management	July 2006	September 2006	Performance Lead

Planned output	Start date	Draft due date	Key contact
Annual Audit and Inspection Letter (including Direction of Travel Assessment)	October 2007	16 December 2007	Relationship Manager

** To be revisited during the year to reflect outcome of 2005/06 opinion work and 2006/07 interim visit.*

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with ISAs when auditing the financial statements. Professional standards requires auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.
- 2 The ISA defines ‘those charged with governance’ as ‘those persons entrusted with the supervision, control and direction of an entity’. In your case the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 3 Auditors are required by the Code to:
 - carry out their work with independence and objectivity;
 - exercise their professional judgement and act independently of both the Commission and the audited body;
 - maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
 - resist any improper attempt to influence their judgement in the conduct of the audit.
- 4 In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors’ functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

- 5 The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:
- any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the partner or regional director;
 - audit staff are expected not to accept appointments as lay school inspectors;
 - firms are expected not to risk damaging working relationships by bidding for work within an audited body’s area in direct competition with the body’s own staff without having discussed and agreed a local protocol with the body concerned;
 - auditors are expected to comply with the Commission’s statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors’ conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors’ independence;
 - auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission;
 - auditors are expected to comply with the Commission’s policy for both the district auditor/partner and the second in command (senior manager/manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements);
 - audit suppliers are required to obtain the Commission’s written approval prior to changing any district auditor or audit partner/director in respect of each audited body; and
 - the Commission must be notified of any change of second in command within one month of making the change. Where a new partner/director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual’s relevant qualifications, skills and experience.

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Agenda Item

Audit and Governance Committee

6 June 2006

Report of the Assistant Director (Audit and Risk Management)

Annual Report of the Chief Internal Auditor

Summary

- 1 This report details the outcome of audit and fraud work undertaken in 2005/06 and provides an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

Background

- 2 The work of Internal Audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government (issued in 2003). In accordance with the Code of Practice, the Chief Internal Auditor is required to report on the findings of audit work, provide an annual opinion on the Council's internal control environment and identify any issues relevant to the preparation of the Statement of Internal Control.
- 3 The 2005/06 Audit and Fraud Plan was agreed by Resources EMAP on 21 March 2005. The Plan included a programme of audit reviews and details of planned counter fraud activities. The total number of planned audits days was 1,460. However, there were still insufficient resources in the Audit team to allow all the systems or areas identified through the 5 year Strategic Audit planning process to be audited. As with the 2004/05 Audit Plan, priority was therefore given to 'high' and 'medium' risk areas. The counter fraud activity plan was based on the resources available to the Fraud Team. The total number of days allocated to counter fraud activities in 2005/06 was 1,090.
- 4 The Counter Fraud Activity Plan included details of;
 - planned activities, including fraud detection and investigation;
 - fraud awareness and training;
 - proactive fraud work;
 - joint working with other counter fraud agencies;
 - resource allocation.

2005/06 Internal Audit Plan – Outturn

- 5 Two of the priorities for the service are to deliver at least 90% of the Audit Plan and to ensure that Internal Audit continues to retain its 'managed audit' status with the Audit Commission. These are the minimum requirements necessary to achieve a good score for internal control as part of the Use of Resources CPA assessment process.
- 6 Internal Audit successfully delivered 91.3% of the 2005/06 Plan (compared to 90% in 2004/05 and 69% in 2003/04). Details of the audits completed and the reports issued are given in Annex 2.
- 7 Variations were made to the Audit Plan through the year as a result of new and changed priorities or as new risks were identified. In addition, there was also a shortfall in resources of 80 days against the original approved 2005/06 Audit Plan. Although the available staffing resources were targeted at the priority audit areas, it was not possible to accommodate all the required work within the overall number of planned days. The variations, including those necessary to balance the Plan were made in accordance with the framework previously agreed with Resources EMAP. Details of the Audit Plan variations approved by the Assistant Director (Audit and Risk Management) and agreed by the S151 Officer (Director of Resources), are given in Annex 3. These variations were reported to Resources EMAP on 20 February 2006.
- 8 Seven investigations into suspected financial irregularities were undertaken in the year. Four of those investigations were completed and three are still ongoing. In addition, fourteen minor thefts and frauds were investigated. Due to the serious nature of the issues covered in two of the investigations it was considered appropriate to report the results of those investigations to the Resources EMAP meeting on 20 February 2006. Both investigations related to the Commercial Services Directorate and were launched in response to allegations raised by individuals using the Council's whistleblowing procedures. One of the investigations related to recruitment and selection procedures and the other to the appointment and use of sub-contractors. Significant control weaknesses were identified in both areas. Officers from Commercial services have subsequently reported remedial action plans to Commercial Services EMAP setting out how the issues raised will be dealt with by that Directorate. Annex 4 provides a summary of the audit findings for all the completed investigations together with details of the recommendations made to address any control weaknesses identified.
- 9 During the year Internal Audit developed a more robust and systematic methodology for preparing the annual Statement of Internal Control (SIC), which is published as part of the Statement of Accounts. The SIC forms an important part of the overall process for monitoring and reporting on the adequacy and effectiveness of the Council's governance arrangements, particularly those in respect of risk management and internal control. Preparation of a SIC has been a statutory requirement since 2003/04, although authorities were permitted to publish interim statements in the first year. The process necessary to prepare the 2004/05 SIC had to comply with guidance issued by CIPFA

and endorsed by the Audit Commission. The process included the completion of assurance statements by individual directors, the Monitoring Officer and the S151 Officer. The adequacy and effectiveness of key corporate controls was assessed and action plans agreed where weaknesses were identified. The 2004/05 SIC was approved by Members and published as part of Council's Financial Statements in October 2005. The process followed to compile the SIC was reviewed by the Audit Commission and described as robust and well documented.

2005/06 Counter Fraud Activity Plan – Outturn

- 10 Counter fraud work has been undertaken in accordance with the approved Plan. Annex 5 provides a summary of the work completed. The majority of the work undertaken by the Fraud team during the year related to the identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. However, the team has also worked closely with Internal Audit on the internal fraud investigations detailed in paragraph 8 above. This integration makes best use of the available expertise and the scarce audit and fraud resources. It also creates a critical mass, allows skills to be shared and provides for more flexibility. In addition, a number of other external fraud investigations were conducted, including the identification of fraudulent blue badge use and Council Tax single person discounts. Details of the investigations undertaken and, prosecutions and sanctions achieved in the year are given in Annex 6.
- 11 In addition to the planned work, the Fraud team formally completed a joint project with the Department for Work and Pensions (DWP) on suspected 'living together' benefit fraud. The project started in 2003 and was funded by the DWP. The investigatory work undertaken concentrated on claimants who were suspected of not declaring partners, particularly lone parents over the age of 36. In total, 50 investigations were carried out and fraud was proved in 36 of those cases. The investigations found a number of other types of fraud including undeclared work, capital and income. The total value of fraudulent benefit overpayments identified was approximately £578k, of which £194k related to Housing and Council Tax benefits administered by the Council. In addition, 29 of the 36 individuals have not claimed any further benefits since the fraud was discovered. It is estimated that this has saved a further £600k to date in ongoing benefits. The investigations resulted in 18 successful prosecutions, including one undertaken by Trading Standards for 'obtaining money by deception'.
- 12 The Fraud team also completed work on the Audit Commission's 2004/05 National Fraud Initiative data matching exercise. This is a national exercise which is undertaken every two years and is designed to detect fraud and error, particularly in respect of housing benefits, occupational pensions and student loans. Data from local authorities is matched against data provided by central government, the NHS and a number of participating private sector pension bodies. The data match itself was undertaken in December 2004 and resulted in 1,637 matches for York which required further investigation. In some cases the match

was found to be caused by erroneous data or simply timing differences between when the relevant datasets were obtained. In many cases responsibility for investigating the data match rested with other local authorities or public bodies. In total, 62 investigations into suspected Housing and Council Tax benefit fraud were undertaken. These investigations have identified over £49k in fraudulent overpayments and have resulted in 1 successful prosecution and 4 sanctions, to date. A total of 14 cases are still being investigated.

External Assessment by the Audit Commission and the Benefit Fraud Inspectorate (BFI)

- 13 The work of the internal audit and fraud teams is reviewed annually by the Audit Commission. In addition, the counter fraud activities carried out in respect of housing and council tax benefits are reviewed by the Benefit Fraud Inspectorate (the BFI). The Audit Commission review has two main purposes. The first is to ensure that the standard of work and the capacity of the audit and fraud teams is sufficient for external audit assurance purposes. This is important because it determines whether the Council will maintain 'managed audit status' and hence minimise the level of external audit fees charged by the Audit Commission. The second purpose is to examine the Council's internal control arrangements through the Use of Resources – key lines of enquiry (KLOE) assessment process. The outcome of the KLOE assessment process contributes to the Council's overall CPA score. The Audit Commission concluded that there had been a significant improvement in the contribution of Internal Audit to the Council's overall system of internal financial control. The Audit Commission has also confirmed that it can continue to place reliance on the work undertaken by Internal Audit.
- 14 The last full inspection conducted by the BFI was in 2004, at which time they concluded that the quality of counter fraud work being undertaken was effective. Counter fraud activities form part of the 'security' assessment under the revised CPA process which was introduced by the BFI in 2005. The 2005 CPA self assessment process scored 'security' as a 4 (excellent). This contributed to the improvement in the overall Benefits Service CPA score from 1 to 3.

Opinion of the Chief Internal Auditor

- 15 The audit and fraud work undertaken during the year is designed to provide assurance to members and officers on the adequacy of the control environment as an essential part of the Council's corporate governance framework. Audit testing has also been undertaken so as to provide assurance to the S151 Officer that proper arrangements exist for the administration of the Council's financial affairs.
- 16 The reports detailed in Annex 2, together the results of investigations into suspected fraud and corruption, have been sent to the relevant directors, service managers, and where necessary to the S151 Officer. All audit reports include recommendations and actions plans agreed with

the relevant parties aimed at remedying identified weaknesses in control. In addition, follow up reviews are conducted on a 6 monthly basis to track progress made by managers in implementing agreed recommendations. Details of significant control weaknesses and any other issues of note identified through the audit process in 2005/06, together with the results of the follow up reviews, including details of recommendations which remain outstanding, are shown in annex 2.

- 17 The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment is given in Annex 1. The opinion is based on the results of the audit and fraud work completed during the year. In giving this opinion attention is drawn to the following significant control weaknesses which are considered relevant to the preparation of the 2005/06 Statement of Internal Control;
- evidence of non-compliance and inconsistencies in observing EU procurement legislation and the Council's Financial Regulations across the Council when tendering for goods and services. These failings have been identified in a number of the audits completed during the year and are in addition to the specific breaches included in the annual Breaches and Waivers report – presented to Resources EMAP in October 2005;
 - evidence that the Council's recruitment and selection policy is not always followed when recruiting new staff, and the policy itself does not contain sufficient guidance for managers to ensure that they comply with all relevant employment legislation;
 - controls over cash handling in the cashiers section were weak and as a result failed to prevent the serious theft which occurred in July 2005. The control weaknesses also meant that the Council was unable to identify the perpetrators.
 - risk management arrangements, particularly those in respect of operational risks are still not sufficiently embedded within the Council.
- 18 During the year, the Council has addressed a number of the concerns previously raised by the District Auditor in their annual audit letters, as well as the significant control weaknesses identified in the 2004/05 SIC. These improvements include the creation of a new Officer Governance Group, which reviews governance arrangements and reports to Corporate Management Team. Revised Financial Regulations and a new Constitution (including the creation of the new Audit and Governance Committee) will also come into effect in 2006/07.

