

## Notice of meeting of a Public Meeting of the Audit & Governance Committee

<b>To:</b>	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Fraser, Gunnell, Wiseman and Mr Whiteley (Co-opted Non-Statutory Member)
<b>Date:</b>	Wednesday, 25 June 2014
<b>Time:</b>	5.30 pm
<b>Venue:</b>	The Snow Room - Ground Floor, West Offices (G035)

### AGENDA

#### 1. **Declarations of Interest**

Members are asked to declare:

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

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

#### 2. **Minutes**

(Pages 1 - 8)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 16 April 2014.

### **3. Public Participation**

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Tuesday 24 June 2014.**

#### **Filming, Recording or Webcasting Meetings**

Please note this meeting may be filmed and webcast or audio recorded and that includes any registered public speakers, who have given their permission. The broadcast can be viewed at <http://www.york.gov.uk/webcasts> or, if sound recorded, this will be uploaded onto the Council's website following the meeting.

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The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at [http://www.york.gov.uk/downloads/download/3130/protocol\\_for\\_webcasting\\_filming\\_and\\_recording\\_of\\_council\\_meetings](http://www.york.gov.uk/downloads/download/3130/protocol_for_webcasting_filming_and_recording_of_council_meetings)

### **4. Forward Plan** (Pages 9 - 14)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2015.

### **5. Draft Annual Governance Statement** (Pages 15 - 28)

Members are asked to consider the draft Annual Governance Statement.

### **6. Annual Report of the Audit and Governance Committee** (Pages 29 - 42)

This report seeks Members' views on the draft Annual Report of the Audit and Governance Committee for the year ended 16 April 2014, prior to its submission to Full Council.

- 7. Mazars' Audit Progress Report** (Pages 43 - 56)  
This report provides an update on Mazars' progress in meeting its responsibilities as City of York Council's external auditor. It also includes key emerging national issues and developments which may be of interest to members of the Committee.
- 8. Draft Revised Financial Regulations** (Pages 57 - 110)  
This paper presents the draft revised Financial Regulations for the Committee's consideration prior to its submission to Full Council.
- 9. Annual Report of the Head of Internal Audit** (Pages 111 - 156)  
This report summarises the outcome of audit and fraud work undertaken in 2013/14 and provides an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.
- 10. Audit and Governance Committee Effectiveness - Action Plan Update** (Pages 157 - 168)  
This report provides details of the progress made to address the remaining outstanding items included in the effectiveness action plan. Members are also asked to consider some limited changes to the Committee's Terms of Reference prior to approval by Full Council.
- 11. Information Governance Strategy Update** (Pages 169 - 200)  
This report provides an update on progress in implementing the Information Governance Strategy and on information governance developments, including Data Protection and Freedom of Information matters.
- 12. Updating the Constitution** (Pages 201 - 204)  
This report advises Members on progress towards a complete revision of the Constitution.
- 13. Democratic Governance Audit** (Pages 205 - 208)  
This report advises Members on the Council's response to a recent internal audit report in relation to democratic governance.
- 14. Urgent Business**  
Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Jayne Carr

Contact Details:

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Email – [jayne.carr@york.gov.uk](mailto:jayne.carr@york.gov.uk)

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

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

**This information can be provided in your own language.**

我們也用您們的語言提供這個信息 (Cantonese)

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

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

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

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

 **(01904) 551550**

City of York Council

Committee Minutes

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Meeting	Audit & Governance Committee
Date	16 April 2014
Present	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes and Burton
Apologies	Councillor Watson, Councillor Wiseman and Mr Whiteley

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#### 65. **Declarations of Interest**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. None were declared.

#### 66. **Minutes**

Consideration was given to the minutes of the meeting of 12 February 2014. Concerns were expressed that the minute annex detailing proposed amendments to Section 1 of the Constitution had not been circulated to all Members of the Committee in advance of the publication of the Full Council agenda and hence Members had not had an opportunity to confirm that it incorporated all of their proposed amendments.

Further amendments were proposed to the wording of paragraphs 1.1.4, 1.2.2 and 1.6. It was agreed that, subject to the agreed amendments, Members supported the adoption of the revised Section 1 of the Constitution.<sup>1</sup>

Resolved: That the minutes of the meeting of 12 February 2014 be approved and signed by the Chair as a correct record subject to the agreed amendments to the minute annex.

#### Action Required

1. Circulate amended annex

JC

**67. Public Participation**

It was reported that there were no registrations to speak under the Council's Public Participation Scheme.

**68. Forward Plan**

Consideration was given to a paper which presented the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2015.

Members were asked to identify any further items they wished to add to the Forward Plan.

It was noted that the Chair and Vice-Chair would be meeting with officers to consider the arrangements to recruit a second independent co-opted member to the committee and to discuss Member training.

The Chair updated Members on the arrangements for the Public Engagement event that was being held on 1 May 2014.

Members, referring to the work that the Committee was scheduled to carry out regarding proposed changes to the Constitution, suggested that it may be helpful to receive details of proposed changes at an early stage in the process to enable them to feed back their views to the Monitoring Officer in advance of these being considered at the meeting. Members also expressed their support for an additional meeting, focussed on the Constitution and scrutiny, being scheduled into the work plan should this prove necessary.

**Resolved:** That the committee's Forward Plan for the period up to February 2015 be approved.

**Reason:** To ensure the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the Council's internal control environment in accordance with its roles and responsibilities.

**69. Key Corporate Risk Monitor Four 2013/14**

Members considered a report that presented an update on the key corporate risks and which highlighted in more detail any emerging risk issues, with a view to Members considering any further information they would wish to receive on these matters.

A presentation was given on “Reinvigorating Risk” (*this is attached to the online agenda papers for this meeting*). The presentation outlined the way in which the risk register was evolving and the initiatives that were taking place, including risk identification workshops. Details were given of emerging themes and the risk issues that had been identified. Officers explained the factors that had been taken into account when designating the safeguarding overall rating from Critical to High.

Members welcomed the suggestions that there be joint training for Members and officers.

Resolved: That the report be noted.

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

**70. Update on Changes to Transparency Requirements**

Members considered a report which provided an update following the recent Government response to a consultation by the Department for Communities and Local Government on the Code of Recommended practice on Data Transparency in Local Government. The report set out the key changes in terms of additional information that was recommended to be published, and the action that the Council was taking to comply with this.

Members noted that there had been no indication as to a formal date when the additional publications would become a legal requirement. The Council already published many of the suggested categories of transparency information on its website and, in many instances, already exceeded the requirements.

Resolved: That the additional transparency information set out in the consultation document on the Code of Recommended Practice on Data Transparency in Local Government, and the actions the Council is

taking to ensure this information is published ahead of it becoming a legal requirement be noted.

Reason: To provide assurance to Members that the Council has a clear action plan in place to ensure it meets the additional transparency requirements ahead of them becoming a legal requirement.

## **71. Project Boards**

Members considered a report that outlined the Council's approach to the set up of project boards during the start up phase of a project lifecycle.

Clarification was sought as to whether Members who served on project boards were required to report back. Officers stated that Members usually attended project boards in an advisory capacity and that the decision-making would usually take place at Cabinet or a Cabinet Member Decision Session.

Resolved: That the points in the paper regarding the composition of project programme boards and the roles played by Elected Members on these boards be noted.

Reason: To ensure that Members are informed on the composition of project boards, as requested by the Committee.

## **72. Mazars Audit Strategy Memorandum**

Members considered the Audit Strategy Memorandum from Mazars for the year ended 31 March 2014.

The document set out the audit plan in respect of the audit of the financial statements of City of York Council for the year ending 31 March 2014.

Members' attention was drawn to the four significant audit risks detailed in pages 110 and 111 of the agenda papers. It was noted that the first three risks were potentially required at every audit and that the risk in relation to pension entries was also common to councils.



Consideration was given to the value for money conclusion. At the request of the Chair, details were given of the factors that were taken into account in reaching this conclusion.

Resolved: (i) That the matters set out in the Audit Strategy Memorandum presented by Mazars be noted.

(ii) That the Plan be approved.

Reasons: (i) To ensure the effective deployment of scarce external audit resources to best effect.

(ii) To ensure that the external audit and inspection process contributes effectively to the Council's system of internal control. The Committee was satisfied that the Plan sufficiently reflected the audit needs and interests of the Council.

**73. Mazars Certification of Claims and Returns Work Plan 2013/14**

Members considered a report from Mazars which presented the Certification of Claims and Returns Work Plan 2013/14.

It was noted that this year there would be no requirement to give a NNDR return opinion. There may, however, be a request to carry out work on s256 agreements with Clinical Commissioning Groups/NHS England.

Resolved: That the Certification of Claims and Work Plan 2013/14 be approved.

Reason: To ensure that the Council can demonstrate that it has in place adequate arrangements to prepare and authorise claims and returns and can evidence that it has met the terms and conditions put in place by the grant paying body.

**74. Mazars Audit Progress Report**

Members considered a report that detailed Mazars' progress in meeting its responsibilities as external auditor. The report also outlined key emerging national issues and developments.

Members' attention was drawn to the emerging issues and developments, as detailed in the report. Referring to the Consultation on Secondary Legislation - Department for Communities and Local Government, Members noted that most respondents had been opposed to the bringing forward of the local government accounts timetable. Further information was awaited regarding this matter.

Members noted that the Local Audit and Accountability Act 2014 included a new responsibility on local public bodies to appoint their own auditor on the expiry of the existing Audit Commission contracts. Details were given of the existing contract with Mazars and the option for this to be extended. Members agreed that it would be useful to receive a future update or training session on the implications of the Act.

Resolved: That the report be noted.

Reason: To ensure that the Committee is kept updated on the work of the external auditors.

**75. Internal Audit, Counter Fraud and Information Governance Plan 2014/15**

Members considered a report that sought the Committee's approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2014/15. It was noted that there was flexibility to respond to any changes in Council priorities or emerging issues.

Members requested that they receive information regarding complaints made to the Information Commissioner's Office. Officers explained that certain restrictions applied regarding the disclosure of such information but that, subject to this, consideration would be given as to how this request could be met. A request was also made for an update report on Freedom of Information requests.<sup>1</sup>

Resolved: That the 2014/15 internal audit, counter fraud and information governance plan be noted.

Reason: In accordance with the Committee's responsibility for overseeing the work of internal audit.

Action Required

1. Include on Committee's Work Plan EA

**76. Audit and Counter Fraud Monitoring Report**

Members considered a report that provided an update on progress made in delivering the internal audit workplan for 2013/14 and on current counter fraud activity.

Members expressed concern that the level of assurance in respect of the audit of Democratic Services had been designated as moderate rather than high assurance and they asked if progress had been made in addressing the issues that had been identified. Officers stated that although they had identified a relatively long list of issues, individually these matters could be addressed relatively easily. Officers confirmed that one of the issues that had been identified related to confusion regarding the categorisation of decisions. Members requested that they receive information regarding progress in addressing issues identified in the Democratic Services audit. Members suggested that it would also be useful to receive information on progress regarding CRC certification.<sup>1</sup>

Officers were asked if progress had been made regarding information security. They confirmed that there had been a significant improvement although there was a need to continue to remind officers of the need to maintain information securely.

Resolved: That the progress made in delivering the 2013/14 internal audit work programme, and current counter fraud activity be noted.

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

Action Required

1. Arrange inclusion of update on Democratic Services Audit and CRC Certification in future report or work plan EA

**77. Internal Audit Follow Up Report**

Members considered a six monthly report to the Committee which set out progress made by council departments in implementing actions agreed as part of internal audit work.

Resolved: That the progress made in implementing internal audit agreed actions, as reported in paragraphs 5 to 10 of the report, be noted.

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

Councillor Potter, Chair

[The meeting started at 5.30 pm and finished at 6.45 pm].



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**Audit and Governance Committee**25<sup>th</sup> June 2014

Report of the Director of Customer and Business Support

**Audit & Governance Committee Forward Plan to April 2015****Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2015.

**Background**

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for meetings to April 2015. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. Updates on the Scrutiny Arrangements and Council Procedure rules have been considered as part of the report presented to members on the progress on the refreshed constitution.

**Consultation**

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

**Options**

5. Not relevant for the purpose of the report.

**Analysis**

6. Not relevant for the purpose of the report.

## **Council Plan**

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

## **Implications**

8.
  - (a) **Financial** - There are no implications
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

## **Risk Management**

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

## **Recommendations**

10.
  - (a) The Committee's Forward Plan for the period up to April 2015 be noted.

### Reason

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

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

**Contact Details**

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**Report  
Approved**



**Date** 25/06/2014

**Specialist Implications Officers**

Head of Civic, Democratic & Legal Services

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annex**

Audit & Governance Committee Forward Plan to April 2015

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## **Audit & Governance Committee Draft Forward Plan to April 2015**

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

- **Committee 30<sup>th</sup> July 2014**

Draft Statement of Accounts 2013/14

Mazars Audit Progress report

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

Key Corporate Risk Monitor Quarter 1 (Including directorate Risks)

*Changes to the Constitution (if any)*

- **Committee 24 September 2014**

Final Statement of Accounts 2013/14

Mazars Audit Completion report 2013/14

Key Corporate Risk Monitor Quarter 2 (Including directorate risks)

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

Review of Scrutiny Arrangements

Report on Council Procedure Rules

*Changes to the Constitution (if any)*

- **Committee 10th December 2014**

Mazars Annual Audit Letter 2013/14

Mazars Audit Progress Report

Treasury Management mid year review report 14/15 and review of prudential indicators

Key Corporate Risk Monitor Quarter 3 (Including directorate risks)

Internal Audit & Fraud Plan Progress Report

*Changes to the Constitution (if any)*

- **Committee 11<sup>th</sup> February 2015**

Key Corporate Risk Monitor Quarter 4 (Including directorate risks)

Scrutiny of the Treasury Management strategy statement and Prudential indicators

Counter Fraud: Risk Assessment and review of policies

Internal Audit Plan Consultation

*External Audit Reports as appropriate*

*Changes to the Constitution (if any)*

- **Committee 15th April 2015**

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Follow up of Audit Recommendations

Information Governance Annual Report

*Audit Commission reports as per agreed Audit & Inspection plan*

*Changes to the Constitution (if any)*

<b>ANNUAL GOVERNANCE STATEMENT</b>
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## 1. **Scope of Responsibility**

City of York Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the council is also responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of the council's functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and the recently published addendum. A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

## 2. **The Purpose of the Governance Framework**

Corporate governance is the system by which the council directs and controls its functions and relates to the communities it serves. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the *Good Governance* framework and adapted for local authorities. They are defined as follows:

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

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- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability.

The extent to which the principles of corporate governance are embedded into the culture of the council will be assessed in this statement. Furthermore the council has to be able to demonstrate that it is complying with these principles.

The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts for 2013/14.

### 3. **The Council's Governance Framework**

The requirement to have a robust governance framework and sound system of internal control covers all of the council's activities. The internal control environment within the council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of the governance framework within the council consist of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial

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management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements.

### Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Council Plan expresses the council's priorities until 2015 and priorities and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

### Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Cabinet, which meets monthly, is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT), which meets weekly, has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates. The Cabinet and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Chief Finance Officer (Director of CBSS) and the Monitoring Officer (Head of Legal and ICT) review reports before they are presented to the Cabinet to ensure that all legal, financial and other governance issues have been adequately considered.

The council implemented new scrutiny arrangements during 2009/10 and continues to seek to develop these arrangements.

There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment, it oversees the financial reporting process and approves the Final Statement of Accounts.

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The council has established new arrangements for dealing with ethical standards issues following the abolition of the previous statutory regime. A Joint Standards Committee comprising members of the City Council and Parish Councils is responsible for promoting good ethical governance within the organisation and within local Parish Councils. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The council has appointed independent persons to assist in making decisions on complaints and in promotion of high standards generally.

The Audit and Governance and Standards Committees have committed to working together improve the oversight of corporate governance

### Management and Decision Making Processes

As part of the refreshed strategic council plan, a core organisational capability is included as a priority theme, ensuring that the organisation is adequately equipped to deal with financial, organisational, employee and Customer priorities. Over the last year a Workforce Strategy has been approved which sets out the way the Council will develop the skills of our staff to effectively deliver our priorities.

Corporate management and leadership at officer level is lead by CMT, and is supported and developed through the Corporate Leadership Group (CMT plus Assistant Directors). Decisions are operated in accordance with the Council's constitution.

### Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The council's Constitution
- Codes of Conduct for Council Members and Council Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules
- Member and Officer Schemes of delegation
- Registers of Council Members' interests, gifts and hospitality
- Registers of Council Officers' interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan

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- Strategic Risk Register
- The Council's Business Model (2009 version).

Many codes and protocols form part of the constitution and are monitored for effectiveness by the Officer Governance Group (see below). Amendments to the constitution are normally scrutinised by the Audit & Governance Committee prior to approval by full Council.

### Financial Management

The Director of Customer & Business Support Services (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the council's financial strategy; and he
- leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In delivering these responsibilities:

- he leads and directs a finance function that is resourced to be fit for purpose; and
- he is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management

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system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

### Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit
- Finance officers and other relevant service managers.

The Council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

Compliance with the council's governance arrangements is subject to ongoing scrutiny by the external auditors, Mazars and other external agencies. The Officer Governance Group (OGG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Audit & Governance Committee.

### Risk Management

The council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated



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by the Risk Management Service to ensure that:

- the council's assets are adequately protected
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

#### Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. The service in 2013/14 was provided by Veritau Limited, a shared service company established by the City of York and North Yorkshire Councils. Veritau's Internal Audit & Counter Fraud Team undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the control environment operating within the council. Through its work the team also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

- advice and assistance to managers in the design, implementation and operation of controls
- support to managers in the prevention and detection of fraud, corruption and other irregularities.

#### Performance Management

The council recognises the importance of effective performance management arrangements and has continued to work to secure further

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improvements in 2013/14. This includes establishing the Business Intelligence Hub, within the Office of the Chief Executive. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and finance based monitoring. During 2013/14 each directorate reported finance and performance monitoring progress to members through the established Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

Finance and Performance monitoring is reported regularly at CMT and Cabinet, and there is ongoing regular discussion of financial performance at CMT to ensure that the Council is able to manage the major savings programmes.

### Consultation and Communication Methods

The council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the council's stakeholders is undertaken and relevant and effective channels of communication are developed. The council has in place an Engagement Strategy.

Examples of communication and consultation include:

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings
- regular residents' surveys
- publications such as Your Voice and Your Ward
- involvement in devolved budget decision-making at ward level
- budget and other consultation processes including the on-line 'You Choose' budget survey.
- customer feedback through the council's complaints procedure or other direct service feedback processes.

### Partnership working arrangements

The overall governance framework established by the council

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contributes to effective partnership and joint working arrangements. In addition, the council is seeking to build on existing protocols for partnership working by ensuring that responsibilities are clearly defined relationships works effectively, for the benefit of service users. Further development of this work is covered in the section on Significant Governance Issues below.