Consultation

- 19 Not relevant for the purpose of the report.

Options

- 20 Not relevant for the purpose of the report.

Analysis

21 Not relevant for the purpose of the report.

Corporate Objectives

22 This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve the following corporate objectives;

- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
- Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
- Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
- Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
- Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
- Implement risk management and business continuity procedures. (Objective 8.10).

Implications

23 The implications are;

- **Financial** – there are no financial implications to this report.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities 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 (IT)** - there are no IT implications to this report.

Risk Management Assessment

24 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported and the annual statement and opinion of the CIA is not

considered by those charged with governance. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when this is re-assessed in 2007.

Recommendations

25 Members are asked to;

- Note the results of the audit and fraud work undertaken in 2005/06.

Reason

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

- Accept the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's internal control environment;

Reason

To enable Members to consider the opinion of the Chief Internal Auditor.

- Consider the significant control weaknesses identified during the year and their inclusion in the 2005/06 Statement of Internal Control, to be reported to A&G on 26 June 2006 along with the annual Statement of Accounts.

Reason

To enable the annual Statement of Internal Control to be prepared.

Contact Details

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Chief Officer Responsible for the report:

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Assistant Director (Audit and Risk Management)
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Report Approved



Date 25 May 2006

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

Internal Audit Risk Assessment and Strategic Audit Plan

2005/06 Audit Plan

2005/06 Counter Fraud Activity Plan

Opinion of the Chief Internal Auditor

I have evaluated the results of the audit and fraud work undertaken during the year. In my opinion the overall adequacy and effectiveness of the Council's control environment is acceptable. In addition, continued reliance can be placed on the Council's arrangements for financial administration.

Signed

Liz Ackroyd
Assistant Director – Audit and Risk Management
24 May 2006

Annex 2
2005/06 Audits Completed and Reports Issued

Systems/establishment audits

An overall opinion is given following each audit review. The opinion is based on the following four categories;

Opinion	Assessment of internal control
“High standard”	Few or no weaknesses
“Acceptable”	A number of weaknesses but mostly insignificant
“Weak”	A number of weaknesses, mostly significant
“Not acceptable”	Major control weaknesses

Recommendations are made where weaknesses in control are identified. The recommendations are prioritised using the following categories;

Definition of Priority

“High”	Necessary to reduce or prevent the risk of significant financial loss, damage to reputation, disruption to a service or continuity of operations, or necessary due to legislative requirements.
“Medium”	Necessary to improve controls so as to reduce the risk of

financial or other preventable losses.

“Low” Helpful to the operation of the system or considered to be ‘best practice’.

28 draft reports have been issued and are currently with management for consideration and comments. These reports are categorised as follows;

Opinion	Number
“High standard”	4
“Acceptable”	9
“Weak”	4
“Not acceptable”	0
“Not given”	1

A further 5 reports are due to be issued shortly.

38 reports have been finalised. In all cases the recommendations made have been accepted by management, and will be subject to follow up by Internal Audit. Details of the finalised reports are summarised below;

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of ‘high’ priority	
Best Value Performance Indicators	19/9/05	Not given	5	0	The review was undertaken in conjunction with the Audit Commission. 28 indicators were tested. One of those indicators was qualified and a further two were subject to

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
					recalculation.
Local Public Service Agreements	1/2/06	Not given	N/A	N/A	No specific issues identified.
Commercial Services – Finance and administrative arrangements	9/5/06	High Standard	0	0	No specific issues identified.
Discretionary Charging	15/5/06	Weak	16	4	The audit found a number of control weaknesses including a lack of documented procedures, insufficient separation of duties, poorly defined roles and responsibilities and inadequate arrangements to recover arrears. The audit also found weaknesses in management information, a lack of performance targets and delays in the completion of financial assessments.
Children's Residential / Respite Accommodation	3/1/06	Acceptable	5	0	No significant weaknesses identified.
Home to School	15/11/05	Not given	N/A	N/A	A follow up review to ensure that the

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
Transport – Follow Up					recommendations contained in the 2004/05 audit report have been implemented. 5 of the original 15 recommendations had been implemented. 1 recommendation was no longer considered to be relevant due to a restructure of the service following the original audit, and good progress was being made to address the remaining issues.
Engineering Consultancy	4/11/05	High standard	1	0	No significant weaknesses identified.
Nursery Education Grants	9/5/06	High Standard	1	0	No significant weaknesses identified.
Private Finance Initiative	10/2/06	Not given	0	0	This was a limited review of the payment system for the schools' PFI scheme. Systems were only just coming into operation at the time of the audit, and it was not possible to carry out detailed testing. A further review will be undertaken in 2006/07.

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
Oaklands Sports Centre	23/2/06	Acceptable	14	2	Controls over the checking, recording and holding of daily cash income needed to be improved.
Wigginton Primary School	31/10/05	Weak	14	4	A number of control weaknesses were identified, including inadequate arrangements to receipt and record income and no procedures to record declarations of interest and gifts and hospitality. There was also no scheme of financial delegation in place. In addition, the inventory records needed to be improved.
Archbishop of York's CE Primary School	31/10/05	Acceptable	10	0	A register of gifts and hospitality needed to be introduced and the school fund and inventory records improved. The procedures for recording school meals also needed to be improved.
Heworth CE Primary School	25/4/06	Weak	16	0	A number of control weaknesses were found including the arrangements to record and hold income. In addition, there were no procedures to record the receipt of gifts and hospitality. The school

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
					fund and inventory records needed to be improved and the scheme of financial delegation was in need of review.
Carr Junior School	20/10/05	High Standard	4	0	No significant weaknesses identified.
St Aelred's RC Primary School	24/3/06	Acceptable	7	0	A register of gifts and hospitality needed to be introduced and the inventory records improved.
Ralph Butterfield Primary School	13/2/06	Acceptable	12	0	A register of gifts and hospitality needed to be introduced and the inventory records improved.
New Earswick Primary School	16/2/06	High Standard	6	0	No significant weaknesses identified.
Derwent Junior School	24/3/06	Acceptable	13	0	There were some weaknesses in the ordering procedures. A register of gifts and hospitality needed to be introduced and the school fund and inventory records needed to be improved.
St Lawrence's CE	11/4/06	Weak	13	0	There were some weaknesses in the

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
Primary School					ordering procedures. A register of gifts and hospitality needed to be introduced and the school fund and school meals records needed to be improved.
Headlands Primary School	18/5/06	High Standard	6	0	No significant weaknesses identified.
Tang Hall Primary School	4/4/06	High Standard	6	0	No significant weaknesses identified.
Our Lady's RC Primary School	18/5/06	Weak	18	1	Control weaknesses were found in the ordering procedures and in respect of cash banking and security. The school fund and inventory records needed to be improved.
Yearsley Grove Primary School	23/5/06	Acceptable	8	0	Control weaknesses were found in the ordering procedures. Controls over the receipt and recording of income also needed to be improved.
Burnholme Community College	3/2/06	Acceptable	13	2	Control weaknesses were found in the contracting procedures. There were no procedures to record the receipt of gifts and hospitality, and the arrangements for

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
					updating the register of interests needed to be improved. The school fund and inventory records also needed to be improved.
Huntington School	5/10/05	Acceptable	8	0	Controls over the receipt and recording of income needed to be improved.
Joseph Rowntree School	9/5/06	High Standard	3	0	No significant weaknesses identified.
Manor CE School	9/5/06	Acceptable	11	0	Control weaknesses were found in the income procedures and there were no procedures to record the receipt of gifts and hospitality. The school fund and inventory records also needed to be improved.
Danesgate Pupil Referral Unit	3/2/06	Acceptable	8	1	Control weaknesses were found in the arrangements for undertaking budgetary control and there were no procedures to record the receipt of gifts and hospitality. The school fund and inventory records also needed to be improved.
St Oswald's Special Unit	7/3/06	High	2	0	No significant weaknesses identified.

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
		Standard			
IS/IT Strategy	6/3/06	Acceptable	3	0	The IS/IT Strategy needed to include resource implications and timescales. The Strategy also needed to be formally reviewed on a regular basis and responsibility for monitoring delivery more clearly defined.
IT Physical Security and Environmental Controls	23/5/06	High Standard	3	0	No significant weaknesses identified.
Duplicate Payments	8/3/06	Not given	4	1	This was a limited review of creditor payments using audit interrogation software. A small number of duplicate payments were found and therefore recommendations were made to improve the controls which prevent payment of duplicate invoices.
Cashiers	4/5/06	Acceptable	1	0	A follow up review to ensure that recommendations contained in the 2004/05 audit report and the subsequent investigation report, had been implemented. 11 of the 19 recommendations had been implemented

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
					and 3 superseded. Good progress had been made to address the remaining issues. One additional recommendation was also made.
Treasury Management / Prudential Code	10/5/06	Acceptable	5	1	Password controls to the on-line banking system needed to be improved. Additional authorisation controls were also required for processing large value transactions.
Travel and Subsistence	30/1/06	Weak	8	2	Corporate contracts were not always being used. Controls over authorising payments and document retention needed to be improved. Arrangements for checking on insurance and driving licences also needed to be improved.
Follow –Up	22/3/06	Not given	0	0	A follow up review was undertaken in July 2005 to ensure that recommendations contained in audit reports issued in the previous six months, had been implemented. A total of 91 recommendations were made in the reports reviewed. 71 (78%) of the

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
					recommendations had been satisfactorily implemented. A further 17 (19%) had either been partially implemented or plans existed to address the issues. Only 3 recommendations had not been implemented. Two of these were relatively minor issues. The other outstanding recommendation was a 'high' priority and related to the failure to comply with EU procurement legislation for the purchase of concessionary travel tokens. The auditors were told that there was insufficient time to carry out a full tender exercise for the purchase of tokens in 2006/07. The EU procurement regulations will however be followed for the 2007/08 financial year.
Highways Maintenance Contract	26/4/06	Not given	2	0	A review of financial, contract, operational and strategic management issues associated with the new highways maintenance contract.
Breaches and Waivers	5/7/05	Not given	N/A	N/A	A review of non compliance with Financial Regulations and EU Procurement

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
					legislation. A copy of the report was presented to Resources EMAP in October 2005.

Other Work Completed

- 3 DTI grant claims audited on behalf of DEDS.
- 2004/05 Statement of Internal Control prepared and published as part of the annual Statement of Accounts.
- Value for Money review of Environmental Services (Environmental Health, Trading Standards and Licensing Services)
- 1 school fund audit completed
- 2 reports produced for the York Museums Trust
- taking a lead role in a joint ARM review of the Highways Maintenance procurement exercise
- Sickness Management review

Annex 3

Variations to the 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 Strategic Audit Plan priorities
- 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 be 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 reviewed and approved by the AD (Resources) Audit and Risk Management.

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.

All additions and deletions are reviewed and approved by the AD (Resources) ARM who then reports all variations to the S151 Officer for information.

2005/06 Audit Plan Variations

The following variations to the Plan were approved by AD (Resources) ARM in 2005/06, and reported to Resources EMAP on 20 February 2006;

Project	Days	Justification For Change
<u>Additional Work</u>		
Sickness Management and Monitoring project	+ 60 days	Review of the Council's arrangements for recording, monitoring and managing sickness absence. The review was requested by the Corporate Management Team.
Highways Maintenance Contract	+ 20 days	Support to a review of the procurement process followed in respect of the new Highways Maintenance contract. The review was requested by the Chief Executive.
Total additional work	+ 80 days	

Project	Days	Justification For Change
<u>Deletions from the Audit Plan</u>		
New Depot	- 10 days	Audit deferred to 2006/07 due to delay in depot move.

Project	Days	Justification For Change
Children with Disabilities	- 15 days	Audit deferred to 2006/07 due to transfer of children's services to new Directorate. Other work completed in the year has also overlapped with aspects of this audit. This audit is a low risk in the Strategic Audit Plan.
Social Services Capital Programme	- 10 days	Audit deferred to 2006/07. This audit is a medium risk in the Strategic Audit Plan.
Business Continuity	- 18 days	Deferred until 2006/07 at the request of the audit customer because of the introduction of new legislation.
Local Transport Plan	- 12 days	Deferred until 2006/07 at the request of the audit customer because of work currently underway to prepare new Plan.
National Land and Property Gazetteer	- 10 days	Deferred until 2006/07 because the system is not yet fully operational.
Sure Start	- 12 days	Deferred until 2006/07 due to external review of the service by the Audit Commission.
Risk Management / Insurance	- 10 days	New risk management system currently being implemented. This area was reviewed in 2004/05 and a further audit is not considered to be a priority.
IT Project Management	- 14 days	Deferred until 2006/07 due to current pressures within the IT Department caused by ongoing projects.
Total deletions	- 111 days	

Annex 4
Completed Investigations into Suspected Financial Irregularities

Nature of Investigation	Findings and Conclusions
Theft of money from cashiers	<p>The systems and controls associated with the receipt, recording and banking of cash were reviewed. Staff were interviewed and assistance was provided to the police with their investigation into the theft.</p> <p>The police were however unable to identify the cause of the theft and subsequently closed their enquiry.</p> <p>However, weaknesses in the control of cash after it had been prepared for banking were found. An action plan has been agreed to address these weaknesses and to prevent a similar loss in the future.</p>
Inappropriate use of Council funds	<p>An inappropriate payment was identified and stopped before it was despatched. The investigation found that this was an isolated problem. The manager concerned was instructed to follow the correct procedures in the future.</p>
Recruitment and selection	<p>The investigation found that there was a lack of appropriate documentation and a failure to follow the Council's recruitment and selection policy. The investigation also found a number of control weaknesses. An action plan was agreed to address these weaknesses and to prevent similar problems in the future.</p>

Nature of Investigation	Findings and Conclusions
Use of sub-contractors	<p>The investigation identified breaches of Financial Regulations, poor management practices and various weaknesses in control. These weaknesses included inadequate arrangements for the inspection of work and the checking of job tickets and invoices. A report is due to be presented to Neighbourhood Services EMAP detailing the action taken to address the issues identified in the audit report.</p>

**Annex 5
Counter Fraud Activity**

Activity	Work Completed or in Progress
Training	The source and type of fraud referrals received has continued to be monitored. This has influenced the fraud awareness training delivered through the year to Benefits and Housing staff, including new starters. Laminated aide-memoir's giving staff advice on making fraud referrals and taking referrals from the public have been prepared and distributed to those staff likely to identify suspected fraud. Fraud referrals from staff have increased in number and quality as a consequence of these measures.
Public and Internal Fraud Awareness	A programme of staff and public awareness was delivered in March 2006. The programme included a series of radio and press advertisements and articles, together with publicity for a new facility to report fraud by e-mail. In conjunction with this a programme of fraud awareness measures within the Council was delivered. The programme included articles in staff newsletters and publications and greater web-site presence. The publicity has generated an increase in fraud referrals which is currently being analysed.
Advice and Guidance	Advice and guidance has been provided on the design and implementation of measures to prevent and detect fraud and other financial irregularities. Examples include changes to the design of benefit claim forms and the implementation of security measures in Council establishments and offices.
Data Matching	In addition to participating in national data matching exercises (NFI and HBMS) the Fraud Team has also undertaken a local exercise to compare taxi licensing records against benefit data. The information was then used in a joint exercise with the police, customs and excise, taxi licensing and investigators from the DWP. Further data matching exercises are currently being developed.
Targeted Visits	A programme of unannounced visits has been completed, targeting specific properties and claimants suspected of committing residency related fraud.

Joint Working with Other Agencies	Where appropriate the Fraud team has taken part in joint exercises with other agencies and/or conducted joint investigations. Examples include a joint exercise with the DWP, police and trading standards to identify counterfeit traders at a car boot sale and a joint investigation with HM Revenue and Customs which resulted in a successful prosecution of an individual who had failed to declare the ownership of a number of rented houses.
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**Annex 6
Investigations, Prosecutions and Sanctions**

840 fraud referrals were received in the year of which 393 (47%) were accepted for investigation.

	2005/06 Target	2005/06 Actual	2004/05 Actual
Number of fraud investigations undertaken	400	509	680*
Prosecutions	22	35	13
Administrative Penalties	18	11	7
Cautions	18	19	4

* Note – the number of fraud investigations was high in 2004/05 due to the NFI exercise and an increase in HBMS data matches. Following the BFI inspection the Fraud team started to sift referrals and only to investigate those cases where there was considered to be sufficient evidence to suspect fraud. The new approach has increased the % of successful outcomes.

Performance of the fraud team is also measured and reported through three statutory Best Value Performance Indicators. Performance for 2005/06 was as follows;

	2005/06 Target	2005/06 Actual	2004/05 Actual	Comments
BVPI 76b – Number of investigators per 1000 caseload	0.34	0.51	0.44	The improvement against 2004/05 performance reflects the investment made by Members which resulted in the appointment of 2 additional

	2005/06 Target	2005/06 Actual	2004/05 Actual	Comments
				investigators in 2005/06, slightly offset by an increase in the overall caseload.
BVPI 76c – Number of investigations completed per 1000 caseload	36.00	43.33	60.37	This reflects the improvements made in assessing initial referrals prior to investigation, as recommended by the BFI. As well as improving the number of successful outcomes this initiative has led to a significant improvement in the average caseload per investigator (from approximately 70 cases in 2004/05 to 45 in 2005/06. This has moved us significantly closer to the level recommended by the BFI, of 30 cases per investigator.
BVPI 76d – Number of sanctions/prosecutions per 1000 caseload	3.70	5.53	2.13	This is a significant achievement and reflects the additional investment made by Members during 2005/06 and the new arrangements for screening referrals.



Audit and Governance Committee

6 June 2006

Report of the Assistant Director (Audit and Risk Management)

Audit and Fraud Plan for 2006/07

Summary

- 1 This report details the planned programme of audit and fraud work to be undertaken during 2006/07 and the arrangements to report on the results of audit work and, in particular, any significant control weaknesses. The purpose of the report is to seek Members' approval for the planned programme of work.

Background

- 2 Under the new Constitution (Part 3, Schedule 2), the Audit and Governance Committee has delegated authority to approve the annual Audit Plan. The Annual Audit Plan is based on a detailed risk assessment process. Each 'auditable' area is scored using a series of criteria, including materiality, system complexity, an assessment of the control environment and the risk of fraud and corruption. The results of previous audit work and external inspections together with issues identified through the corporate risk management process are used to inform the audit risk assessment. Each 'auditable' area within the risk assessment is prioritised as high, medium or low risk. This assessment is used to help prioritise the allocation of audit resources in the context of an overall five year Strategic Audit Plan, to ensure;
 - high risk areas are reviewed on an annual basis;
 - medium risk areas are reviewed every two or three years;
 - low risk areas are reviewed once every five years (subject to resourcing constraints).
- 3 The 2006/07 Audit Plan is intended to address the known key risk areas and challenges facing the Council over the coming twelve months and includes a small amount of contingency time for dealing with unexpected events that may arise in-year.

- 4 A Counter Fraud Activity Plan has also been prepared showing the main areas of work planned for 2006/07. The Plan details available resources, proposed anti-fraud activities, and expected outcomes.

Consultation

- 5 The Chief Executive, Chief Finance Officer (the S151 Officer), and Directors have been consulted as part of the process for preparing the 2006/07 Audit Plan. This consultation work:
 - helped to confirm that the risk assessment on which the plan is based is reasonable and comprehensive;
 - enabled the scope and coverage of individual audits to be refined;
 - enabled the specific timings of individual audits to be agreed with the relevant service departments
- 6 The Audit Commission has also been consulted to:
 - avoid any possible duplication of work, and:
 - ensure that the Council continues to retain its 'managed audit' status. This is the standard to which Internal Audit must carry out work to enable the Audit Commission to place reliance on it, thereby reducing the direct costs and inputs of the external audit service to the authority.
- 7 Corporate Management Team considered and agreed the draft programme of audit and fraud work on 19 April 2006, for Members approval.

2006/07 Audit Plan

- 8 A copy of the 2006/07 Audit Plan is attached as Annex 1. It is important to note however that the particular scope and focus of any individual audit may change to reflect any further weaknesses and risks identified or perceived during the planning process for each audit. A copy of the Strategic Audit Plan is also attached as Annex 2, for information.
- 9 An analysis of the time available to complete the Audit Plan has been completed, based on existing staffing and resources within the Internal Audit team . The total number of planned days for 2006/07 represents a decrease of 120 days (8.2%) compared to 2005/06. This reduction is due to the use of additional temporary staffing resources in 2005/06, to support last year's Plan, which are no longer available.
- 10 Current staffing levels do not allow all the identified systems and other auditable areas within the Strategic Plan to be reviewed in accordance with the required frequency. The shortfall is approximately 500 days per annum. As with the 2005/06 Audit Plan, priority has therefore been

given to 'high' and 'medium' risk areas. The scope for choice is however also restricted because;

- the Audit Commission expect that all the main financial systems will be audited annually;
- specific audit work is required to support the preparation of the annual Statement of Internal Control (which is published as part of the Statement of Accounts) and the Breaches and Waivers report;
- time must be allocated to investigate possible fraud and corruption, and participate in the Audit Commission's National Fraud Initiative;
- contingency time has to be set aside to undertake urgent or unplanned work which may arise during the year.