#### 4. **Review of Effectiveness**

The council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken. This review has been co-ordinated by the Officer Governance Group, which comprises the Director of Customer & Business Support Services (the Section 151 Officer), the Assistant Director of Customer & Business Support Services - Governance & ICT (the Monitoring Officer, and the Head of Internal Audit (Veritau Ltd). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual directorates and across the council
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk register and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2012/13 Annual Governance Statement.

## Significant Governance Issues

### General Comments and Financial Matters

The following are general matters that attention is drawn to, but which are not specifically considered as a weakness in Governance. They relate to overarching issues, or specific matters which the Council's Statement of Accounts will address.

- **Financial Pressures** - The financial pressures facing the Council naturally represent a potential risk to the Council's overall Governance arrangements. Savings have had to be made in many areas that form a part of the Governance Framework, including reductions in finance, ICT, performance, ward committees, Democratic services, and internal audit, and significant further savings across all areas will be required which themselves increase risks. Whilst crucial elements of the framework will be prioritised, there will be a need to keep under review the overall impact of the budget reductions to ensure that the overall Governance Framework remains effective.
- **Significant Matters within the accounts (e.g. liabilities)** - there is also a need to highlight the financial issues in respect of Lendal Bridge/Coppergate income from fines. There remain risks associated with this income, however these will be properly considered/addressed as part of the Statement of Accounts, and as such can be considered to be being properly provided for.

### Review of 2012/13 Significant Issues

(i) Areas no longer considered a major concern

A review has been undertaken of the significant internal control issues that were contained within the 2012/13 AGS. The following items have all made significant progress/improvement and are no longer considered to be significant concerns, but it should be noted that in all areas the Audit and Governance Committee will receive ongoing reports:

- **Embedding of project and programme management – (Office of the Chief Executive)**  
Update reports have been presented to the Committee during the year setting out the progress that has been made. It is recommended

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the Audit & Governance Committee receive a regular 6 monthly update report on the project management arrangements, and that the Committee continue (as they have done in the past) to identify particular major projects, and seek assurances on risk management issues relating to those projects. Members should perhaps consider having a greater role in emerging/new projects, to seek assurances that risks are being adequately considered at an earlier stage.

- **A refocus on Business Continuity, in particular a focus on the Council move to the new offices (West Offices project plan)**

The Committee has received an update report during the year on the progress that has been made in improving Business Continuity arrangements, and the move to West Offices. It is recommended that the Audit & Governance Committee continue to receive a regular 6 monthly update report on the progress made throughout the year and that this is incorporated into the forward plan.

- **Freedom of Information Process**

During the year the Committee has received reports setting out the improvements that are being put in place to the process for dealing with FOIs within the Council. As reported to the Committee there has been an improvement in performance in recent months, and further work is planned to ensure performance continues to improve. The Committee will continue to receive regular reports on FOI performance and this is incorporated into the Committee's forward plan.

- **The Role of the Audit Committee in Democratic Governance**

During the year, the Committee have taken a greater role in Democratic Governance and has received a number of reports on democratic governance including reports on the review of the petitions scheme, review of the Council's scrutiny arrangements, reports on the proposed changes to the public participation scheme, and on a protocol for filming and recording at Council meetings. The Forward plan will continue to give Democratic Governance prominence in the work of the Committee.

(ii) Areas where concerns still remain

The following areas were included in the 2012/13 AGS as significant Governance matters, and whilst there has been progress made, there remains some concerns. The progress is identified below, along with the

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recommended actions and lead area.

- **Information Governance including compliance with the requirements of the Information Governance Strategic Framework, including ensuring that information security requirements are adhered to (CBSS)**

There have been significant improvements in Information governance during the year, as reported to members in update reports. There are however further improvements to be made regarding the following specific area where there remains a Governance Concern

- **Information security** – continued ongoing risks associated with the control of data, particularly in electronic form, and risks of financial, service, and reputational damage. It is recommended a further update report focusing on Information Security is presented to the Committee and is incorporated into the forward plan. Members should also consider receiving a training session on this issue.
- **Partnership Governance including the shared use of resources**  
The council has made significant improvements to Grant funding arrangements during the year, with recommendations made following the Scrutiny review of Grants, these being incorporated within the updated financial regulations and standard legal agreements. This issue is no longer considered a Major Governance concern.

However, the following issue is still considered to be a Governance concern:

- **Partnership Governance** - The Committee was provided with an update report during the year which included a number of recommendations. It is recommended this element remains a significant governance issue for the purpose of the Annual governance statement and a further report be brought back to the Committee to report on progress made to implement the recommendations.

## **New Issues**

New areas identified through the effectiveness review at Section 4 above are outlined below with details of the plans which will be

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monitored by the OGG, and the Audit and Governance Committee during 2014/15 for evidence of improvement:

- **Adult Social Care** – Concerns in respect of Adult Care services were highlighted to the external auditors during 2013, and they were asked (as part of their consultancy services work) to support the Council in analysing the pressures the service is facing. Subsequent to this the Council established an improvement process with peer challenge. There has also been strengthening of capability at senior levels, with further actions planned. An agreed action plan focussed on management information and resource and performance management has also been produced. However, this remains an area of significant risk, with the service facing very significant financial pressures, challenges in service delivery, and major national changes. It is recommended the Committee receive an early report on the challenges facing the service, the council's plans to address these, and an understanding of the impact of national legislation on service delivery.
- **Absence Management Process** – Improvements are considered necessary in the council wide process for accurately recording and managing absences. It is recommended that the Committee receive an early report on the position, and then agree a follow up report during 2014/15. This will be produced by the HR service.

In summary:

- Good progress has been made to address a range of issues identified in last year's Annual Governance Statement. have made good progress, and Details of the work done have been reported to the Committee during the last 12 months. All of these areas will continue to feature at the Audit and Governance Committee to ensure continued oversight.
- The following areas are identified as major areas requiring focus by the Committee in the next 12 months :-
  - Information Security,
  - Partnership Governance,
  - Adult Care
  - Absence Management

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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed  
K. England  
Chief Executive

Dated

Signed  
Cllr J. Alexander  
Leader of the Council

Dated





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**Audit and Governance Committee**

25 June 2014

**Report of the Director of Customer and Business Support**

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**Annual Report of the Audit and Governance Committee**

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**Summary**

- 1 This report seeks Members' views on the draft annual report of the Audit and Governance Committee for the year ended 16<sup>th</sup> April 2014, prior to its submission to Full Council.

**Background**

- 2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that audit committees operate effectively. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

**Annual Report of the Audit and Governance Committee**

- 3 A copy of the draft annual report of the Committee is attached at Appendix 1. A copy of the Committee's terms of reference as set out in Section 7, Part 3C of the Constitution is also attached to the report at Appendix 2, for information.

**Options**

- 4 This report sets out the proposed wording of the Committee's Annual Report. Members are asked to suggest alternative wording if necessary.

**Analysis**

- 5 Not relevant for the purpose of the report.

## Corporate Priorities

- 6 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do.

## Implications

- 7 The implications are:
- **Financial** – none
  - **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.
  - **Property** – there are no property implications to this report.

## Risk Management

- 8 Assurance in respect of the council's arrangements for managing risk, the maintenance of effective controls including those designed to prevent and detect fraud, and compliance with relevant legislation, may not be provided if the Audit and Governance Committee does not produce an annual report.

## Recommendations

- 9 Members are asked to:
- Consider and comment on the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

### Reason

To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

**Contact Details**

**Author:**

**Chief Officer Responsible for the report:**

Emma Audrain  
Technical Accountant  
01904 551170

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

**Report  
Approved**



**Date** 19/05/14

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

*None*

**Annexes:**

Appendix 1 – Draft Report of the Audit and Governance Committee  
Appendix 2 – Terms of Reference of Audit and Governance Committee

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## **Purpose of the Report**

To provide Members of the council with details of the work of the Audit and Governance Committee covering the year to 16<sup>th</sup> April 2014. The report also details how the Audit and Governance Committee has fulfilled its terms of reference.

## **Background**

The Audit and Governance Committee is responsible for overseeing the council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The functions of the Audit and Governance Committee are set out in Section 7, Part 3C of the Constitution. A copy of the list of the Committee's responsibilities is attached at **Appendix 2** for information.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that audit committees are operating effectively. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

## **Work Undertaken**

The Audit and Governance Committee has met on seven occasions in the year to 16<sup>th</sup> April 2014. During this period, the Committee has assessed the adequacy and effectiveness of the council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, internal audit and the external auditors, Mazars. The Committee has sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified by auditors or inspectors during this period. The Committee has also sought to ensure effective relationships exist between internal and external auditors, inspection agencies and other relevant bodies.

The specific work undertaken by the Committee is set out below by subcategory.

## **Risk**

1. The Committee has considered risk reports containing details of the Key Corporate Risks (KCR's) on a quarterly basis. Each quarter the report has focused on a specific directorate and the relevant director for each area has been present at the meeting to provide assurance by providing further information to members at the meeting.
2. The Committee received an additional report providing further detail on the risk management process for risks concerning the Community Stadium Project in response to their request for further detail on this project.

## **Internal Audit and Counter Fraud**

3. Received and considered the results of the annual review of the effectiveness of internal audit. The outcome of this review informed the preparation of the 2012/13 Annual Governance Statement.
4. Received and considered the results of internal audit work completed during the period and monitored the progress made by management to address identified control weaknesses.
5. Received, considered and approved the Internal Audit and Counter Fraud plan along with updates on the progress made throughout the year.
6. Received an additional update in the year to provide assurance that adequate progress had been made to date to implement actions agreed following an audit of personalisation and direct payments.
7. Considered a report which informed them about potential fraud risks facing the council and potential counter fraud activity to address those risks.
8. Considered the Annual Report of the Head of Internal Audit which provided an overall opinion on the council's control environment. The Head of Internal Audit confirmed that the council's internal controls provided substantial assurance although the Committee's attention was drawn to a number of significant control weaknesses. Again this informed the conclusions reported within the Annual Governance Statement for 2012/13.

9. Considered a report on the introduction of an Internal Audit Charter which set out the purpose, authority and responsibility of internal audit. Members reviewed the report particularly in relation to the relationship between internal audit and the Audit and Governance Committee and approved its adoption

### **External Audit**

10. Received and considered Mazars Audit Strategy Memorandum which set out the audit plan in respect of the audit of the Council's Financial statements for 13/14. The Committee were satisfied the plan sufficiently reflected the audit needs and interests of the Council.
11. Received and considered Mazars work plan for the certification of claims and grants in 13/14.
12. Received and considered the Annual Audit Letter of the Council's District Auditor. Members noted both the overall conclusion and opinion and specific recommendations.
13. Considered a report that presented the results of Mazars certification of Claims and grants in 12/13.
14. Received regular progress reports on the progress made by Mazars in meeting their responsibilities as the Council's external Auditor. The Committee were also kept updated on key emerging national issues and developments

### **Treasury**

15. Continued the role of scrutinising the council's treasury management strategy and policies. The Committee received and considered the Treasury Management Annual Report and review of Prudential Indicators which compared actual performance against the budget and the treasury management strategy for the year and also received a mid year review report summarising the performance for the first six months of the year.
16. The Committee attended a Treasury management training session provided by Officers to assist them in fulfilling their role in scrutinising the various treasury management reports brought throughout the year.

## **Governance and Statement of Accounts**

17. Considered and approved the Annual Governance Statement, noting that action plans would be put in place to address each of the significant governance issues identified in section 5. The Committee received various update reports from officers during the year on the progress that had been made on each of the items identified as significant governance issues to allow the committee to challenge whether adequate progress was being made. These included:
  - a. Partnership Governance Progress Report
  - b. Business Continuity Progress Report
  - c. Project and Programme Management Progress Report
  - d. Information Governance progress reports incorporating developments around the freedom of information process
  - e. A number of reports on the role of the Committee in democratic governance, as set out in the democratic Governance section to this report.
18. The Committee received and considered a report on proposed changes to the terms of reference of the Audit and Governance Committee to ensure the Committee continued to operate effectively in accordance with best recommended practice. The Committee recommended to Council that the proposed changes they had considered be approved.
19. Initially considered a draft and then approved the final Statement of Accounts for 2012/13.

## **Democratic Governance**

20. The Committee have received a number of reports related to Democratic Governance throughout the year, following prominence given to the importance of the issue in the Annual Governance Statement in 2012/13 and the importance of the Committee receiving regular reports. These have included:
21. A report on the protocol for filming, photography and recording of Council Meetings was considered by the Committee. Members suggested a number of amendments to be made and



consequently received a further report incorporating these changes at a later meeting.

22. A report that sought their support for changes to the Petitions Scheme that had been in operation for the last three years. Members scrutinised the report and requested changes to be made to specific wording.
23. A report providing information on the Council's Scrutiny arrangements to ensure they remain fully informed when considering the Annual Governance Statement.
24. A report seeking the Committee's views on proposed changes to the Public Participation Scheme within the Constitution. The Committee challenged the report and agreed that due to concerns held over some of the proposed changes, the implementation should be deferred.
25. A report putting forward changes to the 'summary and explanation' section of the Constitution. Members put forward a number of amendments to the draft which were incorporated and re-circulated before submission to full council.

### **Other**

26. At each meeting the Committee has maintained a rolling Forward Plan for meetings a year in advance, to ensure that its responsibilities are discharged in full and appropriate reports are scheduled to be brought by officers on a timely basis.
27. The Committee received an update report on the progress made to address items included in the Committee effectiveness plan, including training received and future training requirements.
28. The Committee received a verbal update on the outcome of the appointment of an independent member to the Audit & Governance Committee who was appointed on a two year term of office from July 2013.
29. Considered an initial report that outlined the Council's approach to Programme and Project management and the application of programme and project management methodologies. Members requested an additional report be brought back providing further information on the membership of the boards and training and

qualifications undertaken by officers in respect of project management.

30. Considered a report that outlined the Council's approach to the set up of project boards during the start up phase of a project lifecycle.
31. Considered a report that updated members on changes to Transparency requirements in terms of information the Department for Communities and Local Government recommend Councils publish and the action officers are taking to comply with this.

## **Summary**

32. This past year has again been a busy one for the Audit and Governance Committee. Training and development for the Committee has continued and a training plan for next year has been agreed. Our independent Member has made a good contribution to our work. A recruitment process is in place to find an additional independent member for the Committee. The Committee held a public meeting to talk to people who had attended a council meeting to hear how they thought this interface could be improved. The Committee has taken its role very seriously in terms of providing assurance that the Council's financial and governance procedures are effective and has questioned officers and auditors rigorously and will continue to do so going forward.

Cllr Ruth Potter  
Chair of the Audit & Governance Committee

## Part 3 C of the Constitution (Council Committees and Other Bodies)

7.1 The functions of the Audit &amp; Governance Committee are:

No.	Delegated authority	Conditions
	<b>Audit</b>	
1	To consider the annual report and opinion of the Head of Internal Audit. The report should include a summary of internal audit activity in the relevant period and the level of assurance that can be given over the control environment and corporate governance arrangements at the Council	
2	To consider periodic reports from the Head of Internal Audit detailing the summary findings and the main issues arising from internal audit work.	
3	To consider reports dealing with the management and performance of the Internal and External Audit functions.	
4	To review the effectiveness of Internal Audit and the Committee itself on an annual basis.	
5	To consider reports of the Head of Internal Audit detailing the progress made by management to address control weaknesses identified by Internal or External Audit.	
6	To consider the action plan arising from the Annual Letter of the External Auditor.	With respect to the Annual Letter being first considered and accepted by the Cabinet.
7	To consider all other relevant reports received from the External Auditor as scheduled in the forward plan for the	

No.	Delegated authority	Conditions
	Committee or otherwise requested by Members.	
8	To comment on the scope and depth of external audit work and ensure it provides value for money.	
9	To liaise with the Audit Commission over the appointment of the Councils External Auditor.	
10	To approve the Internal Audit Strategy	
11	To approve the Annual Plans of the Internal Audit Service and the External Auditor.	
12.	To commission work from the Internal Audit Service and External Audit with regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee.	Subject to budgetary provision.
<b>Governance &amp; Regulatory</b>		
13.	To keep under review the Councils contract procedure rules, financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Joint Standards Committee).	
14	To review any relevant issue referred to it by the Chief Executive, S151 Officer, the Assistant Director (Financial Services)), the Monitoring Officer, the Head of internal Audit or any other Council body.	
15	To consider the effectiveness of the Councils arrangements for corporate governance (including information governance).	
16	To monitor the effective development and operation of risk management arrangements across the Council.	

No.	Delegated authority	Conditions
17	To assess the effectiveness of the Councils counter fraud arrangements including the Whistleblowing policy and other relevant counter fraud policies and plans.	
18	To consider the Councils compliance with its own and other relevant published regulations, controls, operational standards and codes of practice.	
19	To bring to Full Council all proposals for amendment to this Constitution submitted by Members in accordance with this Constitution.	Subject to the advice of the Assistant Director of Governance and ICT.
	<b>Annual Governance Statement and Accounts etc</b>	
20	To approve the Statement of Accounts and the Annual Governance Statement.	
21	To consider the External Auditors report to those charged with governance on issues arising from the audit of the accounts.	
22	To scrutinise the Treasury Management Strategy and Monitoring Reports.	
	<b>General</b>	
23	To meet informally with the External Auditor and the Head of Internal Audit on a periodic basis to discuss audit related matters.	
24	To report on the discharge of the Committees responsibilities under the Constitution to Full Council on an annual basis.	

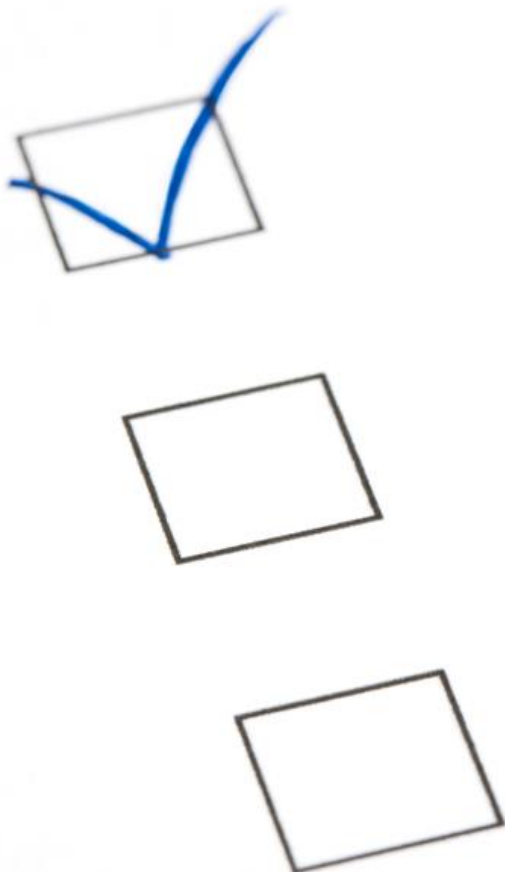
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# City of York Council



## Audit Progress Report

June 2014



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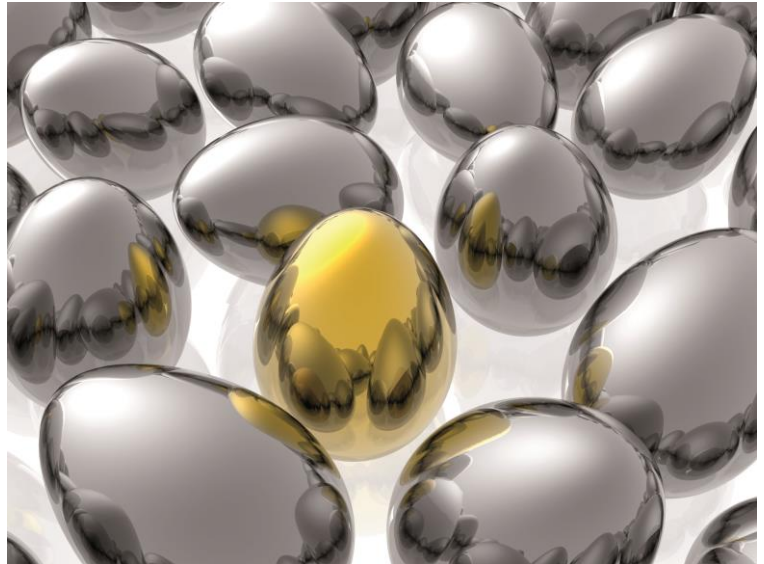
Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any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

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# 01

## Purpose of this paper



The purpose of this paper is to update the Audit and Governance Committee on progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to members of the Committee.

If you need any additional information please contact Gareth Davies or Gavin Barker using the contact details at the end of this update.

# 02

## Summary of audit progress



Our audit work has continued to progress well.

### **Opinion audit**

We have completed our interim work on financial systems.

We did not identify any significant issues that require reporting to members.

We have maintained a dialogue with officers working on the production of the Council's accounts. This has once again been a positive process and we envisage that this will help the audit of the accounts run more smoothly.

## VFM conclusion

We have identified an additional risk in relation to the VFM conclusion. The following risk should be considered as an addition to page 7 of the Audit Strategy Memorandum 2013/14, which was considered by the Audit and Governance Committee on 16 April 2014.

### VFM risks in relation to Adult Social Care services

#### Description of the risks

Adult social care is identified as one of the highest priorities within the Council's service transformation programme. During the audit, we have become concerned at the lack of progress in making improvements to budget management and other aspects of adult social care services.

The development of the Better Care Fund provides a major challenge but also a significant opportunity for the Council and CCG to work together to increase investment in much needed intermediate and preventative care.

We are concerned that the lack of progress in delivering service improvement, together with the challenges of the Better Care Fund and the new Care Act, mean that the Council is at risk of failing to deliver good value for money in adult social care services and the best outcomes for local people.

#### How we will address this risk

We will review budget monitoring and reporting, focusing on areas where action plans are in place to make savings and minimise any adverse impact on services. We will review the plans that are developed to deliver future improvements, including those being developed through the Council's transformation programme.

We are working closely with officers to understand the barriers to progress and how they can best be addressed.

The Chief Executive has recognised that insufficient progress has been made and has instituted an accelerated recovery and improvement process, working closely with the Director of Health and Wellbeing.

We continue to review the Council's arrangements to secure VFM in its use of resources. This has included reviewing the Council's key plans and the delivery of those plans, and its financial arrangements, as well as considering the data in VFM profiles.

### **Issues raised by members of the public**

In our previous progress report, we highlighted that a number of issues had been raised with us by members of the public.

In the table below, we summarise the issues raised and our conclusions.

<b>Issues raised with us</b>	<b>Our conclusions</b>
Foreign travel by senior officers including the Chief Executive	We reviewed arrangements and did not identify any issues of concern for our audit. We note that the Council has reviewed foreign travel and intends to identify who has travelled overseas and why as part of its monthly publication of expenditure.

Issues raised with us	Our conclusions
Asset sales and decisions about what to do with a number of strategic assets	We reviewed arrangements and did not identify any issues of concern for our audit.
Use of s106 monies secured from developers in relation to planning proposals	There have been inconsistencies in recording the application of s106 funds and balances remaining on s106 accounts. This appears to have been a result of errors in record keeping. Officers are updating and correcting records as part of the closure of the accounts. We will consider this further during the audit of the accounts and will report back if any outstanding issues are identified.
Other issues	<p>We have been copied in to correspondence in relation to the traffic restrictions on Lendal Bridge. We will consider how this issue is accounted for in the 2013/14 accounts.</p> <p>We have been copied in to correspondence on other issues. We have not identified any further audit action that is required.</p>

## **Amendment to Grants and Returns Work Plan**

On 16 April 2014, we presented our Grants and Returns Work Plan 2013/14 to the Audit and Governance Committee.

There has been a change to this plan as a result of information provided by the Audit Commission.

Firstly, as we will not have to review council tax benefits as part of the benefits claim this year, the Commission has reduced the scale fee for benefits claims by 12% for all authorities.

In addition, the work on the Teachers Pensions Return is no longer required as part of the Commission's grants regime.

The impact of this for City of York Council is to reduce the overall scale fee for grants and returns by £3,019, from £19,000 to £15,981.

# 03

## Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Proposed closure of the Audit Commission and the transfer of its functions
- Latest information on Value for Money (VFM) profiles
- Confirmation of 2014/15 work programme and scale of fees
- Audit fee rebates and future reductions

# Emerging issues and developments

Issue / development	Implications
<p><b>Proposed closure of the Audit Commission and the transfer of its functions</b></p> <p>Over recent months, the arrangements for the closure of the Audit Commission and transitional arrangements for the transfer of its functions have been clarified.</p> <p>The Audit Commission is expected to close at the end of March 2015.</p> <p>Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year.</p> <p>These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work.</p> <p>It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.</p> <p>The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to CIPFA, who are to establish a new public sector counter fraud centre.</p> <p>This is separate from the Commission's work on the National Fraud Initiative (NFI), which uses data matching to help public sector bodies to identify and address fraud. The NFI services are due to transfer to the Cabinet Office when the Commission closes.</p>	<p>These measures are designed to achieve a smooth transfer of functions when the Audit Commission closes, so that there is no adverse impact on authorities.</p> <p>More information on the transfer of management of audit contract functions can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/">http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/</a></p> <p>More information on the transfer of counter fraud work to CIPFA can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/">http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/</a></p>



# Emerging issues and developments

Issue / development	Implications
<p><b>Latest information on Value for Money (VFM) profiles</b></p> <p>The Audit Commission has continued to promote the use of its VFM profiles.</p> <p>We have previously highlighted in these pages a number of reports produced by the Audit Commission which draw attention to aspects of the profiles. In recent months, the Commission has produced further reports in relation to using the profiles to examine the administration of benefits, central costs, waste management and most recently, the use of assets.</p> <p>As identified earlier in this report, we consider the VFM profiles as part of our work on the VFM conclusion.</p> <p>One question that has now been clarified is that arrangements have been made to continue the VFM profiles tool after the Commission closes in March 2015. Responsibility for the VFM profiles tool will transfer to the transitional body to be created by the LGA (mentioned in the previous item of this briefing).</p> <p>The Commission has said that the “profiles tool ... brings together data about the cost, performance and activity of local councils and fire authorities. Auditors use the tool to identify areas that need further examination, when working on the VFM conclusion in the annual audit. The Profiles are also widely used by the public, with over 135,000 visits this year to individual pages.”</p>	<p>The VFM profiles tool can be used by officers, members and the public to consider data on the cost, performance and activities of authorities and is available at the following web address:</p> <p><a href="http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing">http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing</a></p> <p>The reports on specific topic areas using the VFM profiles are available at the following link:</p> <p><a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>

# Emerging issues and developments

Issue / development	Implications
<p><b>Confirmation of 2014/15 work programme and scale of fees</b></p> <p>The Audit Commission has now confirmed the 2014/15 work programme and scale of fees, following a consultation exercise.</p>	<p>City of York Council's audit fee for the 2014/15 audit is confirmed as £134,406. This is the same fee as 2012/13 and 2013/14.</p> <p>The fees announcement can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/">http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/</a></p>
<p><b>Audit fee rebates and future reductions</b></p> <p>In March 2014, the Audit Commission distributed £8m in an audit fee rebate across all locally audited bodies.</p> <p>In addition, the Commission has now re-let a number of audit contracts, and expects that there will be further fee reductions spread across all locally audited bodies from the 2015/16 audit year.</p>	<p>There continues to be downward pressure on audit fees.</p> <p>These announcements can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/">http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/</a>            and:  <a href="http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/">http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/</a></p>

# 04

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Audit & Governance Committee

25th June 2014

Report of the Director of Customer and Business Support

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## **Draft Revised Financial Regulations**

### **Summary**

- 1 The purpose of this paper is to present to Audit and Governance Committee (A&G) for discussion, comment and approval to Full Council the draft revised Financial Regulations.

### **Background**

- 2 The council's current Financial Regulations were approved in 2009 and form supplementary guidance to the Constitution. The purpose of the regulations is to lay down the rules and guidelines to be followed by the organisation in ensuring the integrity of its financial arrangements.
- 3 The current regulations provide an effective regulatory framework that allows the organisation to operate with minimum risk. There have been minor amendments made since 2009 and these have been approved by the Chief Financial Officer (CFO) under the powers delegated to the role by Full Council in 2009. These changes have been made using version control and the council is currently using V10 of the 2009 regulations. The new draft regulations attached at Annex A are V11 and a number of the draft amendments are outside the powers granted to the CFO to make minor changes and require the approval of Full Council.

### **The Regulations**

- 4 A key focus of the draft amendments is in relation to External Arrangements and specifically the provision of grants & loans to outside bodies. There are a number of other proposed

draft amendments that are aimed at providing a more flexible set of regulations maintaining the key principles of the current regulations but reflecting the changing nature of the environment in which the council operates. These also include a recommended increase in the limit for acquisitions and disposals before Cabinet approval is required subject to specific caveats in relation to best consideration and the contract procedure rules.

- 5 The Loans & Grants Scrutiny Review Final Report on the 4<sup>th</sup> March 2014 made a number of recommendations with regard to the awarding of grants and loans. These recommendations are set out along with the solutions at Table 1 below.

**Table 1**

Scrutiny Recommendations		
	Recommendations	Solutions
1	An agreed common approach to be put in place for coding all loans and grants on the Council's finance system to make them easily identifiable	Ledger code to be set up for grants and loans on the council's finance ledger
<u>2. In regard to New Service Level Agreements (SLA):</u>		
a)	Where those agreements make reference to other documents e.g. performance management information, those documents must be attached as an appendix to the agreement	Within SLA
b)	A template together with officer guidance notes to be introduced to support the process of producing an SLA, in line with that shown at Annexes B & C	Officer Guidance Note
3	In regard to current SLAs, the new process detail above to be implemented as part of a phased approach, as and when each SLA is reviewed	Implement process into current SLA's
4	All Loans and grants over 50k to be agreed by Cabinet	In revised Financial Regulations (Part E)
5	All grants over £100k or those deemed to be of higher risk, to have a legally binding grant funding agreement (GFA) rather than an SLA	In revised Financial Regulations (Part E)
6	The Council to make greater use of its website to share information on the loans and grants it provides, together with information on how to make loan/grant applications and details of those available to the voluntary sector	Website to be developed
7	Applications for loans should detail the applicants other attempts to find the appropriate funding	In application process
8	In regard to monitoring arrangement for loans – introduce a six monthly minimum requirement for reporting back on loans to a specified named officer or in the case of higher level loans, to the Cabinet	In revised Financial Regulations (Part E)

- 6 The one change to these recommendations (Table 1) contained within the revised regulations (Annex A) is that the Cabinet limit for approval of loans & grants is increased to

above £100K. The council currently only has one loan in excess of £100K and this is in respect of Yorwaste.

- 7 The full changes to External Arrangements are set out in Part E of the revised regulations (Annex A) and specifically look to tighten up the controls in relation to providing and managing grants & loans as highlighted within the scrutiny report recommendations including:

- Interest rates
- State Aid
- Monitoring
- Approval
- Recording

- 8 Other key changes are set out in table 2 below and in full within the revised regulations at Annex A:

**Table 2**

<u>Page</u>	<u>Change</u>	<u>Details</u>
7	New	Para 5 i) in the event of a disaster or other civil emergency the powers of the CFO in authorising necessary expenditure to support the Chief Executive and also the CFO's power to delegate this authority to any Chief Officer acting as their nominated deputy with a limit of £50K.
11	New	Para 5 Point J where relevant and appropriate seeking to recover the cost of the service overheads when 'trading' with other organisations
14	Change	Medium Term Financial Planning moved to Budget Monitoring & Control Section
20	New	Para 37 – 42 Rules for Delivery & Innovation Fund added
22	New	New para 4 Appointment of directors to Veritau – Two council director appointments
22	New	Para 6 Veritau client officer nominated by CFO
24	Add	Para 14 – 15 addition to risk management

		section
25	New	Para 18 – 19 Insurance section added
28	Change	Revised table - Change in Write Off Limits CFO up to £100K. Cabinet Member above £100K - £200K
28	New	Para 10 - Rules relating to the CFO's power to award DRR
30	New	Para 14 – Tighter control in relation to expenditure on travel outside the UK
33	New	Para 28 -Further restriction to none payroll payments
37	Change	Para 40a - de minimis value for the asset register increased from £5K - £10K
37	New	Para 40 c) - sales and acquisitions increase in limit from £100k to £500K
39	New	Para 2 - Grant definition
40	New	Para 5 g) & h) – tighter controls and monitoring in relation to grants and loans to outside bodies

### Consultation

9. The revised draft regulations went to Cabinet on 6<sup>th</sup> May for consultation and Cabinet have recommended approval of the changes to A&G. The regulations have also been issued to all finance managers for consultation purposes along with other key officers across the council. Any recommended changes made by officers have been included within the draft regulations at Annex A.

### Options

10. There are two options associated with this paper:

**Option 1** – Recommend Full Council approval of the amendments to the Financial Regulations as set out at paragraph 5, 6, 7, 8 and Annex A;

**Option 2** – Recommend to Full Council that the amendments are not approved.



## **Analysis**

11. Not applicable to this report.

## **Council Plan 2011 - 2015**

12. The maintaining of an effective regulatory framework is an important supporting element of delivering the council plan.

## **Implications**

- (a) **Financial** – Financial implications are contained within the Annex to the report.
- (b) **Human Resources (HR)** - There are no implications.
- (c) **Equalities** - There are no implications.
- (d) **Legal** - There are no implications.
- (e) **Crime and Disorder** - There are no implications.
- (f) **Information Technology (IT)** - There are no implications.
- (g) **Property** - There are no direct implications.

## **Risk Management**

13. The organisation is at risk if it does not have effective and appropriate financial regulations that provide for proper stewardship and integrity of its financial arrangements. The regulations are required to ensure that the council can operate efficiently in delivering its services and projects.

## **Recommendations**

14. A&G members are asked to consider the revised regulations (Annex A) the key changes set out at Paragraph 5, 6, 7 & 8 and recommend the regulations to Full Council for their approval (Option 1 Para 10).

### Reason

To seek A&G members' views and approval as to whether the revised draft Financial Regulations are appropriate in maintaining the integrity of the council's financial arrangements and can be recommended to Full Council for approval.

**Author:**

David Walker  
Head of Financial Procedures

**Chief Officer Responsible for the report:**

Ian Floyd  
Director Customer and Business Support

Telephone (01904) 552261

Report Approved



Date 10/6/2014

**Wards Affected** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

Revised Financial Regulations - 2009

**Annexes**

Annex A – Draft Financial Regulations



CITY OF YORK COUNCIL

Financial Regulations

Version 11 April 2014

## City of York council Financial Regulations

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## Status of Financial Procedure Rules

### Introduction

- 1 These Financial Regulations (Regulations) provide the governance framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and to anyone acting on its behalf.

### Observing these regulations

- 2 These Regulations apply across all parts of the whole organisation, including all Member fora and Directorate services, as well as all arms length organisations, agencies and partnerships with whom the Council does business and for whom the Council is the relevant accounting body. Where the Council is not the relevant accounting body, but is a responsible partner, officers must ensure that the accounting body has in place adequate Regulations and proper schemes of delegation. Schools are bound by these Regulations unless the School Standards and Framework Act 1988 (SSFA98) specifically exempts them from any particular provisions set out herein (e.g. financial thresholds, if the Framework provides differently).
- 3 All Council members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money (VFM) and achieves best value (notwithstanding the delegated authorities of any given committee or officer). In doing so, proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.

### Maintaining these regulations

- 4 The Council operates a system of managerial and financial control whereby the Chief Finance Officer (CFO) has overall responsibility for the proper management of the finances of the Council as a whole but the responsibility for the day-to-day financial control and administration in each Directorate is devolved to the Director.
- 5 The overall responsibilities of the CFO in respect of these regulations are therefore to:

- a) maintain these Regulations and submit any additions or changes necessary to Full Council for approval in consultation with the Monitoring Officer (MO);
  - b) issue explanatory advice and guidance to underpin these Regulations as necessary. Where such advice and guidance is issued, members, officers and others acting on behalf of the Council are required to comply with it in accordance with the general provisions of these Regulations;
  - c) require any officer to take any action deemed necessary (as is proportionate and appropriate) to ensure proper compliance with these Regulations;
  - d) report, where appropriate, any breaches of these Regulations to Members;
- 6 These regulations have been drafted with a view to avoiding any uncertainty or ambiguity as to the principles, standards and procedures to be observed. Should any uncertainty or dispute arise pursuant to these Regulations, the matter must be referred to the CFO for interpretation and/or arbitration.

### Sanctions & remedies for non-compliance

- 7 Failure to comply with any part of these Regulations may constitute misconduct and lead to formal disciplinary action.

## Part A

# Financial Management Standards

## Introduction

- 1 This Part of the Regulations set out the overall framework of financial management responsibilities at the Council, including the accounting policies, standards, record keeping and financial statements the organisation is required to maintain in managing its finances and financial affairs.
2. All members and staff have a common duty to abide by the highest standards of probity and propriety when making decisions about the use of public monies. It is important for the way in which this is done to be transparent, properly accounted for in respect of the correct accounting year and reported in accordance with recognised accounting standards, conventions and policies

## Member roles & responsibilities

3. Member responsibilities for the overall management of the Council's financial affairs are exercised through:
  - **Full Council**, which is responsible for the Council's overall Policy Framework and for setting the Budget within which the Cabinet will operate (See Constitution Part 3).
  - **The Cabinet**, which is responsible for proposing policy and the Budget to the Full Council.
  - **The Audit & Governance Committee**, which is responsible for approving the statement of accounts.