11 There is also a shortfall of 90 days between the available resources and the total number of days included in the 2006/07 Audit Plan. It is proposed that this excess will initially be accommodated by variations which occur during the year. However, should this not be possible, then it may be necessary to;

- further review the priority of audits set out in the Plan, and/or;
- request additional resources if any likely failure to deliver the Plan, due to resourcing constraints, would mean that the Council fails to observe its statutory responsibilities for the delivery of the annual audit and/or compromise the overall integrity of the Strategic Audit Plan.

12 The Plan includes specific systems audits and establishment audits identified through the risk assessment exercise. In addition, time has been allocated to undertake six monthly follow up reviews. These reviews are intended to provide assurance that agreed recommendations have been implemented by management. Details of the progress made by managers to implement recommendations will be reported to the S151 Officer, relevant Directors and the Audit and Governance Committee.

13 Time has also been allocated to provide ongoing support and advice to managers in respect of the design, implementation and operation of appropriate controls. The Plan also includes provision for undertaking special investigations (90 days) in addition to the general contingency of 90 days.

14 It is recognised that changes may need to be made to the Audit Plan through the year as a result of new or changed priorities and/or as risks are identified. All variations to the Audit Plan are reviewed and approved by the AD (Resources) ARM who is then responsible for reporting any approved changes to the S151 Officer and the Audit and Governance Committee.

2006/07 Counter Fraud Activity Plan

- 15 A copy of the 2006/07 Counter Fraud Activity Plan is attached as Annex 3. The Plan is based on the resources currently available to the Fraud Team, and includes details of;
- planned activities, including joint working;
 - proactive work;
 - resource allocation.
- 16 Much of the work undertaken by the Fraud team relates to the identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. However, the team also works closely with Internal Audit and conducts investigations into a variety of internal and other external types of fraud. The current workload for the team remains well above the caseload levels recommended by the BFI, due to the high number of fraud referrals and additional work arising from various data matching exercises undertaken by the DWP and Audit Commission. This is currently resulting in extended lead times and investigations taking longer to complete than might otherwise be expected. Work is ongoing to manage the workload issues faced by the team and to ensure that resources are concentrated on those cases where the evidence of possible fraud is strongest. This approach should also allow more time to be spent undertaking planned proactive work to prevent and identify fraud, corruption and other wrongdoing.

Reporting Arrangements

- 17 Progress in completing the Audit and Counter Fraud Activity Plans is reported to the S151 Officer on a regular basis. Significant control weaknesses and related issues identified by Internal Audit will also be reported to the officer Governance Group on a regular basis. Any significant Governance issues, including those identified through the work of Internal Audit, will also be reported to Corporate Management Team via the officer Governance Group. Details of the work completed and significant issues identified will also be reported to the Audit and Governance Committee. An interim monitoring report and an outturn report will be programmed as part of the forward plan for the Committee.

Options

- 18 Not relevant for the purpose of the report.

Analysis

- 19 Not relevant for the purpose of the report.

Corporate Objectives

- 20 This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve the following corporate objectives;

- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
- Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
- Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
- Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
- Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
- Implement risk management and business continuity procedures. (Objective 8.10).

Implications

21 The implications are;

- **Financial** – there are no financial implications to this report.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities 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 (IT)** - there are no IT implications to this report.

Risk Management Assessment

22 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the Audit and Counter Fraud Activity Plans were not approved. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when this is re-assessed in 2007.

Recommendations

23 Members are asked to;

- consider and approve the 2006/07 Audit and Counter Fraud Activity Plans;

Reason

To enable the annual Audit and Fraud plans to be delivered

- note and agree the proposed monitoring and reporting arrangements.

Reason

To enable Members to monitor the work of the Audit and Fraud teams effectively.

Contact Details

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Report Approved

Date 25 May 2006

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

CITY OF YORK COUNCIL
INTERNAL AUDIT PLAN 2006/07

Code	Description	Planned Days	Priority Audit
<u>Chief Executive's</u>			
0980	<u>Electoral and Democratic Services, and Member Support</u> A review of financial controls and processes associated with the Democracy, Scrutiny and Member Support Services. The audit will include an examination of the systems for processing and paying Members allowances, salaries and expenses.	15	
1040	<u>Performance Indicators</u> Verification of a sample of BVPIs (the work is undertaken in collaboration with the external auditors) and provision to review specific systems for the collection of performance data.	30	
1070	<u>Public Service Agreements</u> Verification of a sample of local indicators and provision to review specific systems for the collection of performance data.	15	
0960	<u>Chief Executives' - Support and Advice</u> Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4	
Total		64	
<u>Adult Social Services and Housing</u>			
1480	<u>Adults Independent Living</u> A review of financial processes and systems associated with delivery of the service. The audit will include an examination of the direct payment and personal assistance schemes, warden call arrangements and application of the preventative technology grant.	20	
1570	<u>Residential and Nursing Homes</u>	25	

Code	Description	Planned Days	Priority Audit
	A programme of visits to a number of the residential homes operated by the Council. The audit will also review arrangements operating at extra care and sheltered housing schemes. The review will examine all aspects of financial management within the establishments visited.		
1660	<u>Adult Social Services and Housing Capital Programme</u>	8	
	A 'healthcheck' review of financial management arrangements, including decision making, monitoring and reporting.		
1710	<u>Housing Rents (Fundamental)</u>	20	,
	A review of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.		
1730	<u>Housing Repairs and Maintenance</u>	20	
	A review of the arrangements to receive and prioritise requests from tenants. The audit will also examine the arrangements for ordering work through the new partnering contract, together with the systems for monitoring the quality of work and managing the budget.		
1750	<u>EPH Amenity Funds</u>	3	
	Provision to provide support in the audit of EPH Amenity Funds.		
1450	<u>Adult Social Services and Housing - Support and Advice</u>	4	
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.		
	Total	100	

City Strategy

Code	Description	Planned Days	Priority Audit
0480	<u>National Land and Property Gazetteer</u> A review of application and data controls (including audit trails, access permissions, back ups and data integrity). This audit was deferred from 2005/06.	10	
0490	<u>Local Land Charges</u> A review of the systems to receive and process local search applications. The audit will also examine the arrangements for recording, reconciling and banking search fees.	15	
0510	<u>Section 106 Agreements</u> A review of the administrative arrangements for processing Section 106 Agreements (Town and Country Planning Act 1990). The audit will include a review of the systems to record and monitor payments received from developers and expenditure incurred.	20	
0590	<u>Capital Programme (including the Local Transport Plan)</u> A review of financial management arrangements, including decision making, resource allocation, monitoring and reporting systems. The audit will include a review of the arrangements for delivering the 5 year Local Transport Plan.	20	
0800	<u>York Training Centre</u> A review of financial management arrangements and administrative processes including the systems for costing training courses, income collection and budgetary control.	18	
9230	<u>Future Prospects</u> A review of financial management arrangements and administrative processes at	8	

Code	Description	Planned Days	Priority Audit
	the advice centre.		
1060	<u>Business Continuity</u>	18	
	A further review of the corporate arrangements for business continuity planning, including an assessment of the progress made in implementing the strategy and the actions identified in the delivery plan. The audit will include a follow up review of the recommendations contained in the 2004/05 audit report. This audit was deferred from 2005/06		
0450	<u>City Strategy - Support and Advice</u>	4	
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.		
	Total	113	
	<u>Learning, Culture and Childrens' Services</u>		
1140	<u>Nursery Education Grants</u>	20	
	A review of the arrangements for checking and authorising payments to private nursery providers.		
1150	<u>Sure Start York</u>	12	
	A review of controls and procedures associated with the Sure Start project. This audit was deferred from 2005/06		
1250	<u>Individual School Budgets</u>	15	
	A review of the systems for allocating budgets to schools, to ensure that;		
	<ul style="list-style-type: none"> • the funding mechanism adequately reflects all known changes to resource allocation (for example, school closures and mergers); • funding is correctly allocated between schools; 		

Code	Description	Planned Days	Priority Audit
	<ul style="list-style-type: none"> • payments are correctly calculated and processed in a timely manner; • details of payments are accurately reflected in statistical returns. 		
1270	<u>Recoupment</u>	10	
	A review of the arrangements for recharging and paying neighbouring local authorities for cross boundary school placements.		
1300	<u>Capital Programme</u>	20	
	A review of financial management arrangements, including decision making, resource allocation, monitoring and reporting systems.		
1310	<u>Private Finance Initiative</u>	10	
	A further review of the contract monitoring arrangements and the systems for checking and authorising payments to the PFI contractor.		
1320	<u>Education Development Service</u>	12	
	A review of financial management arrangements and administrative processes associated with the service.		
1340	<u>Education Contracts</u>	15	
	A review of the arrangements for providing contract services to schools. The audit will include an examination of monitoring and reporting systems.		
1350	<u>Children's Services Administration Sites</u>	15	
	A review of the financial management arrangements and administrative processes.		
	<u>Schools / Adult and Community Education</u>	100	,
	A programme of visits to schools and adult education areas. The audits are undertaken in		

Code	Description	Planned Days	Priority Audit
	accordance with a separate risk assessment.		
1090	<u>Learning, Culture and Childrens' Services - Support and Advice</u>	4	
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.		
	Total	233	
	<u>Neighbourhood Services</u>		
0680	<u>Food Safety, Environmental Health and Trading Standards</u>	20	
	A review of financial management arrangements and administrative processes. The audit will include a examination of customer service and inspection arrangements. Charging and budgetary control arrangements will also be reviewed.		
0700	<u>Licensing</u>	20	
	A review of the arrangements for issuing licences, and setting and collecting fees and charges (including changes arising from the new Licensing Act). The audit will also review inspection and enforcement arrangements. This audit was deferred from 2005/06.		
0910	<u>Finance and Administration</u>	25	
	Provision to review and support the development and integration of new financial systems and controls within the Directorate arising from the Council restructure.		
9190	<u>New Depot Project</u>	10	
	Provision to support and review arrangements for the transfer of operational activities to the new depot.		
0850	<u>Building Cleaning</u>	15	

Code	Description	Planned Days	Priority Audit
	A review of financial processes and controls associated with provision of the cleaning service.		
0830	<u>Neighbourhood Services - Support and Advice</u>	4	
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.		
	Total	94	
	<u>Resources</u>		
0120	<u>Main Accounting Systems</u>	25	,
	A review of the arrangements for managing and maintaining the financial ledger. The audit will include an examination of the controls over;		
	<ul style="list-style-type: none"> • access and back up arrangements; • the integrity and timeliness of data; • the processing of journals and virements; • reconciling control and suspense accounts; • the creation and maintenance of the coding structure; • feeder systems; • year end processes. 		
0150	<u>Treasury Management and Prudential Code</u>	20	,
	A review of the system for investing surplus funds and the arrangements for borrowing within the Prudential Code framework.		
0180	<u>Creditors</u>	30	,
	A review of the systems for checking, authorising and processing creditor invoices.		
0190	<u>Customer Accounts (Debtors)</u>	30	,
	A review of the systems for raising debtor invoices and collecting income. The audit will		