## The Chief Finance Officer (CFO)

4. The functions and responsibilities of the CFO are directed in the first instance by legislation that imposes statutory duties on the CFO for the proper management, financial administration and stewardship of Council assets and the fiduciary interests of local tax payers. These statutory responsibilities cannot be overridden and arise from:
  - Section 151 of the Local Government Act 1972;
  - The Local Government Acts 2000 & 2003;
  - The Local Government Finance Act 1988;
  - The Local Government and Housing Act 1989;



- The Accounts and Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) (England) Regulation 2006

5. These responsibilities include:

- a) the preparation of the Council's annual Statement of Accounts and the compilation and retention of all supporting accounting records and working papers, in accordance with the proper professional practices and set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice - the SORP (CIPFA/LASAAC). The financial year observed by the Council runs from 1 April to the following 31 March;
- b) the proper administration of the Council's financial affairs, systems and procedures;
- c) setting and monitoring compliance with financial management standards and controls;
- d) ensuring proper professional practices are adhered to in acting as the Head of Profession in relation to the standards, performance and development of all finance staff across the organisation;
- e) providing advice on the key strategic controls necessary to secure sound financial management (including the operation of an effective internal audit function);
- f) ensuring that financial information is available to enable accurate and timely monitoring and reporting;
- g) determining the contents of all financial procedure manuals and ensuring compliance with the requirements of the Financial Regulations;
- h) ensuring a Local Council Tax Support scheme is maintained;
- i) in the event of a disaster or other civil emergency affecting the City then subject to overall council funding limits the CFO has the power to authorise all necessary expenditure required to support the Chief Executive in exercising their lawful power. The CFO can also delegate this authority to any Chief Officer acting as their nominated deputy with a limit of £50K. The nominated deputy should at all times endeavour to seek authorisation from the CFO where practical before committing expenditure.

6. The CFO can choose to delegate his day-to-day responsibilities in respect of his/her functions and responsibilities as defined by these Regulations in accordance with the Council's Scheme of Delegation and any corresponding Directorate schemes of delegation. The CFO may delegate his/her responsibilities to an appropriate representative(s). Where this is the case the delegation and officer responsibilities must be clearly documented in the relevant Directorate scheme of delegation and be kept under regular review by the CFO further to these Regulations.

### The Chief Internal Auditor (CIA)

- 7 The CIA is designated by the CFO as part of his/her Directorate Scheme of Delegation further to Article 13 of this Constitution and plays a key role in providing assurance to the Members, the CFO, the Head of Paid Service and Corporate Management Team about the practical deployment and effectiveness of financial management arrangements across the organisation.
- 8 The CIA has rights of access to information and data held by officers or members of the Council at all reasonable times and is responsible for the overall management and deployment of internal audit resources at the Council. He/she also has the right to report on any relevant matter of concern to senior management and members of the Council outside normal line management arrangements should he/she deem this necessary in protecting the interests of the Council and/or local tax payers.

### Directors

- 9 Whilst the CFO has overall responsibility for the finances of the Council, Directors are responsible for the day-to-day management of their Directorate's finances. Their responsibilities in relation to financial management include:
  - a) maintaining a satisfactory financial management function within their Directorates with sufficient staff, accommodation and other resources (including legal advice where this is necessary) to carry out the duties specified by legislation or otherwise directed by these Regulations;
  - b) promoting and ensuring compliance with the financial management standards and practices set by the CFO in their Directorates;

- c) consulting with the CFO on any matter which is liable to materially affect the resources of the Council. This must be done before any commitment is incurred, or a report made to an Cabinet Member or to a Committee for decision;
- d) ensuring that Cabinet Members are advised of the financial implications of all proposals and that these have been agreed by the CFO or his/her nominated representative;
- e) signing contracts on behalf of the Council in accordance with the contract procedure rules set out in Part D of these Regulations;
- f) reporting suspected fraud and irregularities to the CIA for investigation and referral to the Police as necessary;
- g) ensuring that the common officer delegations relating to financial management and administration as set out in the Council's Scheme of Delegation within their Directorates are exercised with due regard to the detailed requirements of these Regulations;
- h) implementing the management recommendations of the Internal Audit provider and external auditors agreed with the Director and/or the relevant Chief Officers and Heads of Service.

## Part B

### Financial planning & budgeting

#### Introduction

- 1 The purpose of financial planning is to set out and communicate the organisations objectives, resource allocations and related performance targets and to provide an agreed basis for subsequent management control, accountability and reporting.
- 2 The Council's Budget sets agreed parameters around the annual activities and functions of Directorates and their services. The Council's Medium Term Financial Plan represents a three year financial plan to address those issues which have medium to long term financial implications for the organisation.

#### Budget Planning

- 3 The revenue budget must be constructed so as to ensure that it properly reflects the priorities of the Council and Service Plan considerations. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.
- 4 The budget process must ensure that resources are:
  - required in accordance with the law and properly authorised;
  - used only for the purpose intended to achieve approved policies, objectives and service priorities;
  - held securely for use when required;
  - used with the minimum level of waste, inefficiency or loss.
- 5 The CFO in consultation with each Director is responsible for:
  - a) ensuring that an annual revenue budget is prepared in the context of a medium term three year financial plan for consideration by the Cabinet and its recommendation to Full Council.
  - b) maintaining a resource allocation process that properly reflects all due consideration of the Council's Policy Framework, ambitions and priorities;
  - c) advising the Cabinet on the format of the budget for approval by Full Council;

- d) allocating central budgets for example inflation and superannuation;
  - e) providing advice and guidance to the Cabinet further to its responsibility for issuing guidance on budget preparation to take all due account of:
    - legal requirements;
    - medium term planning prospects and known issues;
    - **the Council Plan;**
    - available resources
    - spending pressures;
    - government initiatives and public policy requirements;
    - internal policy directives;
    - cross cutting issues and Council priorities.
  - f) determining the detailed form of revenue estimates consistent with the budget approved by Full Council after consultation with the Cabinet and Directors;
  - g) reporting to the Cabinet on the aggregate spending plans of Directorates and on the resources available to fund them, identifying any implications for Council Tax levies;
  - h) advising on the medium term implications of spending decisions and funding options;
  - i) encouraging the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness and by encouraging good practice in conducting financial appraisals of growth or savings and developing the financial aspects of effective Service Planning;
  - j) where relevant and appropriate seeking to recover the cost of the service overheads when 'trading' with other organisations;**
  - k) advising the Full Council on the Cabinet's budget proposals in accordance with his/her responsibilities under S151 of the Local Government Act.
- 6 Directors are responsible for ensuring:
- a) budget estimates of income and expenditure are a realistic reflection of agreed corporate and service priorities, and that they are submitted to the Cabinet as part of the overall budget setting process. These estimates must be consistent with any relevant cash limits, the annual budget cycle and prepared in line with guidance issued by the Cabinet on the advice of the CFO. In drawing up draft budget plans Directors must have regard to;

- spending patterns and pressures revealed through the budget monitoring process;
  - legal requirements;
  - policy requirements as defined by Full Council and set out in the Policy Framework;
  - initiatives already under way.
- b) effective budgetary control within their Directorates, establishing detailed budgets for each service area in advance of the financial year and requiring such budgets to be properly managed by responsible named budget holders;
- c) financial and budget plans are integrated into service planning.
- d) If Directors are unable to keep within their agreed budget limits they must consult with the CFO, who has a statutory duty to report any significant issues to Members.

## Budget monitoring and control

- 7 The Council Budget sets an annual cash limit. To ensure the Council does not exceed its budget, each service area is required to manage its own income and expenditure within the cash limited budgets allocated to them to be spent on agreed service activities and functions.
- 8 The CFO is responsible for establishing a robust framework of budgetary management and control that ensures that:
- a) budget management is exercised within annual cash limits;
  - b) appropriate and timely financial information is available to Directors and budget holders that enables budgets to be monitored and controlled effectively;
  - c) expenditure is committed only against approved budget heads and associated structure of detailed cost centres;
  - d) all officers responsible for committing expenditure comply with these Regulations;
  - e) each cost centre is delegated to a named budget holder to be determined by the relevant Chief Officer (budget responsibilities should be aligned as closely as possible with those making day to day decisions to commit expenditure);
  - f) significant variances from budget are investigated and reported by budget holders on a regular basis.

- 9 The CFO must monitor and control the level of income and expenditure against budget allocations overall. He/she must ensure that monitoring reports are provided through the Finance and Performance Monitoring Framework for Members to consider on a regular basis throughout the financial year (to be determined and advised by the CFO) and a report after the year end setting out the revenue outturn. Budget monitoring reports must include:
- a) explanations of all variations to service budgets where deemed appropriate by the CFO;
  - b) explanations of financial implications and material considerations such as:
    - part and/or full year consequences of variances;
    - one off and/or recurring costs and income;
    - total scheme costs and sources of funding;
    - asset rental costs or leasing effects;
    - costs associated with staffing matters including the costs of redundancy and effects on the pension fund;
    - service plan implications and impact on service delivery (both within the service plan area and across other services or portfolios as appropriate).
- 10 Reports containing budget monitoring information must be reviewed by the CFO, or by his/her nominated representative(s) (where not otherwise prepared by his/her nominated representative in Directorates) at least 5 working days in advance of the relevant committee distribution date.
- 11 Any overspending on service estimates in total on budgets under the control of a Director must be reported by the CFO to the Cabinet. Where overspending is such that it appears the overall budget will be exceeded, and there is a need for an additional call on the council reserves the CFO must report the issue to full council. As a minimum Directorates will receive 25% of any underspending in year, to be carried forward into a general Directorate Reserve.
- 12 All internal surpluses arising from in-house trading activities/business units shall be retained for the benefit of the Council subject to any provision to do otherwise set out in the Medium Term Financial Strategy.
- 13 Schools' balances will be available for carry forward to support the necessary expenditure of the school concerned. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for consideration by the Chief Education Officer and the Cabinet Member concerned in consultation with the CFO.

- 14 Schools must prepare a plan to recover the deficit within a defined period. In exceptional circumstances schools may seek to incur expenditure to be financed by anticipating future year budgets. Any such arrangement must be approved by the relevant Cabinet Member and proposals to do so accompanied by a detailed plan setting out how the arrangement is to be accommodated as a first call on their future budget share.
- 15 The CFO is also responsible for:
- a) reporting to the Cabinet and Full Council in consultation with the relevant Director if he/she is unable to balance expenditure and resources within their existing budgets and a supplementary estimate is required;
  - b) jointly preparing with the relevant Director(s) reports to the Cabinet regarding virements (Para13) which are in excess of £500,000 (either as individual items in-year or when taken in aggregate across the same category of budgeted income or expenditure in any one financial year);
  - c) reporting regularly to the Cabinet (as determined and advised by the CFO) on the overall revenue budget position and the Council's available contingencies, balances and reserves.
- 16 It is the responsibility of Directors to:
- a) ensure effective budgetary control arrangements exist and are observed within their own Directorates in accordance with these Regulations;
  - b) ensure spending remains within the relevant cash limits by controlling income and expenditure within their Directorate, monitoring performance and taking corrective action where significant variations from budget are forecast, taking account of any financial information and/or advice provided by the CFO or his/her nominated representative(s).
  - c) regularly report performance and variances within their own areas and take action to avoid exceeding their budget allocation, alerting the CFO to any known or expected budget problems;
  - d) report to the Cabinet and Full Council as necessary the financial implications of any new in-year proposal or amendment that will:
    - create financial commitments in future years;
    - change existing policies, initiate new policies or result in existing policies ceasing to operate;
    - materially extend or reduce the Council's services.



## Medium term financial planning

- 17 Medium term financial planning allows the Council to think beyond the constraints of any given financial year and annual budget and prepare for future events. The Director of Resources is delegated as part of the final accounts process to make proper provision for known future commitments, **and approve carry forward of budgets**, which are consistent with agreed budgetary and/or policy framework.
- 18 The CFO is responsible for reporting a medium term financial strategy to the Cabinet for recommendation to Full Council. **This will set out the overall medium term financial issues facing the Council, and consider the actions the council may need to take.**

## Schemes of virement

- 19 The term virement refers to transfers of resources between or within approved cost centres for both revenue and capital purposes. A virement does not create additional budgetary liabilities. Instead the virement mechanism exists to enable the Cabinet, Chief Officers and their staff to manage their budgets with a degree of flexibility within the overall Policy Framework and Budget set by Full Council, thereby optimising the use of resources throughout the financial year. The virement schemes for revenue and capital do not exist as a means of remedying poor budgetary control or financial planning for known commitments and service priorities, or otherwise excuse Chief Officers and budget holders from the need to manage their budgets prudently and responsibly. Nor may virements be effected after the year end to retrospectively fund over or under spends unless approved in advance by the CFO.
- 20 It is important that the scheme is carefully controlled within guidelines established by Full Council and administered by the CFO. Any variation from those guidelines must be approved by Full Council. All virements must:
- not commit the Council to any on-going additional expenditure in future years unless virements are permanent redirections of resources;
  - be notified in writing to the CFO or his/her nominated representative;
  - be reported in budget monitoring reports to the Cabinet in accordance with the scheme of virement operated by the Council
  - be recorded in the Council's financial systems.

- 21 The scheme of revenue virement and agreed thresholds for delegated decision making purposes is set out below.

### Scheme of revenue virement delegations

Decision maker	Delegated powers & authority	Thresholds
The Cabinet	To approve virements between Service Plans in excess of £500k (either individually or in aggregate for the financial year)	Over £500k up to the cash limits set by the Budget
	To approve allocations of resources from approved contingencies and reserves	As set by the annual Budget
	To make recommendations to Full Council for the release of budget resources in excess of the approved contingencies and reserves	As set by the annual Budget
	To approve virements from within existing Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity	Over £500k
Directors	To approve virements within or between Service Plans within their Directorates in excess of £100k and up to £500k (either individually or in aggregate for the financial year) in consultation with the relevant Cabinet Member. Any virement that affect's the council's policy framework will be referred to full council.	Over £100k and up to £500k in consultation with the relevant Cabinet Member
	To approve virements from within existing Service Plans or between Service Plans within their Directorates into new or otherwise unplanned functions and activities if savings are available to vire into the new activity. Any virement that affect's the council's policy framework will be referred to full council.	Over £100K and Up to £500k in consultation with the relevant Cabinet Member
	To approve virements between directorates in consultation with the relevant directors	Up to and including £50K in consultation with the relevant Cabinet Member
Other Chief Officers	To approve virements within their Service Plans up to £100k (either individually or in aggregate for the financial year)	Up to £100k

### The Capital Programme

- 22 The Capital Programme is a plan that sets out the resource allocations to be made to capital schemes that have the approval of Full Council. Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the organisation, such as land, buildings, major items of plant, equipment or vehicles

- 23 The Regulations and standards relating to budgetary management and control of the revenue Budget apply equally to capital expenditure and any changes to revenue budgets arising out of changes to the Capital Programme must be dealt with accordingly. All capital expenditure is incurred or committed on a scheme by scheme basis. Capital expenditure must be reported gross of any funding and controlled at that level.
- 24 No expenditure may be incurred on a project unless it has been approved as part of the Capital Programme. Equally, no scheme requiring Government sanction or funding either in full or in part may begin until the sanction and/or funding has been officially confirmed. All credit agreements must be referred to the CFO for approval prior to schemes being included in the Programme.
- 25 All capital expenditure must be incurred by 31 March of the financial year for which it is approved, although approvals can be slipped provided the position is reported to the Cabinet, unless there is an external requirement to spend within any given year. Where schemes are part of a rolling programme or span a number of years, approval is required for each year's expenditure when the scheme is approved for inclusion in the Programme.
- 26 As with the revenue Budget, it is possible to vire between schemes within the approved Capital Programme where known funding shortages and/or underspends have arisen. The same rules and principles set out in paragraphs 13 - 15 above for revenue virement apply to the Capital Programme. If shortfalls in funding or overspends cannot be met by transferring resources between schemes within the agreed Capital Programme, requests of additional funding from reserves must be prepared by the relevant Director in consultation with the CFO for approval by the Cabinet. The scheme of capital virement and thresholds for delegated decision making purposes is set out in the table below.

### Scheme of capital virement delegations

Decision maker	Delegated powers & authority	Thresholds
The Cabinet	To approve individual virements between schemes in excess of £500k	Over £500k
	To re-phase approved scheme expenditure between years in excess of £500k for each scheme	Over £500k
Directors	To approve individual virements between schemes in excess of £100K up to a maximum of £500k in consultation with the relevant Cabinet Member. Any virement that affect's the council's policy framework will be referred to full council	Over £100K and Up to and including £500k
	To approve individual virements between schemes up to a maximum of £100k	Up to and including £100k

- 27 In relation to the Capital Programme the CFO is responsible for:
- a) ensuring that an annual capital programme is prepared for consideration by the Cabinet for recommendation to Full Council;
  - b) reporting to the Cabinet on income, expenditure and resources compared with approved estimates;
  - c) issuing guidance on capital schemes and controls and defining what will be regarded as capital having proper regard to Government regulations and accounting conventions;
  - d) ensuring that all schemes relying on the use of prudential borrowing powers for funding purposes are properly appraised on the basis of a robust business case as part of the CRAM process. Detailed practitioner guidance on the nature and use of prudential borrowing and 'Prudential Scheme' are set out in *'The Guide to Prudential Borrowing'* issued by the Council's Corporate Accountancy team;
  - e) directing the activities and functions of the **Capital and Asset Board** and its responsibilities for monitoring the Capital Programme on an on-going basis and managing the CRAM process;
  - f) maintaining a record of the current capital budget and expenditure on the Council's financial systems.
- 28 In relation to the Capital Programme Directors are responsible for:
- a) complying with the guidance issued by the CFO regarding capital schemes and controls;
  - b) ensuring that all capital schemes put forward for consideration in the CRAM process have been properly appraised and that each scheme and estimate includes a proper project plan, progress targets and sets out the sources of funding for the scheme including all associated revenue expenditure;
  - c) preparing regular reports reviewing the Capital Programme provisions for their services;
  - d) ensuring adequate records and audit trails are maintained in respect of all capital contracts;
  - e) monitoring capital expenditure and receipts against approved capital budgets on a scheme by scheme basis and reporting to the relevant Cabinet Member on a regular basis in accordance with the standard revenue budget monitoring arrangements set out above;
  - f) reporting to the Cabinet if proposed sources of funding are not secured (if planned funding from linked assets sales or

external grants and contributions cannot be realised, corporate funding support must be sought).