Code	Description	Planned Days	Priority Audit
	also review credit control and debt recovery arrangements.		
0200	<u>Payroll</u>	30	,
	A review of the systems and controls associated with payroll processing.		
0310	<u>Council Tax and NNDR</u>	30	,
	A review of the systems for calculating Council Tax and NNDR liabilities, and the collection recording and processing of payments. The audit will also examine debt recovery arrangements.		
0320	<u>Council Tax Benefits and Housing Benefits</u>	30	,
	A review of the systems and processes for paying Council Tax and Housing Benefits. The audit will examine specific elements of the service in accordance with a rolling three year programme of work.		
0330	<u>Cashiers</u>	15	,
	A review of financial and administrative processes and controls. The audit will examine the arrangements for receiving and processing payments, cash handling controls and overall security.		
0360	<u>Registrars</u>	12	
	A review of management and administrative procedures at the Registrars office. The audit will include an examination of the arrangements for receiving and processing fees. Cash handling and document security will also be reviewed.		
0400	<u>Asset Management</u>	20	,
	A review of the arrangements for maintaining the Council's fixed asset register and property terrier. The audit will include an examination of the role of the Corporate Landlord and the		

Code	Description	Planned Days	Priority Audit
	processes for undertaking land and property revaluations, the purchase and disposal of assets and the application of depreciation policies.		
0420	<u>Property Services</u>	20	
	A review of financial and administrative processes and controls. The review will examine project management, decision making and reporting systems. The audit will also examine procurement and contract management arrangements.		
0110	<u>Resources Support and Advice</u>	4	
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.		
	Total	266	
Corporate and Other Cross Cutting Audits			
0240	<u>IT Advice and Support</u>	15	
	Provision to provide ongoing advice in respect of IT related controls. The allocation also includes time to support the replacement of key financial and management information systems, including FMS and ISIS.		
0260	<u>Information Security</u>	30	
	A review of information security arrangements, in particular controls in respect of; <ul style="list-style-type: none"> • database systems; • network security; • hand-held devices. 		
9080	<u>Contract Procedures</u>	50	,
	A review of procurement processes throughout the Council. The audit will include the examination of specific revenue and capital contracts together with the controls for;		

Code	Description	Planned Days	Priority Audit
	<ul style="list-style-type: none"> • preparing and letting contracts; • the receipt and evaluation of tenders and quotations; • contract award; • contract monitoring. <p>The audit will also review compliance with the Council's new Financial Regulations and examine the use of standard terms and conditions.</p>		
9090	<u>Budgetary Control</u>	25	,
	A review of the arrangements for setting and monitoring the budget. The audit will review arrangements operating in each Directorate.		
9100	<u>Corporate Governance</u>	25	,
	Provision to examine corporate governance arrangements throughout the Council. The allocation includes time to review progress made in addressing significant control weaknesses identified in the previous year's Statement of Internal Control.		
9110	<u>Statement of Internal Control</u>	20	,
	Provision to prepare the annual Statement of Internal Control for publication with the Statement of accounts.		
9200	<u>Breaches and Waivers</u>	50	,
	Preparation of the annual Breaches and Waivers report for Members.		
9010	Easy@york	20	
	Provision to provide advice and support in respect of the project.		
9000	<u>Contingency Audits</u>	90	,
	Provision to undertake additional work as a result of;		

Code	Description	Planned Days	Priority Audit
	<ul style="list-style-type: none"> • specific requests from the S151 Officer which are necessary for him to discharge his statutory responsibilities; • new or previously unidentified risks which impact on Strategic Audit Plan priorities; • significant changes in legislation, systems or service delivery arrangements; • requests 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 arising from fraud investigations which identify potential control risks. 		
9050	<u>National Fraud Initiative</u>	15	,
	Provision to supply data to the Audit Commission in support of the national data matching exercise. The allocation also includes time to check and prioritise matches identified prior to subsequent investigation.		
9060	<u>Follow Up Audits</u>	40	,
	Provision to follow up previously agreed audit recommendations.		
9070	<u>Fraud Investigations</u>	90	,
	Provision to undertake investigations into suspected fraud, corruption or other wrongdoing.		
	Total	470	
	TOTAL	1340	

**CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN**

Annex 2

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2005/06	2006/07	2007/08	2008/09	2009/10
110	Support and Advice (Resources)	0	0	N/A	4	4	4	4	4
120	Main Accounting Systems	50	12	24-Apr-06	30	30	30	30	30
130	Mortgages	16	36	15-Apr-02	0	0	0	0	0
140	VAT Accounting	36	24		0	0	0	20	0
150	Treasury Management & Prudential Code	48	12	18-Apr-06	20	20	20	20	20
160	Car Loans	20	36		0	0	0	0	0
170	Venture Fund	30	24		0	0	0	0	10
180	Creditors	52	12	4-Apr-06	30	30	30	30	30
190	Debtors	52	12	13-Sep-05	30	30	30	30	30
200	Payroll	52	12	12-Apr-06	30	30	30	30	30
210	Construction Industry Scheme	32	24		0	0	0	15	0
220	IS-IT Strategy	44	0	19-Dec-05	8	0	0	0	0
240	IT Advice and Support (incl systems development)	0	0	N/A	10	15	10	10	10
250	IT Business Continuity	54	0	19-May-05	0	0	0	12	0
260	Information Security	54	0	24-Apr-06	10	30	20	0	0
270	IT Asset Management	44	0		0	0	10	0	0
280	Electronic Communications	44	0		0	0	20	0	0
290	System Development and Maintenance	38	0		24	0	0	0	0
300	Internal Recharging	34	24		0	0	0	10	0
310	Council Tax & NNDR	63	12	20-Apr-05	25	25	25	25	25
320	Council Tax Benefits & Housing Benefits	63	12	28-Apr-06	30	30	30	30	30
330	Cashiers	46	12	21-Apr-06	12	15	12	12	12
340	Electronic Payment Methods	38	24		0	0	0	0	12
350	HB Performance Standards	0	0		0	0	0	0	0
360	Registrars	30	24	15-Sep-03	0	12	0	0	12
380	Data Protection	30	24		0	0	0	0	20
390	Freedom of Information	44	24		0	0	0	20	0
400	Asset Management	54	12	4-Jan-05	20	20	20	20	20
410	Lease Management	30	24		0	0	12	0	0
420	Property Services (RFMD)	46	24	5-Sep-03	0	20	0	0	20
430	Risk Management & Insurance	44	24	27-Jun-05	10	0	10	10	10
450	Support and Advice (Environment and Development)	0	0	N/A	4	4	4	4	4
460	Development Control	32	24	16-Sep-03	0	0	10	0	0
470	Building Control	32	24	16-Sep-03	0	0	10	0	0
480	National Land and Property Gazetteer	44	24		10	10	0	0	10

**CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN**

Annex 2

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2005/06	2006/07	2007/08	2008/09	2009/10
490	Local Land Charges	30	24		0	15	0	0	15
500	Planning Processes	32	24		0	0	20	0	20
510	Section 106 agreements	30	24		0	20	0	0	20
520	Heritage Properties	22	36		0	0	0	10	0
530	Environment and Conservation	16	36	4-Mar-03	0	0	12	0	0
540	Engineering Consultancy	32	24	4-Nov-05	12	0	0	12	0
550	City Development	28	24		0	0	10	0	0
560	Highways Maintenance	41	24		0	20	20	20	20
570	Section 38 Highways agreements	30	24		0	0	0	15	0
580	Highways Regulation	34	24	7-Mar-03	0	0	0	10	0
590	Capital Programme (incl Local Transport Plan)	28	24	5-Apr-06	20	20	20	0	20
600	Emergency Planning	26	36		0	0	12	0	0
610	On street Parking & Car Parks	44	24	29-Apr-05	0	0	20	0	0
620	Traffic Management	38	24		0	0	15	0	0
630	Client Monitoring	28	24		0	0	0	0	0
640	Staff Park and Ride - Staff Parking	22	36	12-Aug-04	0	0	0	15	0
650	Public Transport	33	24	20-Apr-06	15	0	0	15	0
660	Local Transport Plan (now included in Capital Programme)	50	24		12	0	0	0	0
670	Concessionary Travel	30	24	1-Feb-05	0	0	0	20	0
680	Food Safety, environmental health, trading standards and other regulatory services	36	24	15-Sep-03	0	20	0	20	0
690	Crematoria and Cemeteries	22	36		0	0	0	15	0
700	Licensing	40	24		18	0	0	18	0
710	Street Environment Service	30	24		0	0	12	0	12
730	Waste Disposal - Strategy	46	24	30-Mar-05	0	0	20	0	20
740	Pool Cars	17	36	15-Sep-05	0	0	10	0	0
750	York-England.com	0	0		0	0	0	0	0
760	Economic Development Unit	48	24	30-Sep-05	0	0	0	15	0
770	First Stop York Partnership	0	0		0	0	0	0	0
780	Science City (York) Project	0	0		0	0	0	0	0
790	City Centre Partnership	24	36		0	0	0	0	12
800	York Training Centre	38	24		0	18	0	0	18
810	Skills and Social Inclusion	0	0		0	0	0	0	0
830	Support and Advice (Commercial Services)	0	0	N/A	4	4	4	4	4

**CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN**

Annex 2

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2005/06	2006/07	2007/08	2008/09	2009/10
840	External Trading	40	24		0	25	0	0	15
850	Building Cleaning	34	24		0	15	0	0	15
860	Commercial Waste	38	24	20-May-05	0	0	0	20	0
870	Motor Fitters & Fleet Maintenance	44	24		0	0	0	20	0
880	Refuse Collection	44	24		0	0	20	0	0
890	Service Delivery (Quality and Performance)	40	24		0	0	0	15	0
900	Street Scene	28	24		0	0	12	0	0
910	Finance, Administration & Management	44	24	18-Apr-06	20	0	0	20	0
920	Civil Engineering	36	24		0	0	0	0	20
930	Building Repairs and Maintenance	55	12	28-Apr-06	20	0	15	0	0
940	Stores and Purchasing (Servitor)	55	12	19-Jan-04	0	0	20	0	0
960	Support and Advice (Chief Executives)	0	0	N/A	4	4	4	4	4
970	Legal Services and Coroner	28	24	2-Aug-04	0	0	12	0	10
980	Electoral Services, Member support, Democracy support, Members allowances, Members interests	32	24	24-Sep-03	0	15	0	0	15
990	Lord Mayoralty	16	36		0	0	0	0	0
1000	Marketing & Communications	32	24		0	0	0	10	0
1010	Partnerships	56	12	26-Apr-06	20	0	20	20	20
1020	Human Resources	46	24		25	0	25	0	0
1030	Recruitment Process	49	24	26-Apr-06	20	0	20	0	0
1040	Performance Indicators	61	12	7-Sep-05	30	30	30	30	30
1050	Performance Management	61	12		25	0	25	0	25
1060	Business Continuity	43	24	19-May-05	18	18	18	18	18
1070	Public Service Agreements	52	24	1-Feb-06	15	15	15	15	15
1090	Support and Advice (Education and Leisure)	0	0	N/A	4	4	4	4	4
1100	Youth Services, Training and Development	22	36		0	0	12	0	0
1110	Pupil Support Centre	24	36		0	0	0	15	0
1120	Special Educational Needs	52	24		0	0	0	18	0
1130	Early Years and Childcare Service	50	24	26-Apr-06	15	0	15	0	15
1140	Nursery Education Grants	52	24	26-Apr-06	20	20	20	20	20
1150	Sure Start York	42	24		12	12	0	12	0
1160	Neighbourhood Nursery Initiative	40	24		0	0	0	0	0
1170	Adult and Community Education	42	24		0	0	0	0	0
1180	Discretionary rate relief	18	36		0	0	10	0	0
1190	Libraries	42	24	20-Aug-04	0	0	0	18	0

**CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN**

Annex 2

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2005/06	2006/07	2007/08	2008/09	2009/10
1200	Open spaces, park and play areas, pitches, courts & bowls	26	36		0	0	0	0	12
1210	Establishments (TLM)	53	24	25-Jan-06	12	0	12	12	12
1220	Arts and Entertainment	22	36	28-Oct-03	0	0	0	0	15
1230	Performance Arts	26	36		0	0	0	0	12
1240	Music Tuition Fees	47	24	10-Nov-03	0	0	0	20	0
1250	Individual School Budgets	48	24	19-May-05	0	15	15	15	15
1260	Standards Fund	50	24	7-Mar-05	0	0	0	20	0
1270	Recoupment	22	36		0	10	0	0	0
1280	Home to School Transport	48	24	15-Nov-05	5	0	15	15	15
1290	Students Awards	32	24	7-May-04	0	0	0	0	15
1300	Education and Leisure Capital programme	49	24	4-Apr-06	20	20	20	20	20
1310	Private Finance Initiatives	50	24	7-Feb-06	10	10	0	15	0
1320	Education Development Service	38	24		0	12	0	0	12
1330	Management Information	28	24		0	0	0	12	0
1340	Education Contracts	32	24		0	15	0	0	15
1350	Children's Services Administration Sites (Ashbank-Holycroft)	20	36		0	15	0	0	0
1360	Children Leaving Care	16	36		0	0	0	15	0
1370	Exclusions	16	36		0	0	12	0	0
1380	Family Support	28	24	3-Aug-05	0	0	0	0	15
1390	Out of City Placements	37	24	28-Mar-06	15	0	0	15	0
1400	Specialist Child Placements	22	36		0	0	20	0	0
1410	Children with Disabilities	22	36		15	0	15	0	15
1420	Foster Carers and Adoption	34	24	7-Apr-05	0	0	25	0	0
1430	Children's Residential and Respite Accommodation	32	24	15-Nov-05	8	0	8	0	8
1450	Support and Advice (Adult Social Services and Housing)	0	0	N/A	4	4	4	4	4
1470	Homecare Expenditure	46	24	24-Apr-06	25	0	0	25	0
1480	Adults Independent Living	43	24		0	20	0	0	20
1490	Discretionary Charging	40	24	6-Dec-05	15	0	15	0	15
1500	Delayed Discharges	51	24		0	0	0	10	0
1510	Residential and Nursing Home Costs	42	24	14-Dec-05	20	0	0	20	0
1520	Meals on Wheels	20	36	2-Jul-03	0	0	0	20	0
1530	Homelessness - Travellers	29	24		0	0	0	10	0
1540	Pooled Budgets	42	24		0	0	12	0	12

**CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN**

Annex 2

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2005/06	2006/07	2007/08	2008/09	2009/10
1550	York Craft	20	36		0	0	0	0	10
1560	Community Services Transport	28	24	15-Sep-03	0	0	15	0	0
1570	EPH's, Special Sheltered Housing and Sheltered Housing.	45	24		0	25	0	25	0
1590	Mental Health Services	36	24		0	0	0	20	0
1600	Referrals and Care Assessments	38	24	27-Mar-06	20	0	20	0	0
1610	Health and Disabilities (Physical and Learning Disabilities)	33	24		0	0	15	0	15
1620	Joint Equipment Store	28	24	20-Jun-02	0	0	15	0	0
1630	Supporting People	48	24		25	0	25	0	25
1640	Social Services Capital Programme (no longer used)	N/A	N/A		10	0	0	0	0
1650	Commissioning & Bought in Services	34	24		0	0	0	0	20
1660	Adult Social services and Housing Capital Programme	54	24	27-Apr-06	15	8	15	8	15
1670	Housing Revenue Account	44	24		0	0	0	8	0
1690	Right to Buy	26	36	20-Apr-05	0	0	0	0	20
1700	Housing Allocations	38	24	3-Aug-05	0	0	0	18	0
1710	Housing Rents	52	12	27-Apr-06	25	25	25	25	25
1720	Private Sector Housing Renewal	20	36		0	0	0	15	0
1730	Housing Repairs and Maintenance	44	24		0	15	0	0	15
1740	Tenants Choice	33	24	20-Apr-06	20	0	20	0	20
1750	EPH Amenity Fund Audit	0	0		3	3	3	3	3
9000	Contingency Audits	0	0	N/A	90	90	90	90	90
9010	Easy@york	54	24	N/A	20	20	20	20	20
9020	Administration and Accommodation Review	0	0	N/A	0	0	0	0	0
9030	Replacement ISIS System	0	0	N/A	0	0	0	0	0
9040	Replacement FMS System	0	0	N/A	0	0	0	0	0
9050	National fraud Initiative	0	0	N/A	0	15	15	15	15
9060	Follow Up Audits	0	0	N/A	30	40	30	30	30
9070	Fraud Investigations	0	0	N/A	100	90	90	90	90
9080	Contract Procedures	63	12	N/A	50	50	50	50	50
9090	Budgetary Control	48	24	28-Apr-06	25	25	25	25	25
9100	Corporate Governance	42	24	7-Feb-06	30	25	25	25	25
9110	Statement of Internal Control	0	0	9-Jun-05	0	20	20	20	20
9120	Project Management	59	12		0	0	20	0	20
9130	Training and Development	32	24		0	0	0	0	15

**CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN**

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2005/06	2006/07	2007/08	2008/09	2009/10
9140	Agency Staff	45	24		0	0	20	0	20
9150	RIPA	30	24		0	0	0	15	0
9160	Sickness Monitoring	34	24		0	0	20	0	0
9170	Telecommunications	44	24		0	0	25	0	0
9180	Travel and Subsistence	36	24	19-Jan-06	20	0	0	20	0
9190	New Depot Project	0	0		10	10	0	0	0
9200	Breaches and Waivers	0	0	30-Sep-05	50	50	50	50	50
9230	Future Prospects	0	0		0	8	0	8	0
	Chargeable work / VFM / special projects				24	0	0	0	0
	CAATS/data interrogation				8	0	0	0	0
	Schools				100	100	100	100	100
	TOTAL				1460	1340	1735	1708	1696

**CITY OF YORK COUNCIL
COUNTER FRAUD ACTIVITY PLAN 2006/07**

Activity	Planned Days
<u>Fraud Awareness</u>	
<u>Training</u>	20
<p>A programme of fraud awareness training for staff in Housing Benefits and Housing. The training will be designed to raise fraud awareness particularly for new starters, help identify common types of fraud and provide advice to staff on making referrals to the Fraud team.</p>	
<u>General Fraud Awareness</u>	20
<p>Work to promote general fraud awareness within the Council. Activities will include publicising the existence of the Fraud and Corruption Response Plan, preparation of payroll notices, leaflets and posters, and articles in relevant staff newsletters and publications (including Benefits News, News and Jobs and In Depth). Guidance will also be provided on referral mechanisms for suspected fraud, corruption and other wrongdoing.</p>	
<u>Advice and Guidance</u>	20
<p>Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls within the Council, to prevent and detect fraud (this work will be undertaken in collaboration with internal audit).</p>	
<u>Public Awareness</u>	20
<p>Ongoing work to publicise the arrangements for reporting suspected fraud, corruption and other wrongdoing, particularly fraud of the benefit system. Planned work will include the production of leaflets, newspaper articles and a joint local authority radio campaign. In addition the press office will be informed of all successful prosecution cases.</p>	
<u>Fraud Detection and Investigation</u>	
<u>The Investigation of Suspected Frauds</u>	615
<p>Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. The majority of the work will relate to benefit related fraud but investigations of other categories of internal and external fraud will also be undertaken. Where</p>	

**CITY OF YORK COUNCIL
COUNTER FRAUD ACTIVITY PLAN 2006/07**

Activity	Planned Days
appropriate joint investigations will be conducted with the internal audit team, the DWP and other counter fraud agencies.	
<u>Returned Post</u>	10
Provision to investigate and monitor referrals in respect of returned post under the 'Do Not Re-direct' arrangement with the Post Office.	
<u>Data Matching</u>	200
Provision to check data validity and investigate potential frauds identified through bulk data matching exercises, including;	
<ul style="list-style-type: none"> • the monthly Housing Benefit Matching Service (HBMS); • the National Fraud Initiative; • local data matching exercises. 	
<u>Prosecutions and Sanctions</u>	100
Provision to prosecute or apply sanctions against claimants found to have committed fraud.	
<u>Proactive Investigations</u>	
<u>Unannounced Visits</u>	50
A programme of unannounced visits to claimants to identify residency and other similar frauds. The visits will be targeted to high risk categories of claimants.	
<u>Targeted Investigations</u>	50
A programme of work targeted at high risk categories of claimants to confirm their entitlement to benefit.	
<u>Reporting and Feedback</u>	
<u>General</u>	20
Provision to report on the results of fraud prevention and investigations to the S151 Officer, appropriate Chief Officers and Members. Feedback will also be provided to staff making referrals, where appropriate. Where fraud has occurred as a	

**CITY OF YORK COUNCIL
COUNTER FRAUD ACTIVITY PLAN 2006/07**

Activity	Planned Days
result of weaknesses in systems and procedures then the relevant managers will be informed urgently so as to prevent similar problems in the future.	
 <u>Other</u>	
Review of the Fraud and Corruption Response Plan and the Council's Prosecution Policy	20
Ongoing maintenance, review and update of the Fraud Case Management System and related investigation procedures.	40
Liaison with the DWP Counter Fraud Investigation Service (CFIS), the National Investigation Service, Police, Inland Revenue, other Local Authority Fraud Investigators, and other stakeholders.	15
TOTAL	1200

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**Agenda Item**

Audit & Governance Committee

6 June 2006

Report of the Assistant Director (Audit & Risk Management)

The role & function of the officer Governance Group at the City of York Council

Summary

- 1 The purpose of this report is to advise Members of the role, function and forward work programme of the Officer Governance Group (OGG). This report sets out;
 - the background to OGG being established and the purpose of the Group further to the overall governance agenda;
 - the role, function and powers of the Group;
 - proposed working arrangements and relationships with other key corporate groups/working parties and member fora;
 - the key issues identified that must be addressed by the Governance Group as a matter of priority.