## Reserves & balances

- 29 Financial reserves and balances are maintained as a matter of prudence against unforeseen events and future contingencies. The CFO is responsible for advising the Cabinet and Full Council on prudent levels of reserves and balances for the Council as part of the annual budget setting process based on a reasoned assessment of risk.
- 30 The Council must decide the level of its general reserves in determining the level of Council Tax. The purpose, usage and basis of transactions must be clearly set out in respect of each of the reserves and balances held by the Council. Expenditure from Council reserves and balances can only be made with the prior approval of the Council, unless delegated authority to do so has been conferred by the Cabinet to an Cabinet Member or Director.

## The Venture Fund

- 31 The Council maintains a Venture Fund as part of its reserves designed to provide some capacity to support one-off 'Invest to Save' type initiatives that might otherwise struggle to secure funding in the annual budget setting process.
- 32 Officers are able to bid for Venture Fund monies each year with a view to any advances from the Venture Fund being re-paid within a 7 year period at an internal borrowing rate fixed in relation to the councils Consolidated Rate of Interest to be determined by the CFO. All bids to the Venture Fund must be made in the form of a business case setting out the nature and purpose of the proposal, forecast income and expenditure and payback period.
- 33 CFO has delegated authority to approve bids up to £100,000 from the Venture Fund, **in consultation with the leader**. Delegated 3decisions will be advised to the Cabinet as part of the budget monitoring and reporting process. Bids in excess of £100,000 must be referred to the Cabinet for approval.

## Prudential Borrowing

- 34 In addition to the Venture Fund, in accordance with Local Government Act 2003 and the Prudential Code, departments can put forward business cases for Prudential Borrowing. This is for schemes of a capital nature only and would normally be approved as part of the annual Capital Programme Budget CRAM process. However, there will be opportunities that arise during the year where a capital scheme can be approved using prudential borrowing outside of this process.
- 35 The CFO has delegated authority to approve bids up to £100,000. Bids in excess of £100,000 must be referred to the

Cabinet for approval. The required interest rate is the Consolidated Rate of Interest of the loans portfolio. The length of the prudential borrowing will be supported by the business case, taking into consideration the life of the asset.

- 36 The CFO has delegated authority to approve the length of the repayment period for all borrowing to ensure that borrowing matches the asset life. This will ensure value for money allowing prudential borrowing repayment periods to alter as asset life changes.

#### Delivery & Innovation Fund (DIF)

- 37 The purpose of the Delivery and Innovation Fund (DIF) is to support council-led or council-sponsored initiatives and projects which support the delivery of the council plan. Specifically, the fund is to be used to facilitate the development of new and innovative ways of working, support areas requiring one-off investment and support major project delivery.
- 38 The fund is to be used as an enabling investment for specific initiatives and cannot be used solely to make up shortfalls in department revenue budgets. It will work alongside the Economic Infrastructure Fund (EIF), which enables projects of strategic importance to the city's ambitions for creating jobs and growing the economy.
- 39 All bids must be referred to a panel comprising as a minimum the CEO & CFO. There is no requirement to repay the funding however the level of award will be set by the panel and awards limited to total funding available. The final approval on the level of award is the decision of the CEO, CFO, and Leader of the council except when the level of funding is above £100K where Cabinet approval will be required.
- 40 In the scenario where a bid is being considered alongside bidding for the EIF, the full EIF business case will need to be completed for consideration against the EIF. The DIF panel will still consider the relevant elements in the same way but this will then feed into the EIF process.
- 41 Bids can be made from outside the council (e.g. from voluntary sector organisations or parishes) but in such cases the business case must be sponsored / endorsed by a council department or officer and the relevant parties would jointly present the business case. Please see the section on External Arrangements in these regulations when funding to outside bodies is being considered
- 42 Performance of projects and initiatives that are funded from the Delivery & Innovation Fund will be monitored through the performance framework for the council plan to ensure maximum financial and/or social value is derived from the investment.

## Part C

### Audit & Risk Management

#### Audit & inspection

- 1 Audit is a key management tool that Members and Chief Officers should rely on to provide an independent and objective assessment of the probity, legality and value for money of Council arrangements. It examines, evaluates and reports on the adequacy of internal systems of control in the proper, economic, efficient and effective use of resources. Legislation requires that the Council provides for the function of both internal and external audit services.
- 2 The statutory requirement for the Council to maintain "*an adequate and effective system of internal audit*" is set out in Regulation 5 of the Accounts and Audit Regulations Act 2003, as amended by the Accounts & Audit (Amendment) (England) Regulation 2006 and further to S151 of the Local Government Act 1972.
- 3 In summary, the service exists to:
  - a) provide assurance to Members, Chief Officers and the general public on the effective operation of governance arrangements and the internal control environment operating at the Council;
  - b) objectively examine, evaluate and report on the probity, legality and VFM of Council arrangements for managing all items of income, expenditure and safe-guarding assets;
  - c) review arrangements for ensuring proper accounting controls, systems and administration are maintained and make recommendations for action and improvement;
  - d) help to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing;
  - e) act as a means of deterring all fraudulent activity, corruption and other wrongdoing, conducting investigations into any matter referred to it for investigation by management or officers and members of the public and reporting its findings to Directors and Members as appropriate for action;
  - f) undertake the prioritised investigation of all instances of alleged housing benefit fraud and prosecute those cases where fraud has been identified to protect the Council and fiduciary interests of the community and the public purse;

- g) conduct investigations into suspected fraudulent activity and improper conduct as reported by Members, Governors and employees referred to it further to the Council's Whistle-blowing policy;
  - h) report all known breaches of these regulations and Council Standing Orders and any other action leading to expenditure incurred ultra vires, identifying any areas of poor financial probity and stewardship problems for action by Chief Officers and Members as appropriate;
  - i) advise the CFO and MO as to any necessary intervention in decision making if it is likely that any proposed action will lead to unbudgeted or unlawful expenditure or activity;
  - j) review the Council's arrangements for ensuring the income and expenditure of the organisation is properly and regularly monitored in line with the budget setting, monitoring and reporting requirements set out in these Regulations;
  - k) advise officers and members of value for money issues and/or the poor or inappropriate use of Council resources and make recommendations for improvement;
  - l) review the optimisation of income generation opportunities from grants and subsidies monies available from Government;
  - m) advise the CFO of any appropriate action necessary to safeguard the fiduciary interests of the Council and current and future Council Tax payers.
4. The council's Audit & Fraud provider is a wholly local authority owned company (Veritau) in which the council has two director appointments (CFO & Portfolio Holder)
5. The internal Audit & Fraud provider and the external auditors must be allowed to act independently and objectively in their planning and operation without undue influence by either Directors or Members.
6. The CIA is designated by the CFO. He/she, or his/her nominated representative(s), has rights of direct access and reporting to the CFO, the client officer for the Audit & Fraud provider (Nominated by the CFO), all Directors and Members. CIA staff have rights of access to all Council buildings and properties, information and data at all reasonable times.
7. The Audit Commission is responsible for appointing external auditors to Councils. The duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998 and the Local Government Act 2000. These variously include rights of access and the right to report publicly on their



findings and recommendations. The external auditors must comply with the provisions of a Code of Audit Practice in planning and conducting their work. This includes the audit of the Council's financial statements, the financial aspects of corporate governance and performance management. The work of the council's auditors is reported to the Cabinet and Full Council in his/her **annual audit** letter.

8. The Council may also be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, and various other Inspectors of service at any time.

## Preventing fraud & corruption

9. The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that Members and all staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the Constitution, the Council's Policy Framework and all relevant professional and other codes of practice. To that end the Council has adopted an anti-fraud and corruption strategy, fraud prosecution policy and whistle-blowing policy along with codes of conduct governing the behaviour of Members and officers.
10. All staff and Members of the Council must inform the CIA immediately if they suspect or know of any impropriety, financial irregularity, fraud or corrupt practice. The CIA is responsible for determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required and may refer matters to the Police or other appropriate external body as he/she sees fit in consultation with the contract client officer (**As nominated by the CFO**)
11. The internal Audit & Fraud providers are required to investigate all referrals of fraud at the direction of the CIA and client manager and in doing so have:
  - a) rights of access to all Council premises and property, all data, records, documents, and correspondence relating to any financial matter or any other activity of the Council;
  - b) the right to require any member of staff or Member to provide any information or explanation needed in the course of their investigations;
  - c) the right to prosecute cases of benefit related fraud in the courts;

- d) the right to refer investigations to the Police in consultation with the relevant Director(s), client manager and CFO.
12. In addition, the CIA should to:
- a) refer cases directly to the Police if he/she believes that normal consultation practices would compromise the integrity of the investigation against the interests of the Council or the general public;
  - b) notify the council's auditors of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service;
  - c) require any officer or member to:
    - make available such documents relating to the accounting and other records of the Council that are necessary for the purpose of the audit;
    - supply any information or explanation considered necessary for that purpose.

## Managing risk

13. Risk Management is inherent to good management practice and essentially; it is concerned with identifying potential events (risks), establishing what could go wrong (threats) and the potential for success (opportunities) with the aim of trying to achieve the right balance between the two. The outcome from proper risk consideration ensures that managed controls are in place and the effective prioritisation and allocation of potentially scarce resources to the most appropriate area (high risk), to ensure service continuity and performance improvement.
14. It is essential that robust, integrated systems are developed and maintained for identifying, evaluating and managing all significant Strategic, Project and Operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
15. The CFO is responsible for preparing the Council's risk management policy & strategy and for promoting it throughout the Council.
16. It is the responsibility of Chief Officers to ensure there are regular reviews of risk within their areas of responsibility having regard to advice from the Council's Risk Management Service and other specialist Officers (e.g. Health and Safety).
17. Full details of the way that the Council manages its risks are set out in the Risk Management Policy and Strategy and form part of the supplementary guidance to these regulations.

## Insurance

18. The Chief Finance Officer is responsible for:
- effecting all relevant insurances and dealing with all claims;
  - operating an internal insurance account(s) for some risks or elements of risk not covered by external insurance policies and is authorised to charge the various Council Service budgets with the cost of contributions to this account;
  - reviewing, at least annually, all insurances.
19. It is the responsibility of Chief Officers to:
- advise the CFO of all new risks, properties, vehicles or potential liabilities for which insurance may be required; and of any changes affecting existing risks or insurance cover required;
  - notify the CFO in writing without delay of any loss, liability or damage or any event likely to lead to a claim, and shall provide such information and explanations required by the CFO or the Council's insurers;
  - ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## Part D

### Systems & procedures

#### Introduction

- 1 Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This section covers:
  - Accounting systems
  - Income
  - Expenditure
  - Banking arrangements
  - Treasury management
  - Taxation
  - Stock & stores
  - Trading accounts

#### Accounting systems

- 2 The Council relies on a variety of different financial and accounting systems in controlling and administering the finances of the organisation. It is vital that these systems ensure information is recorded accurately, completely and in a timely manner and that all necessary controls are in place to ensure that all transactions are properly processed and any errors detected promptly and rectified.
- 3 The CFO is responsible for:
  - determining the Council's main accounting system for the preparation of the Council's accounts and for monitoring all income and expenditure. The main accounting and budgeting system used at the Council is known as the Financial Management System (FMS);
  - determining any other key financial systems which may sit outside the FMS;
  - ensuring that all financial systems are sound and properly integrated and interfaced;
  - issuing advice, guidance and procedure notes on the use and maintenance of FMS and related financial systems and for ensuring that all finance staff are trained and competent in the using financial systems.
- 4 Directors have devolved responsibility for the finances of their Directorates and must ensure that proper accounting and financial systems exist and incorporate adequate internal controls

to safeguard against waste, loss or fraud. They must also ensure that officers in their Directorates are aware of and have access to copies of these Regulations and any supplementary advice and guidance issued by the CFO.

- 5 Further to this, Directors are specifically responsible for:
- a) ensuring all accounting records are properly maintained and held securely, including any supporting vouchers, documents, contracts etc with financial implications;
  - b) ensuring FMS is used as the prime means of monitoring expenditure and income in their departments and for comparing spend against budgets, except and unless the CFO advises or agrees that alternative arrangements may be made;
  - c) ensuring that FMS is used to accurately record the financial transactions of their departments in accordance with the advice and guidance given by the CFO and in a way that ensures compliance with all legal requirements, proper accounting practice and enables returns to be made to central government, taxation authorities and other relevant bodies and provides a complete audit trail;
  - d) the effective operation of financial systems within their own Directorate to the extent that they are operated and controlled within their Directorate;
  - e) ensuring regular reconciliations between other departmental systems of financial administration with the Council's financial management systems (FMS);
  - f) reporting systems failure to the CFO and consulting with him/her about any changes or new developments;
  - g) ensuring there is a documented and tested disaster recovery plan as part of an agreed business continuity strategy for financial administration;
  - h) ensuring that systems are documented and all staff have been properly trained in their use.

## Income

- 6 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow in line with the Councils Income Policy that forms supplementary guidance to these regulations.
- 7 **The council has moved away from accepting cash except where this is unavoidable any** cash received must be acknowledged by the issue of an official receipt and all monies then accounted for and paid directly into an approved bank account. Details of all

cash receipted on a local basis must be forwarded to the CFO for allocation to the correct accounts.

- 8 Income must never be used to directly fund expenditure (i.e. all transactions must be shown separately in the ledger, both income and expenditure). Officers are directly responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer. Receipts should be given and retained in such circumstances.
9. Procedures for writing off debts shall be as follows:

Decision maker	Delegated powers & authority	Thresholds
The Cabinet	Amounts exceeding £200,000 may only be written off on the authority of the Cabinet. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £200k
Cabinet Member	Amounts over <b>£100,000</b> and not exceeding £200,000 on the authority of the Cabinet Member (Corporate Services) in consultation with the CFO. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery	<b>Over £100k</b> and up to and including £200K
CFO	Amounts <b>up to and</b> not exceeding £100,000 on the authority of the CFO The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	<b>up to and including £100k</b>
Chief Officers	Amounts <b>up to and</b> not exceeding £5000 may be written off by any Chief Officer in consultation with the CFO, who shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	<b>up to and including £5k</b>

- 10 **The CFO has the power to award Discretionary Rate Relief up to the state aid limit in consultation with Cabinet. In the case of urgency the decision can be made by the CFO in consultation with the relevant Cabinet Member. The fully Government funded discretionary awards announced in the Autumn Statement 2013 can be awarded by the CFO or his nominated officer.**
11. The CFO is responsible for making arrangements for the collection of all income due to the Council and approving the procedures, systems and documentation used in its collection **in line with the Corporate Debt Management Policy.** Regularly

reviewing all fees and charges levied by services and ensuring they are set with due regard to comparable market rates, the legal responsibilities of the organisation, the Income Policy and any relevant social or economic policy objectives set out in the Council's Policy Framework

12. Directors are responsible for:
- a) collecting income for which there is budget provision within the budgets for which they are responsible;
  - b) using the systems for the collection and recording of cash and credit income provided by the CFO unless they have the approval of the CFO to make alternative arrangements;
  - c) the proper separation of duties between staff raising accounts and those responsible for income collection;
  - d) collecting all income and initiating all appropriate recovery action for debts that are not paid promptly where local arrangements for doing so have been agreed with the CFO;
  - e) requiring at least two staff to be present when post is opened to ensure any money received in that way is properly identified, recorded and safeguarded;
  - f) issuing official receipts as necessary and maintaining all other documentation for income collection purposes and ensuring controlled stationery is securely stored;
  - g) keeping all income received in secure storage and ensuring cash holdings do not exceed insurance limits;
  - h) ensuring all income is paid fully and promptly into approved bank accounts in the form in which it is received and that all details are properly recorded on paying in slips which are retained for audit trail purposes. Money collected and deposited must be reconciled to the bank account on a regular basis;
  - i) ensuring income is not used to cash personal cheques or used to make other payments;
  - j) supplying the CFO with all details relating to works done, services supplied or other amounts due to be raised through the corporate invoicing system;
  - k) **using the councils charging policy** for the supply of goods and services levied by their Directorate's services and ensuring all fees and charges are set with due regard to income policy, the legal responsibilities of the organisation and any relevant social or economic policy objectives set out in the Council's Policy Framework;
  - l) assisting in the collection of debts originating from their Directorates by providing information and taking any

recovery action necessary on a local basis with the agreement of the CFO;

- m) recommending to the CFO all debts to be written off and maintaining records of all sums written off. Once raised on the accounting system, no bona fide debt can be cancelled except by full payment or by being formally written off in the accounts. Credit notes can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and must not be used for any other purpose;
  - n) notifying the CFO of any outstanding income due in relation to the previous financial year as soon as possible in line with the annual timetable for the closedown of the accounts determined by the CFO.
13. All officers are responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer.

## Expenditure

14. Expenditure may be incurred provided there is funding available through normal ordering and invoicing processes, entering into a contract arrangement, through the payment of salaries, wages and allowances, purchase cards or in exceptional circumstances through raising a cheque requisition. Directors, or their nominated representatives, are authorised to incur expenditure on works, goods and services where there is an approved budget for which they are responsible, provided such expenditure is legally incurred and within the Policy Framework. **All foreign travel to be approved by the CFO, except for: - where it is a director of the council (Chief Executive to determine) or where it is the Chief Executive (Leader of the Council to determine). The decision should consider the total cost, including the extent of external funding where applicable, and the overall anticipated benefits from the trip.** Expenditure must be shown separately to income and expenditure proposals that attract amounts of income must be shown gross in the accounts. The determination of any financial thresholds or bandings referred to by these Regulations must therefore be done with reference to the gross amount.

### Ordering works, goods and services

15. Directors must use the FMS system except in the case of emergencies or if approval has been given by the CFO to an alternative arrangement.
16. Official **purchase** orders including e-orders must be issued for all purchases including those under contract except:
- where the **supplier is on the official list of suppliers exempt from using official purchase orders;**



- purchases made through petty cash;
  - those allowed under the councils Government Procurement Card (GPC) Policy;
  - **those made using a council prepaid card.**
17. Official orders electronic or otherwise must be in an approved form as determined by the CFO. They may only be authorised by signatories up to the limits of their delegation as set out in the relevant Directorate schemes of delegation. This record must be accurate, complete and kept up to date. If it is necessary for an oral order to be placed for any good reason, it must be followed up by an official order as soon as it **is** possible to do so. Orders must be clear and specific (i.e. they should state quantity, price, nature of the goods or service etc so that meaningful comparison between what was ordered and what has been received can be made and the invoice can be matched to the order). Official orders may not be raised for personal or private purchases. Schools have their own ordering procedures and must abide by the regulations set out in the Local Management of Schools scheme.

#### Payments for works, goods and services

18. Payments for works, goods and services must only be made:
- on receipt of an invoice or contract certificate which satisfies VAT regulations, or;
  - where the liability for payment is clearly established and evidenced;
  - in accordance with contractual commitments;
  - in accordance with the council's policy of No Purchase Order No Payment.
19. All Directors must use the FMS system unless they have the approval of the CFO to make alternative arrangements. Officers must ensure payments for works, goods and services are not made unless:
- they are supplied in accordance with an official order, or contract, and the invoice amount/contract certificate is correct;
  - payment is in respect of a periodic account or for a service regularly supplied and the amount invoiced is properly payable;
  - a valid exception to the No Purchase Order No Pay policy has been approved and quoted by the supplier.

20. Council Purchase Cards can be used for procuring goods, works and services when approved through the GPC policy. The individual transaction limit and aggregate spend limit must be approved by the CFO or his delegated representative. All transactions must be entered onto the councils FMS systems and proper separation of duties between officers ordering and/or procuring and those authorising must be maintained. The individual transaction limit must not exceed that set out under the financial scheme of delegation unless agreed by the CFO or his delegated representative.
21. Payments in advance must be avoided except where this is the accepted practice for the type of expenditure involved (e.g. leasing payments, travel or conference facility fees) or where use of a council purchase card has been authorised. Advance payments in excess of £5,000 can only be made with the approval of the CFO all sums below this amount, which are not accepted practice can be approved by the relevant Director. Where interim or part payments form part of a contract, interim certificates or part invoices must be authorised for payment only after the value of the work done or goods or services received has been confirmed.
22. A proper separation of duties must be maintained between staff responsible for requisitioning or creating contractual commitments for works, goods and services and those authorising the commitment. Staff that authorise a requisition through the councils Purchase to Pay system (FMS) must not be responsible for receiving and checking works, services and goods (GRN) where this is required. Directors must agree alternative arrangements with the CFO if it is not practically possible to maintain an adequate separation of duties for any reason.
23. All invoices and receipts must be original documents which comply with VAT regulations (invoices and receipts scanned through the Councils EDRMS system are accepted as original documents). Invoice coding slips for use in exceptional circumstances must be properly completed detailing the correct VAT code, finance ledger codes, sufficient narrative description to allow invoices to be matched and properly described in the ledger and all necessary signatures electronic or otherwise for authorisation and payment.
24. Directors must ensure that payments are made in an appropriate timescale that will not unduly disadvantage the Council's cash flow, result in the Council incurring late payment penalties or prejudice the financial position of those to whom the payment is to be made. The performance standard for the payment of invoices is 30 days. This is a Local Performance Indicator that is monitored by CMT and reported to Cabinet.

Contracting for works, goods and services

- 25 The Contract Procedure Rules are issued as a supplementary guidance document to these regulations and set out the specific procurement rules and procedures to be observed in contracting for the provision of works, goods and services.

Payments of salaries, wages & allowances

- 26 Staff costs form the largest item of expenditure made by the Council. It is important that payments are accurate, complete, timely and made in accordance with what is due consistent with the individual conditions of employment and/or the terms of any officer or Member allowance scheme and that such payments are fully recorded and accounted for in the accounting system.
- 27 The CFO is responsible for providing a corporate payroll system for recording all payroll data and generating payments to employees and Members. The system must allow for the proper calculation of all pay and allowances, National Insurance and pension contributions, Income Tax and all other deductions. Directors must use the corporate payroll system for all payments to employees. Directors are responsible for ensuring that all information relating to an employee's entitlement to pay and/or the payment of allowances are forwarded to the Payroll team within agreed timescales or otherwise properly and completely input on a local basis (if that arrangement has been agreed with the CFO). All supporting evidence of entitlement must be provided to payroll at the same time (i.e. signed timesheets, appointment forms, changes in pay scales, approval for responsibility payments etc). Schools are permitted to make their own payroll arrangements but if they choose to do so they must provide the CFO with all necessary information to provide assurance to the auditors that any alternative system is well controlled, managed and resulting in the correct payments being made to the correct staff.
- 28 Directors must have the approval of the CFO if they wish to pay an individual a wage or salary outside the payroll system. **All posts that are designated in legislation as been officers of the council e.g. Adoption Panel Members must be paid through payroll as the council is legally liable for Tax and National Insurance Contributions.** Outside of this any such circumstance must be regarded as exceptional and Directors must give careful consideration to the employment status of the individual in doing so (i.e. self employed, consultant or sub-contractor) and the taxation implications of making alternative arrangements.

Petty cash and disbursements

- 29 The CFO will provide petty cash floats **only in exceptional circumstances** to a maximum amount agreed with Directors for the purpose of meeting minor expenses **where there is no**

**alternative method of payment.** Directors are responsible for ensuring all petty cash monies are securely stored and are only used for the purposes intended. VAT receipts must be provided with requests for reimbursements. All receipts and vouchers must be retained and regular reconciliations carried out and recorded by staff responsible for managing petty cash floats.

## Banking arrangements

- 30 It is the responsibility of the Cabinet to approve the banking arrangements of the Council and for the CFO to manage the banking contract on a day to day basis. Council payments must be made by cheque, BACS or other instrument drawn on the Council's bank account by the CFO. Directors must have the prior approval of the CFO to operate local bank accounts and this will only be allowed in exceptional circumstances. Detailed advice on the use and operation of local bank accounts is given in the Council's Guide to Managing Financial Risks and the Local Management of Schools finance manual.
- 31 The CFO is responsible for ensuring regular reconciliations are carried out on at least a quarterly basis for all the main bank accounts to the financial records of the Council. Responsibility for the regular reconciliation of local bank accounts resides with the relevant Directors. All cheques on the main bank account are to be ordered and controlled by the CFO who will make arrangements for the safe custody of all blank cheques and the preparation, signing and dispatch of cheques. All withdrawals or transfers with an individual **value in** excess of £50,000 must be counter-signed by another authorised signatory to the bank account. Directors must make arrangements for the safe custody of all blank cheques and the preparation, signing and dispatch of cheques for all other local bank accounts.

## Treasury Management

- 32 The Council has adopted the recommendations set out in the CIPFA Code of Practice on Treasury Management (the Code) which have been observed in setting out the Council's Treasury Management Strategy and policy statements.
- 33 The CFO is responsible for:
- a) preparing a Treasury Management Strategy setting out the objectives, policies, working practices and controls to be observed in the Council's treasury management activities for approval by the Cabinet;
  - b) ensuring the implementation of the strategy and its periodic review, reporting progress and any necessary

- changes to meetings with the Cabinet Member for Corporate Services on a regular basis;
- c) ensuring that the Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports;
  - d) all investment, borrowing and credit agreements entered into on behalf of the Council, credit cards, hire purchase arrangements and finance leases will not be approved for use except in very special circumstances;
  - e) approving the set up of any company, joint companies, joint ventures, partnerships or investments;
  - f) the custody of all financial securities which are the property of the Council, or are held in its name;
  - g) the registration of all Council owned stocks, bonds, mortgages and loans;
  - h) effecting all loans in the Council's name to meet its needs on the most economic terms available.
- 34 Directors are responsible for:
- a) ensuring that loans or guarantees are not given to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council following consultation with the CFO;
  - b) arranging for all trust funds to be held in the name of the Council wherever possible and ensuring that trust funds operate within the law and the specific requirements for each trust. All officers acting as trustees by virtue of the position with the Council shall deposit securities relating to the trust to the custody of the CFO unless the deeds specifically require otherwise;
  - c) arranging the secure administration of funds held on behalf of third parties and partnerships ensuring that the systems and controls for administering such funds are approved by the CFO and subject to regular audit.

## Taxation

- 35 The CFO is responsible for ensuring:
- a) the completion of all Inland Revenue returns regarding PAYE;
  - b) the completion of a monthly return of VAT inputs and outputs to HM Revenues & Customs;
  - c) the provision of details to the Inland Revenue regarding the construction industry tax deduction scheme;

- d) the provision and maintenance of up to date guidance for Council employees on taxation issues in relevant accounting and taxation manuals and through advice provided by the Corporate Accountancy team.
- 36 Directors are responsible for ensuring that:
- a) the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenues & Customs;
  - b) where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry scheme (CIS) deduction requirements;
  - c) all persons employed by the Council are added to the Council's payroll and tax deducted from any payments made to them (with approved exceptions agreed by the CFO where the individuals concerned are bona fide self-employed or are employed by a recognised agency);
  - d) all advice and guidance on taxation issued by the CFO is followed and adhered to by staff in their own Directorates.

## Stocks & stores

- 37 Directors may hold reasonable levels of stocks and stores of consumable items, materials, equipment and goods for resale. They are responsible for the receipt and custody of stock items and for writing off any items of stock. Directors must take VFM considerations into account in holding stocks and stores and ensure unnecessarily high levels of stocks are not allowed to accumulate. The value of stocks and stores held at the year end must be certified by and authorised officers and forwarded to the CFO.
- 38 Procedures for the disposal of redundant stocks and equipment are set out in the guide to the disposal of assets which forms supplementary guidance to these regulations.

## Inventories & asset management

- 39 The Council holds tangible assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It also makes use of other non-tangible assets such as intellectual property. It is essential to the financial health and well being of the Council that these assets are safeguarded and used efficiently and effectively in supporting the delivery of Council services. All staff are responsible for safeguarding the assets and information used in their day to day activities and must ensure they are aware of their responsibilities in respect of the Data Protection Act, software copyright legislation, and the

security of the Council's information systems. These responsibilities are laid out fully in the IT Regulations and E-Communications Policy that form part of the Constitution.

- 40 The CFO is responsible for:
- a) ensuring that an asset register is maintained in accordance with good practice for all fixed assets valued in excess of £10,000 and that asset valuations are made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP);
  - b) arranging for all insurances and requiring Directors to ensure all assets are kept securely and used efficiently and effectively;
  - c) ensuring compliance with the rules in relation to contractual commitments for the acquisition and disposal of assets **as follows:**
    - i) the disposal of surplus assets, land and buildings up to the value of £500,000 on behalf of the Council in consultation with, the relevant Director(s) and Cabinet Member for Corporate Services, except where the disposal is not to the highest bidder or there is a significant discrepancy between the estimated sales value and the actual sales figure. All disposals must comply with the Contract Procedure Rules that form supplementary guidance to these regulations and the Rules in Relation to Contractual Commitments set out in the Guide to Managing Financial Risks. All disposals valued in excess of £500,000 must be referred to the Cabinet for decision;
    - ii) the acquisition of all land and buildings on behalf of the Council having due regard to the provisions of the Asset Management Strategy, Capital Programme and Medium Term Financial Strategy subject to the appropriate budgetary provisions having already been agreed by the Council.;
  - d) ensuring advice on the VAT implications of proposed land & building acquisitions and sales is sought at the planning stage;
  - e) ensuring that all asset acquisitions and disposals are properly recorded within asset records and comply with the disposal policy which forms supplementary guidance to these regulations.
  - f) maintaining up to date records of all land and buildings, including valuations in the form of a corporate asset

register for the Council and these records must as a minimum be reviewed on an annual basis;

- g) ensuring all rents, charges, fees etc due in respect of properties and land are raised and all income is collected and accounted for in the Council's accounting systems;
- h) ensuring all lessees and other prospective occupiers of Council land and buildings are not allowed to take possession or enter the property until a lease or agreement in a form approved by the CFO has been made;
- i) to act as custodian for all title deeds for the Council;

41 In addition, Directors are responsible for:

- a) providing the **CFO or his delegated deputy** with information and all relevant documentation regarding all assets owned or used in relation to services provided by the Directorate(s) for the purposes of maintaining an up to date and complete asset management register;
- b) ensuring the proper security and safe custody of all assets under their day to day operational control and consult with the **CFO or his delegated deputy** in any case where security concerns exist or if it is considered that special security arrangements are required;
- c) to record all disposals or part exchange of non-land and building assets, in line with the disposal policy which forms supplementary guidance to these regulations ;
- d) to maintain local inventories recording adequate descriptions of all furniture, fittings, equipment, plant & machinery above £500 and record items of a lower value where the risk is considered to be significant;
- e) reporting all assets that are lost, stolen or destroyed to the Insurance Manager for recording purposes and where necessary the CIA in compliance with the asset disposal policy;
- f) making sure property is only used in the course of the Council's business, unless specific permission has been given by the Director to do otherwise.



## Part E

### External arrangements

#### Introduction

- 1 The Council exercises an important community leadership role, helping to orchestrate the contributions of various stakeholders in discharging its statutory responsibilities for promoting and improving the economic, social and environmental well-being of the area.

#### Partnerships, joint working & grant funding

2. A grant can be defined as a contribution or subsidy (in cash or in kind) given by the Council to another organisation for a specified purpose. Grants must be conditional upon the delivery of specified standards or outputs and be subject to the production of regular monitoring reports and the delivery of agreed outcomes.
- 3 The CFO must satisfy him/herself that the accounting arrangements for all partnerships and joint ventures are proper and appropriate, including all audit and inspection requirements. He/she must also consider overall corporate governance arrangements and any legal and taxation issues when partnerships are arranged with external bodies. He/she must ensure all known risks are appraised before entering into agreements with external bodies and seek to ensure VFM is obtained.
- 4 The CFO is also be responsible for advising on the funding and financing of a project including:
  - a) financial viability in current and future years;
  - b) risk appraisal and risk management arrangements;
  - c) resourcing and taxation;
  - d) audit, security and control requirements;
  - e) carry forward arrangements.
- 5 Directors are responsible for:
  - a) maintaining local registers of partnerships and entered into with external bodies in accordance with procedures specified by the CFO and providing information about those to the Head of Paid Service as required;
  - b) ensuring that a risk management assessment has been carried out before entering into agreements with external bodies;

- c) ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council;
- d) ensuring that all agreements and arrangements are properly documented;
- e) providing appropriate information to the CFO to enable relevant entries to be made in the Council's Statement of Accounts concerning material items;
- f) ensuring that the appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- g) ensuring that for all instances of grant/loan funding there is:
  - i) proper consideration of the relevant interest rate payable agreed and approved by the CFO;
  - ii) an appropriate 'state aid' de minimis declaration made by the recipient organisation;
  - iii) in respect of loans a process of monitoring on at least a six monthly basis providing an update to the relevant lead officer ( $\leq$ £100K), all loans above £100K will be reviewed as part of the finance monitoring reports to Cabinet, to ensure delivery of outcomes and value for money
  - iv) a Service Level Agreement in place to protect the Council. (Separate guidance is available on the mandatory format, content and review of this Service Level Agreement).
- h) all grants/loans:
  - i) must have prior budgetary approval, typically through the budget process;
  - ii) over £100k must be approved by the Cabinet & CFO and must have a legally binding grant funding agreement (GFA) rather than an SLA;
  - iii) must be raised using the prescribed Financial Ledger Codes;
  - iv) must use the relevant Charge Code and Recovery Route (in respect of loans);
  - v) below £100,000 must be notified to the CFO who will determine whether there is existing delegation that provides authority to award the grant, or if it requires cabinet approval. Where the grant is an annual grant, approval as part of the budget process will be sufficient;

## External funding

- 6 External funding can prove a very important source of additional income to an authority, but funding conditions need to be carefully examined before entering into any agreement to ensure they are compatible with the aims and objectives of the Council. Councils are being encouraged to provide seamless service delivery by working closely with other agencies and service providers (both public and private). Funds from external agencies such as the National Lottery and the single regeneration budget can provide additional resources for services. However, whilst the scope for funding has increased, it is usually linked to increasingly tight specifications and may not be flexible enough to meet the aims and objectives of the Council ambitions and plans.
- 7 The CFO is responsible for:
  - a) ensuring that all external funding is received and properly recorded in the Council's accounts;
  - b) match funding requirements are considered prior to entering into any agreement and that future revenue budgets reflect these requirements;
  - c) ensuring all audit requirements are met.
  - d) Provision of standard application documentation for discretionary grants.
- 8 Directors are responsible for ensuring that:
  - a) all claims for funds are made by the due date;
  - b) the project progresses in accordance with the agreed project plan and all expenditure is properly incurred and recorded.

## Work for third parties

- 9 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements must be put in place to ensure that any risks associated with undertaking such work is minimised and that the work is done intra vires. All work should be properly costed in accordance with the advice and guidance of the CFO and done on the basis of a proper contract according to the Contract Procedure Rules set out as supplementary guidance to these Regulations.
- 10 The relevant Cabinet Member(s) are responsible for approving the contractual arrangements for work undertaken on behalf of a third party or external bodies. The CFO is responsible for issuing

guidance with regard to the financial aspects of any third party contracts and the maintenance of the contracts register. Directors are responsible for:

- a) ensuring that the approval of the Cabinet Member is obtained before any negotiations are concluded to work for third parties;
- b) maintaining a register of all such contracts entered into with third parties in accordance with procedures specified by the CFO;
- c) ensuring that appropriate insurance arrangements have been made;
- d) ensuring that the Council is not put at risk from any bad debts;
- e) ensuring that no contract will be subsidised by the Council;
- f) ensuring that the service has the appropriate expertise to undertake the contract;
- g) ensuring that such contracts do not impact adversely upon the services provided to the Council;
- h) providing appropriate information to the CFO to allow entries to be made in the Council's final Statement of Accounts.
- i) ensuring that there is no conflict of interest with any third party provider

## Annex A

## Summary of Delegation &amp; Reporting

## Revenue Virements

Decision maker	Delegated powers & authority	Thresholds
The Cabinet	To approve virements between Service Plans in excess of £500k (either individually or in aggregate for the financial year)	Over £500k up to the cash limits set by the Budget
	To approve allocations of resources from approved contingencies and reserves	As set by the annual Budget
	To make recommendations to Full Council for the release of budget resources in excess of the approved contingencies and reserves	As set by the annual Budget
	To approve virements from within existing Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity	Over £500k
Directors	To approve virements within or between Service Plans within their Directorates in excess of £100k and up to £500k (either individually or in aggregate for the financial year) in consultation with the relevant Cabinet Member	Over £100k and up to £500k
	To approve virements from within existing Service Plans or between Service Plans within their Directorates into new or otherwise unplanned functions and activities if savings are available to vire into the new activity	Over £100K and Up to £500k in consultation with the relevant Cabinet Member
	To approve virements between directorates in consultation with the relevant directors	Up to and including £50K in consultation with the relevant Cabinet Member
Other Chief Officers	To approve virements within their Service Plans up to £100k (either individually or in aggregate for the financial year)	Up to £100k

**Capital Virements**

<b>Decision maker</b>	<b>Delegated powers &amp; authority</b>	<b>Thresholds</b>
The Cabinet	To approve individual virements between schemes in excess of £500k	Over £500k
	To re-phase approved scheme expenditure between years in excess of £500k for each scheme	Over £500k
Directors	To approve individual virements between schemes in excess of £100K up to a maximum of £500k in consultation with the relevant Cabinet Member	Over £100K and Up to and including £500k
	To approve individual virements between schemes up to a maximum of £100k	Up to and including £100k