Background

- 2 The governance agenda has grown in prominence in recent years and this is reflected in the revised CPA criteria published earlier this year. The District Auditor has consistently reported a number of weaknesses in the Council's governance arrangements, ranging from relatively minor points of procedure (such as the need to review and update key protocol documents on a regular basis) to major issues of principle (such as the need to establish a proper Member reporting arrangements for Audit & Governance issues). Many of these weaknesses have remained unresolved for many years. The District Auditor is unhappy with the organisation's failure to address these matters satisfactorily to date and this may count against the Council in terms of its future CPA score unless they are dealt with properly and in a timely manner.

- 3 Following a meeting of the District Auditor with the Chief Executive and the Director of Resources it was agreed that an officer group would be established to deal with corporate governance issues and provide a vehicle for exercising the on-going stewardship responsibilities of the S151 Officer and Monitoring Officer.

Role & function

- 4 Initial officer discussions between the S151 Officer, the Monitoring Officer and the Head of Audit & Risk Management concluded that the primary roles and function of the Group should be to ensure that satisfactory arrangements are in place that facilitate:
- **The proper operation of an effective internal control environment**

The control environment is the sum of its overall management arrangements and the systems, processes, procedures and controls the organisation relies on to ensure the probity, legality and VFM of its services as well as sound and consistent management practice needed to support this in practice.
 - **Transparent & accountable management practice and decision making**

There should be clarity and consistency in the way matters are reported and decisions made across the organisation that is consistent with all statutory and non-statutory codified requirements, the Council's Constitution and attendant regulations and best practice.
 - **Ethical working practices and standards**

This extends to the kind of core value sets expected covering Members and Officer behaviours, relationships with each other and third parties, the accepted ways in which business will be conducted and the principles and ethical considerations that will be observed in doing so.
 - **Compliance with all relevant legislation and regulatory frameworks**

The Council must ensure that it acts within the law and that all relevant legislation, codified practice, local regulation etc is observed and complied with by Members and Officers. Non-compliance must be dealt with and reported by the S151 Officer and/or the Monitoring Officer further to the stewardship responsibilities placed upon them variously by extant statute.

- 5 The Group's remit is to oversee the delivery of an integrated programme of work to support the development of robust corporate governance arrangements at the Council and to keep implementation under on-going review. The Group is not be responsible for day to day operational matters or deployment, nor must it become part of any control system in its own right.
- 6 A schedule of key issues to be addressed was prepared in summer 2005. Following consultation with CMT, other relevant senior managers and the District Auditor, this then formed the basis of the forward work plan developed for the Group and attached as Annex A to this report. The work programme currently spans September 2005 to March 2007 and includes a wide range of planned actions, many of which have already been achieved but some of which will take a considerable time still to complete. It will also require the commitment of senior managers and Members if all the work envisaged is to be completed satisfactorily by the end of March 2007. It is intended to update and extend the work programme on a rolling basis as necessary and report progress against the plan to the Audit & Governance Committee on a bi-annual basis.

Working arrangements

- 7 The Group is constituted as a sub-committee of CMT and reports progress and development on a quarterly basis for joint monitoring and problem solving purposes. The Group comprises a core membership supported by a number of associate members who are involved in specific development work as and when needed.

- 8 The Group's membership is:

Core Membership

Simon Wiles (Chair)

Director of Resources (S151 Officer)

Suzan Hemmingway

Head of Legal, Democratic & Committee Services (Monitoring Officer)

Liz Ackroyd

Head of Audit & Risk Management Services (Chief Internal Auditor)

Associate Members

Ken Green Head of Human Resources

Max Thomas Audit & Fraud Manager

Peter Steed Head of Finance

Dawn Steel Democracy Services Manager

Colin Mockler Head of Performance & Improvements

- 9 The Group meets on a monthly basis and is responsible for managing progress against the forward work plan set out in Annex A. The District Auditor is copied into agendas and minutes for the Group but only attends meetings when there is specific item that requires their direct

involvement. OGG is responsible for reporting to CMT and the Audit & Governance Committee any matters of concern arising from progress against the work plan, any major failures in controls, and/or other significant governance concerns brought to its attention during the conduct of its work.

Consultation

- 10 The role and function of the OGG has been consulted upon with CMT and the District Auditor. CMT originally approved its establishment and terms of reference in late summer 2005.

Options

- 11 Not relevant for the purpose of the report.

Analysis

- 12 Not relevant for the purpose of the report.

Corporate Objectives

- 13 This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve of the following corporate objectives;
- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
 - Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
 - Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).
 - Continue to provide sound and timely financial management, and improve medium and long term financial planning. (Objective 8.6).
 - Manage the Council's property, IT and other assets on behalf of York residents. (Objective 8.9).
 - Implement risk management and business continuity procedures. (Objective 8.10).

Implications

- 14 There are no financial, HR, equalities, legal, crime and disorder or IT&T implications arising from this report.

Risk Management Assessment

15 Not applicable to this report

Recommendations

16 Members are asked to:

- a) note the content of this report and the role and function of the Officer Governance Group;

Reason

For information

- b) comment on the work programme for the Group as set out in Appendix 2 and note for information;

Reason

For information

- c) endorse the proposal for OGG to report progress against the work plan on a bi-annual basis to the Audit & Governance Committee.

Reason

To ensure the effective management of Committee business and working relationship with the Officer Governance Group

Liz Ackroyd
AD Resources (Audit & Risk Management)
24 May 2006

Author:

Liz Ackroyd
Assistant Director of Resources
(Audit & Risk Management)
Resources
Ext 1706

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 24 May 2006

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A *OGG Work Plan 2006/07*

Annex A

Officer Governance Group

Work plan 06/07

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Key tasks & deliverables			Meeting schedule		Sept 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	March 06	April 06	May 06	June 06	July 06	August 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	
			Lead	Status	Financial year 05/06										Financial year 05/06									
Group set up & operations																								
1	Specification, role & remit																							
	a	Agree management arrangements	SW	Done																				
	b	Submit scoping report for consideration & approval by CMT	ERA	Done																				
	c	Associate members initial awareness & work planning sessions (scope & process)																						
	d1	Associate members of the group	ALL	Done																				
	d2	District Audit	ALL	Done																				
	e	Draft forward work programme for 06/07 & consult	ERA	Done																				
2	Initial communications & awareness work																							
	a	Report to CMT on final forward work programme proposals	ERA	SLP																				
	b	Stakeholder awareness & information sessions																						
	b1	Circulation to CLG	ERA	TTB																				
	b2	Council Members																						
		i Leader	SW	TTB																				
		ii Political Groups	SW	SLP																				
		iii Standards Committee	SH	SLP																				
		iv Audit & Governance Committee	ERA	Done																				
		v SMC	SH	SLP																				
	b3	Staff	KG	TTB																				
	b4	Unison	KG	TTB																				
Internal control environment																								
3	Known control issues 2005/06																							
	a	Document review																						
	a1	Issues arising from the SIC																						
		i review schedule & report back to GG	MT	WIP																				
		ii recommendations for remedial action	SW	WIP																				
	a2	Outstanding DA actions for follow up (to schedule)																						
		i schedule (draft AAL Action Plan)	ERA	Done																				
		ii report back to CMT/GG	ERA	Done																				
		iii report to A&G for monitoring and action	ERA	Done																				
	a3	Outstanding IA actions for follow up																						
		i schedule (report of the CIA)	ERA	Done																				
		ii report back to GG	ERA	Done																				
		iii report to A&G for monitoring and action	ERA	Done																				
	a4	Registers of Interest																						
		i Staff	MT/KG	TTB																				
		ii Members	SH	TTB																				
	a5	Issues arising from the annual review of B&W																						
		i incorporate into IA follow up programme	MT	Done																				
		ii schedule CPT support to key areas	MG	Done																				
		iii maintain WP files	RS	Done																				
		iv timetable 2006/07 work & report	RS	WIP																				

Key tasks & deliverables			Meeting schedule		Sept 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	March 06	April 06	May 06	June 06	July 06	August 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 06	Feb 06	Mar 06	
			Lead	Status	Financial year 05/06										Financial year 06/07									
Internal control environment																								
4	Known control issues 2005/06 (cont)																							
	b	Document review																						
	b1	Review relevant protocols (Constitution Review)																						
		i Report writing protocol	SH	Done																				
		ii Members Code of Conduct	SH	Done																				
		iii Protocol on Officer/Member Relations	SH	Done																				
		iv Protocol on Publicity & the Media	MB	Done																				
		v Protocol on Access to Information	SH	Done																				
		vi Electronic Communications Policy	RG	Done																				
		vii Protocol on Whistleblowing	KG	Done																				
		viii Protocol on Councillor Working Groups	SH	Done																				
		ix Officers Code of Conduct	SH	O/S																				
5	Forward planning & mgt 2006/07 onwards																							
	a	Intergated audit & reporting arrgts																						
	a1	Planning																						
		i DA annual plan	ERA	Done																				
		ii IA annual plan	ERA	Done																				
	a2	Delivery																						
		i Monitoring & progress reporting	ERA	Done																				
	a3	Reporting																						
		i Members (see 7 below)	ERA	Done																				
		ii Internal mgt report to S151 Officer	ERA	Done																				
Legality & regulation																								
6	Stewardship responsibilities of the S151 Officer & MO																							
	a	S151 functions & powers to intervene	SW	Done																				
	b	Monitoring Officer functions & powers to intervene	SH	Done																				
	c	Roll out, implementation and training (with item 5 above)	SW/SH	TTB																				
7	Money Laundering																							
	a	Establish arrangements for dealing with new legislation	ERA	WIP																				
	b	Report to OGG	MT	TBB																				
	c	Report to A&G	MT	TBB																				
8	Data protection & FOI																							
	a	OGG to review policy framework, arrangements & compliance	RB	TTB																				

Key tasks & deliverables			Meetings schedule		Sept 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	March 06	April 06	May 06	June 06	July 06	August 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	March 07			
					Financial year 05/06										Financial year 06/07											
			Lead	Status																						
Transparency & decision making																										
9	The Review of the Constitution																									
a	See separate project plan (reported to CMT 19/10/05)	SH/ERA	Done																							
b	Post review - roll out, implementation and training arrgts	SH/ERA	WIP																							
c	Post-implementation review of new arrangements (report to FC)	SH	TTB																							
10	HR rules of procedure & scheme of delegation																									
a	Drafting for Constitution																									
a1	limits for honoraria & responsibility payments	KG	Done																							
a2	progression within grade	KG	Done																							
a3	pay in lieu of notice	KG	Done																							
a4	pay on appointment	KG	Done																							
a5	re-grades	KG	Done																							
a6	creating & deleting establishment posts	KG	Done																							
a7	intergrated disciplinary procedures (fraud/police referrals)	KG/ERA	O/S																							
b	Incorporation of procedures within Constitution		KG	Done																						
c	Associated policy development		KG	WIP																						
d	Report back to OGG		KG	TTB																						
e	Roll out, implementation and training		KG	TTB																						
11	Audit & Governance Committee																									
a	briefing note on requirements to Constitution Board		ERA	Done																						
b	establish terms of reference, role & remit		ERA	Done																						
b1	working arrangements & fit with CR		ERA	Done																						
b2	Member appointments		FC	Done																						
b3	DA role & representation		ERA	Done																						
b4	Other Committee links/relationships		ERA	Done																						
b5	Lead Officer role & admin support		ERA	Done																						
c	fit with CR development		ERA	Done																						
d	Roll out, implementation and training (with item 5 above)		ERA	WIP																						
12	Strategic decision making & reporting																									
a	Competition framework																									
a1	Competition policy	SW/ERA	WIP																							
a2	Competition Handbook (Rollo Review/Thin Client)	SW/ERA	WIP																							
a3	Strategic Procurement Plan	SW/ERA	WIP																							
a4	Corporate Procurement Strategy	MG	WIP																							
b	Financial Health																									
b1	Establish arrgts to formally report on key systems & targets to S151 & Members		SW/PS	O/S																						
b2																										
b3	Audit report to S151 Officer (see item 4 above)		ERA	Done																						