**Venture Fund Bids**

Up to and including £50K  
Over £50K

CFO & Leader of Council  
Cabinet

**Payment in Advance**

Up to and including £5K  
Over £5K

Relevant Director  
CFO

**Disposal of Surplus Assets (Land & Buildings)**

Up to and including £500K  
Over £500K

CFO (Para 39 Page 45)  
Cabinet

**Acquisition of Assets (Land & Buildings)**

Up to and including £500K  
Over £500K

CFO (Para 39 Page 45)  
Cabinet

**Debt Write-Off**

<b>Decision maker</b>	<b>Delegated powers &amp; authority</b>	<b>Thresholds</b>
The Cabinet	Amounts exceeding £200,000 may only be written off on the authority of the Cabinet. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £200k
Cabinet Member	Amounts <b>over £100,000</b> and not exceeding £200,000 on the authority of the Cabinet Member (Corporate Services) in consultation with the CFO. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery	<b>Over £100k</b> and up to and including £200K
CFO	<b>Amounts up to and not exceeding £100,000</b> on the authority of the CFO). The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	<b>up to and including £100k</b>
Chief Officers	Amounts <b>up to and not exceeding £5000</b> may be written off by any Chief Officer in consultation with the CFO, who shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	<b>up to and including £5k</b>

## Glossary of terms

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 Common terms
 

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<b>Budget</b>	<i>A plan expressed in financial terms</i>
<b>Cost centre</b>	<i>A budgeting level which usually reflects a whole service area, or main sub-category of a service. It encompasses a number of standard 'subjective' coding areas such as those used for staffing related costs, supplies &amp; services, income etc</i>
<b>Capital</b>	<i>The organisation's total assets less its liabilities</i>
<b>Capital expenditure</b>	<i>Expenditure to acquire fixed assets that will be of use for more than the year in which they are acquired and which adds to the Council's tangible assets rather than simply maintaining existing ones</i>
<b>Revenue</b>	<i>Income or expenditure, arising from or spent on, day to day activities and short lived commodities or consumables</i>
<b>Service plan</b>	<i>A plan setting out the priorities and service ambitions</i>
<b>Virement</b>	<i>A transfer of resources between or within approved cost centres for both revenue and capital purposes</i>

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 Acronyms
 

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<b>CFO</b>	<i>The Chief Finance Officer</i>
<b>CIA</b>	<i>The Chief Internal Auditor</i>
<b>CL</b>	<i>Corporate Landlord</i>
<b>FMS</b>	<i>The principal budgeting and financial information management system used at the Council</i>
<b>ITT</b>	<i>Invitation to tender</i>
<b>MEAT</b>	<i>Most Economically Advantageous Tender</i>
<b>MO</b>	<i>The Monitoring Officer</i>
<b>NI(C)</b>	<i>National Insurance (contributions)</i>
<b>PAYE</b>	<i>Pay as you earn</i>
<b>VFM</b>	<i>Value for Money</i>
<b>VAT</b>	<i>Value Added Tax</i>

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## Organisations

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<b>CIPFA</b>	<i>The Chartered Institute of Public Finance Accountancy</i>
<b>SOLACE</b>	<i>Society of Local Authority Chief Executives</i>
<b>The Audit Commission</b>	<i>Quasi autonomous non-governmental body charged with the independent audit of public sector organisations in the Local Government and Health arena</i>
<b>The External Auditor</b>	<i>Independently appointed person responsible for the external audit of the Council. The council's auditors have various statutory powers and responsibilities for public reporting of the audit</i>

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**Audit and Governance Committee**

25 June 2014

Report of the Head of Internal Audit

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**Annual Report of the Head of Internal Audit**

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**Summary**

- 1 This report summarises the outcome of audit and fraud work undertaken in 2013/14 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 (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, and the council's internal audit charter, the Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. This report is to be used by the committee to inform its consideration of the council's annual governance statement and it must include:
  - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies;
  - a statement on conformance with the PSIAS;
  - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme;
  - the Head of Internal Audit's opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control;
  - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity);
  - any particular control weakness judged to be relevant

to the preparation of the Annual Governance Statement.

### **2013/14 Internal Audit & Counter Fraud Work**

- 3 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of audits finalised since the last report to this committee in April 2014 are included at annex 2.
- 4 Internal audit delivered 96.7% of the 2013/14 internal audit plan by 30 April 2014 (against a target of 93%). The service also achieved a positive customer satisfaction rating of 94.1% (against a target of 95%), and agreed actions to address 100% of high priority issues identified through audit work (against a target of 95%).
- 5 All of the actions agreed with services as a result of internal audit work are followed up to ensure that the underlying control weaknesses are addressed. The results of follow up work are summarised twice yearly for this committee (the last report was in April). Overall, good progress in implementing actions continues to be made by management.
- 6 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in Annex 3. This has been another successful year for the team with 55% of cases investigated resulting in positive action being taken, an increase from 47% last year. Housing fraud has been an area of particular success with 49 council properties being either recovered or prevented from being let following action taken by the fraud team, an increase from 23 last year. The team continue to develop their work in a number of other areas and this has included one prosecution for parking fraud during the year.

### **Breaches of Financial Regulations**

- 7 Where breaches of council regulations, legislation, or other external regulations are identified through internal audit work these are reported to the committee in accordance with best practice. In most cases, actions agreed with managers as a result of the audit work will address the breaches identified.

There have been a number of breaches of the council's financial regulations identified during the course of internal audit work in 2013/14. A summary of the breaches identified since the last report to this committee in April 2014 is included at annex 4. There are no other specific matters which need to be brought to the attention of the committee.

### **Conformance with the Public Sector Internal Audit Standards**

- 8 In order to comply with the new Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit and Governance Committee along with any areas of non-conformance with the standards. The QAIP consists of various elements, including:
  - maintenance of a detailed audit procedures manual and standard operating practices;
  - ongoing performance monitoring of internal audit activity;
  - regular customer feedback;
  - training plans and associated training and development activities;
  - periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).
- 9 A formal external assessment must also be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 10 During the year, Veritau has developed a comprehensive QAIP including undertaking a survey of senior management in each client organisation and completing a detailed self assessment to evaluate performance against the standards. In addition, the decision was taken to arrange for an external assessment to be carried out. The assessment was conducted by the South West Audit Partnership and was completed in April 2014. The results of the assessment

provide evidence to support the QAIP as well as helping to inform the Improvement Action Plan for 2014/15.

- 11 The outcome of the QAIP demonstrates that the service confirms to the Public Sector Internal Audit Standards. Further details of the QAIP and Improvement Action Plan are given in annex 5.

### **Opinion of the Head of Internal Audit**

- 12 In accordance with the council's internal audit charter, the Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. The report sets out the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. In doing so, the report also contributes to the preparation of the Annual Governance Statement.
- 13 The opinion of the Head of Internal Audit is given at annex 1. The opinion is based on audit and counter fraud work completed during the year including that detailed in the annexes to this report and other monitoring reports to this committee during the year. Internal audit work has been conducted in accordance with proper standards. No qualifications to this opinion are considered necessary.
- 14 In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2013/14 Annual Governance Statement:
  - a) Partnership Governance – the lack of corporate controls in place to manage risks related to the council's partnership working has been raised as a significant issue in previous years. Audit work undertaken in 2014/15 identified that no progress has been made in implementing revised corporate arrangements. A draft report has been issued and work is ongoing to agree appropriate actions.
  - b) Attendance Management – recent audit work has identified that there are a number of weaknesses with the council's current processes for recording and managing sickness absence. A draft report has been issued and

discussions with officers are ongoing to agree actions to address these issues.

- c) Information Security – there have been improvements in control in this area but internal audit work undertaken during the year has raised concerns about information security in some areas where sensitive documents were left on desks or in unlocked cabinets.

### **Consultation**

- 15 Not relevant for the purpose of the report.

### **Options**

- 16 Not relevant for the purpose of the report.

### **Analysis**

- 17 Not relevant for the purpose of the report.

### **Council Plan**

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

### **Implications**

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

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

## **Risk Management Assessment**

- 20 The council will not comply with proper practice for internal audit if the results of audit work are not reported to senior management and the Audit and Governance Committee.

### **Recommendation**

- 21 Members are asked to:

- (a) note the results of audit and counter fraud work undertaken in 2013/14.

Reason

*To enable members to consider the implications of audit and counter fraud findings.*

- (b) note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's internal control environment.

Reason

*To enable members to consider the implications of audit and counter fraud findings.*

- (c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.

Reason

*To enable members to consider the opinion of the Head of Internal Audit.*

- (d) note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

*To enable the Annual Governance Statement to be prepared.*



## Contact Details

<b>Author:</b>	<b>Chief Officer responsible for the report:</b>
Max Thomas	Ian Floyd
Head of Internal Audit	Director of Customer & Business Support
Veritau Limited	Telephone: 01904 551100
01904 552940	

**Report  
Approved**



**Date** 13/06/14

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

## Background Papers

- 2013/14 Audit, Counter Fraud, and Information Governance Plan
- Internal Audit, Counter Fraud, and Information Governance Monitoring Reports to Audit and Governance Committee in 2013/14 (November and April)
- Reports on Follow up of Internal Audit Agreed Actions to Audit and Governance Committee in 2013/14 (September, April)

## Annexes

- Annex 1 - Opinion of the Head of Internal Audit
- Annex 2 - Audits Completed and Reports Issued
- Annex 3 - Counter Fraud Work
- Annex 4 - Breaches of Financial Regulations
- Annex 5 - Veritau Internal Audit Quality Assurance and Improvement Programme.

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### **Opinion of the Head of Internal Audit**

I have evaluated the results of the audit and fraud work undertaken during the 2013/14 year. In my opinion the council's framework of governance, risk management and control provides **Substantial Assurance**. The council can therefore continue to place reliance on the adequacy and effectiveness of its systems of internal control and the overall control environment.

Signed

Max Thomas  
Head of Internal Audit  
Veritau Ltd

11 June 2014

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**AUDITS COMPLETED AND REPORTS ISSUED**

The following categories of opinion are used for audit reports.

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

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

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

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

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

objectives, and which needs to be addressed by management.

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

3

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

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

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

### Draft Reports Issued

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

<b>Opinion</b>	<b>Number</b>
High Assurance	1
Substantial Assurance	13
Moderate Assurance	7
Limited Assurance	2
No Assurance	0
Not given	0

### Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in April 2014. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

<b>Audit</b>	<b>Date Of Final Report</b>	<b>Opinion</b>	<b>Number of Agreed Actions</b>		<b>Work done / significant weaknesses / issues identified</b>
			<b>Total</b>	<b>Priority 1</b>	
Burnholme Community College	01/04/2014	Substantial Assurance	2	0	A schools audit, no significant issues were identified.



Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Treasury Management and Prudential Code	04/04/2014	High Assurance	0	0	No significant issues identified.
Public Health	30/04/2014	Moderate Assurance	5	0	The council has generally integrated the Public Health responsibilities well. However there are some concerns with respect to the identification and management of risk and the monitoring of the new contracts that have been established. It is accepted that this is a period of transition and change, however it is important that the council has robust monitoring arrangements in place and a clear plan which identifies role and responsibilities as the remainder of the contracts that were transferred are re-tendered.
Park Grove Primary School	06/05/2014	Substantial Assurance	6	0	A schools audit, no significant issues were identified.
VAT	06/05/2014	High	0	0	No significant issues identified.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Accounting		Assurance			
Direct Payments	09/05/2014	Limited Assurance	3	1	<p>Prior to September 2013, when responsibility for monitoring the use of Direct Payments transferred to the Charging Unit within the Financial Procedures service area of CBSS, no effective monitoring of the use of Direct Payments had been undertaken. Since the transfer of responsibility a substantial amount of work has been undertaken in transferring customers to the Cash Plus account (prepaid cards). These accounts are managed by the council and provide transparency of spend allowing for proper reconciliation. In addressing the issues that emerged during this process including reconciling old customer bank accounts it has not been possible to undertake regular monitoring while the issues surrounding transfer and reconciliation have been in progress.</p> <p>If the lack of ongoing monitoring and reconciliation were not addressed this could result in the council</p>

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<p>failing to identify instances where Direct Payments are not spent in line with the agreed support plan, potential fraud or cases of potential financial abuse. An escalation policy is needed to ensure that any issues raised as part of Direct Payments reconciliations or monitoring are effectively resolved. In addition, the latest annual review for the ILS by Adults contract is still outstanding.</p> <p>The actions agreed in this report, once implemented, should ensure that an effective control environment is in operation but based on the procedures and controls that have been in operation in the past and throughout the last year, a Limited Assurance opinion was necessary at the time of the audit.</p>
Housing Rents	30/05/2014	Substantial Assurance	2	0	The audit found that the systems in place to collect, record, reconcile and monitor housing rents were working satisfactorily together with the

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					arrangements for debt recovery. Some amendments are needed to user access in order to effectively restrict access to high risk tasks within the system and improvements are needed to ensure that large credit balances are refunded to tenants.
Social Care Establishments	30/05/2014	Limited Assurance	4	1	There are currently no comprehensive assessments undertaken to establish whether customers have the capacity to manage their own finances. This has resulted in the cash handling procedures being applied inconsistently at council establishments. Customers are also not currently provided with secure storage facilities in their rooms for cash or other valuables. The weaknesses in controls surrounding handling customer's money increases the risks that money is lost or stolen, or that allegations of theft are made against members of staff.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Capital Programme	04/06/2014	Substantial Assurance	2	0	A review of the procedures in place supporting the approval and monitoring of the council's capital programme. No significant issues were identified.

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**COUNTER FRAUD ACTIVITY 2014/15**

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

	<b>2013/14 (Actual: Full Yr)</b>	<b>2013/14 (Target: Full Yr)</b>	<b>2012/13 (Actual: Full Yr)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	55%	30%	47%
Number of investigations completed	239	320	262

**Caseload figures for the period are:**

	<b>As at 1/4/14</b>	<b>As at 1/4/13</b>
Awaiting allocation	40	38
Under investigation	157	125

**Summary of counter fraud activity:**

Activity	Work completed or in progress
Data matching	<p>Matches from the National Fraud Initiative's Council Tax exercise (1612 in total) are currently being addressed by the council tax department. The next National Fraud Initiative will begin in October when data is extracted from council systems and securely sent to the Audit Commission.</p> <p>A proactive data matching exercise identifying fraud solely within the Council Tax Support scheme is currently underway. 19 cases of suspected fraud have been identified of which 12 are currently under investigation.</p> <p>Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team received 672 HBMS referrals in 2013/14. HBMS referrals resulted in 2 benefit fraud prosecutions and 4 sanctions.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to robustly respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Housing fraud</b> – working in conjunction with housing officers, 35 properties were recovered in 2013/14. In addition, 14 properties were prevented from being let where the prospective tenants had provided false information in their housing applications (comparative figures for last year were 21 properties recovered and 2 applications blocked). Two people have been</li> </ul>



Activity	Work completed or in progress
	<p>cautioned for falsely applying for housing. There are 50 current investigations in this area. In September 2013 the team launched a regional anti-housing fraud drive joining up with four housing associations and four other local authorities in North Yorkshire.</p> <ul style="list-style-type: none"> <li>• <b>Internal fraud</b> - the team received 20 referrals for internal frauds in 2013/14 of which 5 cases are still under investigation.</li> <li>• <b>Benefit fraud</b> - 16 people have been prosecuted for benefit fraud offences and a further 14 have received formal sanctions (cautions and administrative penalties). Benefits have been corrected in a further 34 cases.</li> <li>• <b>Social Care fraud</b> – There are currently 16 ongoing investigations in this area. The fraud team is working closely with a number of departments to identify, detect and deter fraud in this area.</li> <li>• <b>Parking fraud</b> – 12 cases of parking fraud (principally blue badge misuse) were referred to the team in 2013/14. One person was prosecuted, two people were cautioned and five people have received written warnings. There are eight cases currently under investigation.</li> <li>• <b>Council Tax fraud</b> – The team received 28 reports of council tax fraud in 2013/14 – principally false claims for single persons discount but also reports of other types of exemptions and business rate avoidance . There are 15 active investigations in this area.</li> </ul>

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**ANNEX 4****SUMMARY OF BREACHES OF FINANCIAL REGULATIONS  
IDENTIFIED DURING INTERNAL AUDIT WORK COMPLETED  
IN THE PERIOD**

<b>Description of Breach</b>	<b>Instances</b>
Incorrect mileage claim procedures	1
Lack of a waiver when fewer than 3 quotations obtained	1

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## VERITAU GROUP

### INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME – 2014

#### 1.0 Background

##### Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- the objectives, scope and expected timescales for each audit engagement subject to agreement with the client before detailed work commences (audit specification)
- the results of all audit testing work documented using the company's automated working paper system (Galileo)
- file review by an audit manager and sign-off of each stage of the audit process
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets reported to each client on a regular basis.

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a second audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned.

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

### Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the standards. To support this process, each internal auditor is required to assess their current skills and knowledge against the competency profile relevant for their role.

The results of the annual client survey and PSIAS self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board<sup>1</sup> as part of the annual report of the Head of Internal Audit.

The process followed is also intended to enable council clients to discharge their responsibilities for evaluating the effectiveness of internal audit each year as set out in the Accounts and Audit (England) Regulations 2011 section 6(3).

### External assessment

At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit. The outcome of the external

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<sup>1</sup> As defined by the relevant audit charter.

assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

## 2.0 Customer Satisfaction Survey – 2014

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2014. Where relevant, the survey also asked questions about the counter fraud and information services provided by Veritau. A total of 96 surveys were issued to senior managers in client organisations. 21 surveys were returned (a response rate of 22%). Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service.

The results of the survey are set out in the table below:

	1	2	3	4	N/A
1 The quality of planning and the overall coverage of the audit plan	2	10	7	1	1
2 The provision of advice and guidance	5	13	3		
3 The conduct and professionalism of audit staff	10	11			
4 The ability of audit staff to provide unbiased and objective opinions	7	13	1		
5 The ability of audit staff to establish a positive rapport with customers	7	11	3		
6 The auditors' overall knowledge of the system / service being audited	4	7	8	1	1

7 The auditors' ability to focus on the areas of greatest risk	2	15	3	1
8 Agreeing the scope and objectives of the audit	4	11	5	1
9 The auditors' ability to minimise disruption to the service being audited	7	9	4	1
10 The communication of issues found by the auditors during their work	4	13	3	1
11 The quality of feedback at the end of the audit	4	14	2	1
12 The accuracy, format, length and style of audit reports	6	12	1	1
13 The time taken to issue audit reports	3	12	5	1
14 The relevance of audit opinions and conclusions	2	14	4	1
15 The extent to which agreed actions are constructive and practical	3	13	4	1
<b>Overall rating for the Internal Audit services provided by Veritau</b>	2	17	1	1

The ratings were broadly in line with the previous year and suggest that the service is well regarded by clients. However, there is a need to focus on some of the areas where the ratings are lower. In particular, auditors need to demonstrate a better understanding of the systems and services being audited. There is also scope to improve the quality of planning and the overall coverage of audit plans.