Key tasks & deliverables			Meetings schedule		Sept 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	March 06	April 06	May 06	June 06	July 06	August 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	March 07	
					Financial year 05/06										Financial year 06/07									
			Lead	Status																				
Transparency & decision making																								
13 Strategic decision making & reporting (cont)																								
c	Capital & Asset Management																							
c1	Review CRAM accounting & reporting arrgts	NH	WIP																					
c2	Project mgt arrgts for asset/land disposals	NH	WIP																					
c3	Reporting capital receipts risk assessments	NH	WIP																					
d	Relevant working protocols (as per CR)																							
d1	Report writing protocol (see item 3 above)	DS	Done																					
i	Inclusion of Risk Assessments	DW	Done																					
ii	Inclusion of legal advice sought/considered	SH	Done																					
c	Service & performance reporting																							
c1	Objectives & target setting	SW	TTB																					
c2	Client responsibilities for DSO reporting	SW	TTB																					
d	Member Champions																							
d1	Draft standard role & remit document	SW	Done																					
d2	Establish Risk Mgt Champion (new)	SW	Done																					
e	Scrutiny																							
e1	Review scrutiny function	SH	Done																					
e2	Draft proposals for revising function as part of CR	SH	Done																					
e3	Implement new arrangements (subject to outcomes of CR)	SH	TTB																					
f	Risk Management arrangements																							
f1	Implement new system	DW	Done																					
f2	Review formal monitoring and reporting arrgts	DW	WIP																					
f3	Devise and deliver Member training programme/key events	DW	WIP																					
f4	Devise and deliver staff training programme	DW	TTB																					
f5	Review roll out and compliance	DW	TTB																					
Ethical working practices & standards																								
14 Role of the Standards Committee																								
a	Appoint new Chair	SH	TBA																					
b	Report to OGG on 'ethical audit' proposals	SH	TTB																					
c	Arrangements for local investigations	SH	Done																					
d	Member/Officer relations protocol	SH	Done																					
e	Member Code of Conduct	SH	Done																					
f	Declarations of interest	SH	Done																					
15 Other management arrangements																								
a	Fraud & Corruption																							
a1	Fraud action plan & prosecution policy	MT	TTB																					
a2	Counter Fraud Awareness campaigns (Phase 1)	MT	Done																					
b	Use of Resources CPA KLOE																							
b1	Review 2006 assessment requirements	ERA	Done																					
b2	Co-ordinate assessment and return	ERA	WIP																					
b3	DA audit process	ERA	TTB																					

**Agenda Item**

Audit & Governance Committee

6 June 2006

Report of the Assistant Director (Audit & Risk Management)

Forward agenda proposals

Summary

- 1 The purpose of this report is to set out a proposals for the Committee's forward agenda from its inaugural meeting in June 2006 up to and including April 2008 for consideration and discussion by Members.

Future meeting dates

- 2 The Committee is scheduled to meet on a quarterly cycle. The timings and particular arrangements for 2006/07 are slightly different however in the first instance because:
 - the inaugural meeting of the Committee had to be arranged for June to allow for the approval of the new Constitution and formal appointment of Members to the Committee;
 - the need to include a special meeting in late June to take the Statement of Accounts further to the new publication timetable for the Accounts to be certified before 30 June 2006 (previously the deadline for certification has been the 30 September each year).
- 3 These constraints mean that the meetings timetable for the rest of 06/07 is a little out of kilter with the when key standard items (such as annual audit plans) usually need to be reported for Member consideration and approval. As it was known that the timetable for 06/07 meetings would be slightly thrown out it was agreed with Committee Services that the forward dates for A&G after January 07 would be agreed with Members at the inaugural meeting of the Committee. It is suggested that Members take the opportunity of scheduling 07/08 meetings in April, June, September and January to better match the future meeting cycle with service operations and necessary decision dates.

Future business

- 4 Annex A sets out detailed proposals as to what items must, as a minimum be considered at each of the meetings scheduled for A&G until April 2008. Clearly, in scheduling a forward agenda for the Committee it is important to create a balance between:
- standard regular items of known business (eg The Annual Report of the Chief Internal Auditor);
 - additional one-off but planned items (eg an audit report on a specific topic);
 - unplanned, ad-hoc or urgent items of business arising during the course of the year (which are to be expected in respect of the audit and fraud functions that report through the A&G Committee).
- 5 There is a large and regular agenda of business for the Committee. The proposals as they stand set out what items must go to which meetings over the municipal year. This in no way excludes the opportunity of other items being included at any given meeting and Members views as to whether there are any further items of business that should be added at this stage would be welcomed. progress and development on a quarterly basis for joint monitoring and problem solving purposes.

Consultation

- 6 Initial proposals as set out for consultation with Members of A&G at the inaugural meeting of the Committee on 6 June 2006. The S151 Officer has been consulted on the necessary timing of items across the year in preparing these proposals for Members consideration.

Options

- 7 Not relevant for the purpose of this report.

Analysis

- 8 Not relevant for the purpose of this report.

Corporate Objectives

- 9 This report contributes to the overall effectiveness of the Council's internal management & assurance arrangements in helping to achieve of the following corporate objectives;
- Ensure probity, integrity and honesty in everything we do (Objective 8.3).
 - Provide accurate and transparent management information in a timely and effective manner (Objective 8.3).
 - Improve the forward planning, openness, propriety, speed and effectiveness of decision-making (Objective 8.4).

Implications

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

Risk Management Assessment

- 11 Not applicable to this report

Recommendations

- 12 Members are asked to:

- a) consider the forward plan proposals set out in Annex A;

Reason

To ensure the effective management of Committee business

- b) identify any further items of business to be taken by the Committee but in doing so note the need to provide sufficient time within the normal quarterly meeting cycle to allow for unplanned and/or urgent items to be referred as necessary.

Reason

To ensure the effective management of Committee business

Author:

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(Audit & Risk Management)
Resources
Ext 1706

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 24 May 2006

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A *Forward Agenda proposals for discussion (draft)*

Annex A**Audit & Governance Committee****Forward Agenda*****Draft for discussion***

Date	Item	Reporting officer
6 June 06	<p>Inaugural meeting</p> <p>Committee role, remit and relationships</p> <p>The role & function of the external audit service: presentation by the Audit Commission</p> <p>The Action Plan arising from the Annual Letter of the District Auditor</p> <p>The Annual Audit & Inspection Plan</p> <p>The role & function of the Internal Audit Service (IAS): presentation by IAS</p> <p>The Annual Report of the Chief Internal Auditor</p> <p>The Annual Internal Audit Plan</p> <p>The role & function of the Officer Governance Group (including the OGG's work plan for 06/07)</p> <p>The forward agenda for A&G</p>	<p>Liz Ackroyd</p> <p>Rachel Lindley/Jamie Brambles</p> <p>Liz Ackroyd</p> <p>Liz Ackroyd/Rachel Lindley</p> <p>Max Thomas/Richard Smith</p> <p>Liz Ackroyd</p> <p>Max Thomas</p> <p>Liz Ackroyd</p> <p>Liz Ackroyd</p>
26 June 06	<p>Special meeting</p> <p>The Statement of Accounts</p> <p>The Statement of Internal Control (SIC)</p> <p>Report of the District Auditor: Osbaldwick</p> <p>Report of the District Auditor: The Barbican</p> <p>Mid-point follow up review of implementation of IAS audit recommendations (July 05 – Dec 06 audits)</p>	<p>Janet Lornie/Peter Steed</p> <p>Max Thomas</p> <p>Simon Wiles/Rachel Lindley</p> <p>Simon Wiles/Rachel Lindley</p> <p>Richard Smith</p>

Date	Item	Reporting officer
12 July 06	No scheduled business	
4 Oct 06	Breaches & Waivers of Financial Regulations Money Laundering The role of A&G in monitoring the implementation of Risk Management The role of A&G in monitoring the implementation of the Fraud Prosecution policy Consultation and shaping session on the IAS Strategic Audit Plan Mid-point follow up review of implementation of IAS audit recommendations (Jan 06 – June 06 audits)	Liz Ackroyd/Richard Smith Max Thomas David Walker Max Thomas Liz Ackroyd/Max Thomas Richard Smith
31 Jan 07	IAS Mid-term monitor Fraud Mid-term monitor OGG Mid-term monitor Managing the SIC process in 07/08	Max Thomas Max Thomas Simon Wiles/Liz Ackroyd Max Thomas
April 07	The Action Plan arising from the Annual Letter of the District Auditor The Annual Audit & Inspection Plan (Audit Commission) The Annual Internal Audit Plan The Annual Outturn Report of OGG (progress against annual work plan) Mid-point follow up review of implementation of IAS audit recommendations (July 06 – Dec 06 audits)	Liz Ackroyd Liz Ackroyd/Audit Commission Max Thomas Simon Wiles/Liz Ackroyd Richard Smith

Date	Item	Reporting officer
June 07	The Annual Report of the Chief Internal Auditor The Statement of Accounts The Statement of Internal Control	Liz Ackroyd Janet Lornie/Peter Steed Max Thomas
Sept 07	Breaches & Waivers of Financial Regulations Mid-point follow up review of implementation of IAS audit recommendations (Jan 07 – June 07 audits) Consultation and shaping session on the IAS Strategic Audit Plan	Liz Ackroyd/Richard Smith Richard Smith Max Thomas
Jan 08	IAS Mid-term monitor Fraud Mid-term monitor OGG Mid-term monitor Managing the SIC process in 08/09	Max Thomas Max Thomas Simon Wiles/Liz Ackroyd Max Thomas
April 08	The Action Plan arising from the Annual Letter of the District Auditor The Annual Audit & Inspection Plan (Audit Commission) The Annual Internal Audit Plan The Annual Outturn Report of OGG (progress against annual work plan) Mid-point follow up review of implementation of IAS audit recommendations (July 07– Dec 07 audits)	Liz Ackroyd Liz Ackroyd/Audit Commission Max Thomas Simon Wiles/Liz Ackroyd Richard Smith