### 3.0 Self Assessment Checklist – 2014

The checklist prepared by CIPFA to enable conformance with the PSIAS and the Local Government Application Note to be assessed was completed in March 2014. Documentary evidence was provided where current working practices were considered to fully or partially conform to the standards.



In most areas the current working practices were considered to be a standard. However, the following areas of non-conformance were identified. None of the issues identified are considered to be significant. In addition, in some cases, the existing arrangements are considered appropriate for the circumstances and hence require no further action.

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Has the Head of Internal Audit reported the results of the QAIP to senior management and the audit committee?	As this is the first full year of the PSIAS, the results of the QAIP still need to be reported to senior management and the board of each respective client. The expectation is that this stage will be completed by 30 June 2014

<u>Conformance with Standard</u>	<u>Current Position</u>
	(and each subsequent year).
Has the Head of Internal Audit included the results of the QAIP and progress against any improvement plans in the annual report?	See above – still to be done for this year. The outcomes of the QAIP and details of any specific development needs (as set out in the annual Improvement Action Plan) will be included in the annual report.
Has the Head of Internal Audit stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	See above – still to be done for this year.
Has the Head of Internal Audit reported any instances of non-conformance with the PSIAS to the audit committee?	See above – still to be done for this year.
Has the Head of Internal Audit considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	See above – still to be done for this year.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that	Consulting engagements are

<u>Conformance with Standard</u>	<u>Current Position</u>
have been accepted included in the risk-based plan?	commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	<p>Whilst reliance may be placed on other sources of assurance there is no formal process to identify and assess other sources of assurances.</p> <p><i>Action: the use of assurance mapping will be further developed and, where appropriate, future audit plans will highlight where other sources of assurance are being relied upon.</i></p>
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following – (c) the respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	<p>In future, specifications will set out the expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties).</p> <p><i>Action: the audit manual and standard working papers will be changed to reflect this requirement</i></p>
For consulting engagements, have internal auditors established an understanding with the engagement clients about the following – (c) the respective responsibilities of the internal auditors and the client and other client expectations?	<p>In future, specifications (and reports) will set out the expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties).</p> <p><i>Action: the audit manual and standard working papers will be</i></p>

<u>Conformance with Standard</u>	<u>Current Position</u>
	<i>changed to reflect this requirement</i>
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	<p>This has not been done previously. In future, specifications and reports will set out the expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties). The Audit manual has already been amended to reflect this requirement.</p> <p><i>Action: the audit manual and standard working papers will be changed to reflect this requirement</i></p>

#### 4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients.

The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP). Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to over 12 local authorities (including county, unitary and district councils across Somerset, Wiltshire and Dorset). The Partnership was established in 2005 and currently employs over 60 members of staff.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number

of senior client officers and Veritau auditors. The assessors also interviewed an audit committee chair. The fieldwork was completed in early April 2014.

A copy of the assessment report is attached at **appendix A**.

The conclusion from the external assessment was that the current working practices conform to the required professional standards. The assessors made a number of observations and recommendations which will now be taken forward in the Improvement Action Plan (see below).

## 5.0 Improvement Action Plan

The following changes and improvements to working practices will be made:

<b>Change / improvement</b>	<b>Target completion date</b>
The use of assurance mapping will be further developed and, where appropriate, future audit plans will highlight where other sources of assurance are being relied upon.	31 March 2015
The audit manual and standard working papers will be changed to ensure that the expectations on Veritau and the relevant client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties) are fully understood. The standard templates for audit specifications and reports will be amended to reflect this change. Where appropriate, information sharing agreements will also be established with client organisations.	30 September 2014
Further comparative benchmarking information will be sought from other internal auditor providers in order to help demonstrate that the current internal audit service provides value for money.	31 March 2015
Whilst the current outsourced arrangement	31 March 2015

<p>with Audit North is working well further efforts will be made to develop the capacity of the 'in-house' IT audit provision in order to be able to offer a more cost effective option to client organisations.</p>	
<p>The standard Audit Charter will be amended to make it clear that auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months.</p>	30 September 2014
<p>Current internal audit working practices will continue to be reviewed to ensure that there is consistency in service delivery across the different teams.</p>	31 March 2015

# **SELF-ASSESSMENT WITH EXTERNAL INDEPENDENT VALIDATION**

**VERITAU GROUP**

**MAY 2014**

**COMPLETED BY:  
THE SOUTHWEST AUDIT PARTNERSHIP**



## INTRODUCTION

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

There are two suggested approaches to conducting the review:

- External Quality Assessment
- Self-Assessment with Independent Validation

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

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

## SCOPE AND METHODOLOGY

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

The principal objective of the QA was to assess the IA activity’s conformance to the International Standards for the Professional Practice of Internal Auditing (Standards).

The QA Review Team from SWAP was made up of their Company Chief Executive – Gerry Cox who is a Chartered Auditor and Certified Auditor with over 25 years management experience in Internal Auditing. The second member of the team was SWAP’s Director of Quality - Ian Baker, a Fellow Member of the Institute of Management Services with over 10 years management experience in Internal Auditing.

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



## OPINION AS TO CONFORMITY TO THE *STANDARDS*

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

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

The guidance suggests a scale of three ratings, “generally conforms,” “partially conforms,” and “does not conform.” “Generally Conforms” is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. “Partially Conforms” means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. “Does Not Conform” means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

## SUMMARY OF POSITIVE OBSERVATIONS

The IA activity environment is well-structured and progressive, where the Standards are clearly understood and management is endeavouring to provide useful audit tools and implement appropriate practices to ensure the service remains current and provides added value to its clients; summarised by one client officer as a “*modern internal audit service focussing on what’s important*”. Other positive observations include:

- The Head of Internal Audit is highly respected by both staff and client representatives.
- Interviews indicate that the service has a good organisational profile.
- We asked each of the eight client representatives to rate the internal audit service provided by Veritau, out of 10. The service received an average score of 8.4 which indicates it is highly valued by its clients.
- Annual feedback from the client survey indicates a positive view on the conduct, professionalism and approach of Veritau staff.
- The service receives a high level of satisfaction from individual audit review feedback forms.
- Veritau offer good internal training and development for new auditors.
- The service has a comprehensive procedure manual to guide its staff.

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

## OBSERVATIONS AND RECOMMENDATIONS

### PART I – MATTERS FOR CONSIDERATION OF VERITAU MANAGEMENT

1. The self-assessment identified the need for specifications to set out expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties). It would be beneficial to have an agreed Audit Charter (or some form of engagement agreement) with all client organisations engaged with and other related documents such as Information Sharing Protocols (*Attribute Standard 1000*).
2. Whilst guidance exists on a Quality Assurance Improvement Programme, we were not provided evidence of a maintained Action Plan. The matters arising from this Assessment should be used as a basis for starting such a plan which should be maintained as a live document and periodically reported to the Board for progress (*Attribute Standard 1300*).
3. With the financial pressures faced by Local Authority clients it is essential for all service providers to demonstrate value for money. Where possible, management should try to obtain comparative benchmarking data that demonstrates to its owners that Veritau represents VFM (*Performance Standard 2000*).

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

1. In our opinion the coverage of IT Audit in annual plans is low. Reliance on ICT and related risks will only increase and it is essential that a balanced proportion of the Annual Plan should reflect this (*Performance Standard 2010*).
2. The Audit Charter states that the service is “ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice”. This is good practice, however, the term ‘recently’ can be seen to be ambiguous and should be specified i.e. 12 months (*Attribute Standard 1130*).
3. Internal audit plans and activities are coordinated with the external auditors of each client organisation. However, it is recognised that there is further scope for coordination of other internal providers of assurance (*Performance Standard 2050*).
4. Some staff raised concerns over consistency across the Company; an example cited was the follow up processes. This is a challenge for any growing organisation. Veritau has a comprehensive Procedure Manual and utilises Galileo to perform reviews and so should expect consistency. The production of management reports which are regularly monitored to ensure Company practice is enforced should help to address this perceived issue.

## RECOMMENDATIONS

We recommend that:

- the Head of Internal Audit presents this report to the Veritau Board and each of its client organisations Audit Committees;
- the Head of Internal Audit uses the Observations and Recommendations from this report to develop a Quality Assessment Improvement Programme (QAIP) that is maintained as a live document;
- the Head of Internal Audit presents the QAIP to the Veritau Board and each of its client organisations Audit Committees and thereafter reported periodically to monitor progress and on-going development of the service.

**ATTACHMENT A  
STANDARDS CONFORMANCE  
EVALUATION SUMMARY**

**SOUTH WEST AUDIT PARTNERSHIP**

Standards Conformance Evaluation Summary		("X" Evaluator's Decision)		
		GC	PC	DNC
<b>OVERALL EVALUATION</b>				
<b>ATTRIBUTE STANDARDS</b>				
<b>1000</b>	<b>Purpose, Authority, and Responsibility</b>	X		
1010	Recognition of the Definition of Internal Auditing	X		
<b>1100</b>	<b>Independence and Objectivity</b>	X		
1110	Organisational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
<b>1200</b>	<b>Proficiency and Due Professional Care</b>			
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
<b>1300</b>	<b>Quality Assurance and Improvement Program</b>			
1310	Requirements of the Quality Assurance and Improvement	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Non-conformance	X		
<b>PERFORMANCE STANDARDS</b>				
<b>2000</b>	<b>Managing the Internal Audit Activity</b>			
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination		X	
2060	Reporting to Senior Management and the Board	X		

Standards Conformance Evaluation Summary

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

## Definitions

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

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

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

## ATTACHMENT B INDEPENDENT VALIDATOR STATEMENT

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

In acting as validator, I am fully independent of the organisation and have the necessary knowledge and skills to undertake this engagement. The validation, started in February 2014 and culminated with a three day site visit on 11<sup>th</sup> April. The validation consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with fourteen individuals, including the Head of Internal Audit. Apart from five members of Veritau staff, we met with four Section 151 Officers, two Assistant Directors, a Chief Executive and an Audit Committee Chairman.

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

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



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Gerry Cox CMIIA

Chief Executive – South West Audit Partnership

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Date 3<sup>rd</sup> June 2014

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**Audit and Governance Committee**

25 June 2014

Report of the Head of Internal Audit

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**Audit and Governance Committee Effectiveness – Action Plan Update**

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**Summary**

- 1 The purpose of this report is to provide details of the progress made to address the remaining outstanding items included in the effectiveness action plan. Members are also asked to consider some limited changes to the Committee's Terms of Reference prior to approval by full Council.

**Background**

- 2 The committee established a task group to undertake a review of its own effectiveness. The task group reported its findings on 12 December 2012 and concluded that the committee fulfilled its responsibilities and complied with best practice in many areas. However, a number of areas were identified where it was felt that the committee's own effectiveness could be improved or other changes made to support the functioning of the committee. An action plan was subsequently agreed by the committee at the meeting on 19 March 2013.
- 3 A progress report was presented to the committee on 6 November 2013. The majority of the actions had been completed although in some cases further work was still required.

**Action Plan - Update**

- 4 Annex 1 provides details of the progress made to date to complete the remaining actions.
- 5 Following the annual review, some further changes are now required to the committee's terms of reference. These changes reflect the introduction of the new Public Sector

Internal Audit Standards in April 2013 and the anticipated changes to the appointment of external auditors following the implementation of the Local Audit and Accountability Act 2014. The proposed changes are set out in Annex 2.

### **Council Plan**

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

### **Implications**

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

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

### **Risk Management Assessment**

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

### **Recommendations**

- 9 Members are asked to:
- a) consider the progress made to address the outstanding items included in the effectiveness action plan.

#### Reason

*To ensure that the Audit and Governance Committee remains effective.*

- b) consider the proposed changes to the terms of reference (as set out in annex 2) and recommend to full Council that the Constitution be amended.

Reason

*To ensure that the Audit and Governance Committee continues to operate effectively and in accordance with recommended best practice.*

**Contact Details**

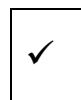
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**Chief Officer Responsible for the report:**

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

**Report  
Approved**



**Date** 12 June 2014

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers**

None

**Annexes**

Annex 1 - Action Plan arising from the recommendations of the A&G Committee Task Group  
Annex 2 – Proposed changes to the A&G Committee terms of reference

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

Details of the action(s) taken or proposed

Ref	Action Taken or Proposed	Target Date	Owner	Progress to date
1	The Committee's terms of reference should be reviewed annually. Any changes to be submitted to Full Council for approval.	April 2013 and ongoing.	Assistant Director Governance & ICT (Andrew Docherty)	Ongoing. The Committee agreed revised terms of reference in July 2013, which were subsequently approved by Full Council. A further review has now been conducted and a small number of further changes are now required to reflect the new Public Sector Internal Audit Standards and the Local Audit and Accountability Act 2014 – see annex 2.
2	A process to be agreed to enable up to two independent co-opted Members to be appointed to the Audit and Governance Committee.	June 2013	Head of Internal Audit (Max Thomas)	A recruitment exercise was undertaken in May 2013 and Mr Martin Whiteley was subsequently appointed as an independent member of the committee by Full Council on 18 July. The appointment was for two years. Arrangements have now been made to undertake a further recruitment exercise to fill the second position. This exercise is being undertaken jointly with North Yorkshire County Council.

Ref	Action Taken or Proposed	Target Date	Owner	Progress to date
3	The Audit and Governance Committee should work more closely with the Corporate and Scrutiny Management Committee and the Joint Standards Committee.	April 2013 and ongoing	Assistant Director Governance & ICT (Andrew Docherty)	This will be kept under review to see whether there is any further scope for these committees to plan and coordinate their work or for the outcome of any audits to be used to inform scrutiny topic selection.
4	The Assistant Director Governance & ICT should present a report explaining the council's current scrutiny arrangements so as to enable the Audit and Governance Committee to properly consider the effectiveness of the council's arrangements and the overall governance around scrutiny.	April 2013	Assistant Director Governance & ICT (Andrew Docherty)	Details of the council's scrutiny arrangements were reported to Members at their meeting on 9 <sup>th</sup> July 2013.
5	The Audit and Governance Committee should present an annual report to Full Council	April 2013 and ongoing	Chair of the Audit & Governance Committee	Completed. The report for the period to 16 April 2014 is included as a separate item on this agenda.

Ref	Action Taken or Proposed	Target Date	Owner	Progress to date
	setting out its work and performance.			
6	The terms of reference for the Committee should include a requirement that induction and annual update training will be compulsory for all members of the Committee (including substitutes).	April 2013	Assistant Director Governance & ICT (Andrew Docherty)	The terms of reference have been amended to reflect this – see annex 2.
7	Arrangements will be made to enable the Members of the Committee to meet privately on an 'informal' basis with both the External Auditor and the Head of Internal Audit. Meetings will be held at least annually.	February 2013 and ongoing	Assistant Director Governance & ICT (Andrew Docherty) / Head of Internal Audit (Max Thomas)	The chair and vice-chair have met informally with the Head of Internal Audit during 2013/14. Similar meetings will be held in 2014/15. Arrangements will also be made to enable the External Auditor to meet with the chair and vice-chair.

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## Annex 2

**Audit and Governance Committee – Terms of Reference (suggested changes)**

No	Delegated authority	Conditions
	<b>Audit</b>	
1	To consider the annual report and opinion of the Head of Internal Audit. The report should include a summary of internal audit activity in the relevant period and the level of assurance that can be given over the <a href="#">framework of governance, risk management and control</a> at the Council.	
2	To consider periodic reports from the Head of Internal Audit detailing the summary findings and the main issues arising from internal audit work.	
3	To consider reports dealing with the management and performance of the Internal and External Audit functions.	
4	To <a href="#">consider whether internal audit work conforms to professional standards and to review the effectiveness of the Committee</a> itself on an annual basis.	
5	To consider reports of the Head of Internal Audit detailing the progress made by management to address control weaknesses identified by Internal or External Audit.	
6	To consider the action plan arising from the Annual Letter of the External Auditor.	With respect to the Annual Letter being first considered and accepted by the Cabinet.
7	To consider all other relevant reports	

**Deleted:** environment and corporate governance arrangements

**Deleted:** Internal Audit and

No	Delegated authority	Conditions
	received from the External Auditor as scheduled in the forward plan for the Committee or otherwise requested by Members.	
8	To comment on the scope and depth of external audit work and ensure it provides value for money.	
9	To liaise with the Audit Commission ( <a href="#">or its successor body</a> ) over the appointment of the Council's External Auditor.	
10	To approve the Internal Audit <a href="#">Charter</a> .	
11	To approve the Annual Plans of the Internal Audit Service and the External Auditor.	
12	To commission work from the Internal Audit Service and External Audit with regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee.	Subject to budgetary provision.
	<b>Governance &amp; Regulatory</b>	
13	To keep under review the Council's contract procedure rules, financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Standards Committee).	
14	To review any relevant issue referred to it by the Chief Executive, S151 Officer, the Assistant Director (Financial Services), the Monitoring Officer, the Head of internal Audit or any other Council body.	

Deleted: Strategy

No	Delegated authority	Conditions
15	To consider the effectiveness of the Council's arrangements for corporate governance (including information governance).	
16	To monitor the effective development and operation of risk management arrangements across the Council.	
17	To assess the effectiveness of the Council's counter fraud arrangements including the Whistleblowing policy and other relevant counter fraud policies and plans.	
18	To consider the Council's compliance with its own and other relevant published regulations, controls, operational standards and codes of practice.	
19	To bring to Full Council all proposals for amendment to this Constitution submitted by Members in accordance with this Constitution.	Subject to the advice of the Assistant Director of Governance and ICT.
	<b>Annual Governance Statement and Accounts etc</b>	
20	To approve the Statement of Accounts and the Annual Governance Statement.	
21	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.	
22	To scrutinise the Treasury Management Strategy and Monitoring Reports.	
	General	
23	To meet informally with the External Auditor and the Head of Internal Audit on a periodic basis to discuss audit related matters.	

No	Delegated authority	Conditions
24	To report on the discharge of the Committee's responsibilities under the Constitution to Full Council on an annual basis.	
<a href="#">25</a>	<a href="#">To maintain and participate in a programme of training relevant to the activities and responsibilities of the Committee.</a>	



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**Audit & Governance Committee****25 June 2014**

Joint Report of the Director of Customer & Business Support Services, and the Head of Internal Audit (Veritau)

**Information Governance Strategy Update, Including Freedom of Information Processes****Summary**

1. Security of data and compliance with the Data Protection Act have become increasingly important to the council and to other local government bodies. The Audit and Governance Committee approved a strategy in 2011 to bring the council into compliance with good practice in this area. This paper summarises progress to date and highlights the key areas remaining to be addressed.
2. This report briefly updates members on information governance developments including Data Protection (DP) and Freedom of Information (FOI) matters. This will assist members in monitoring risk areas highlighted in the council's Annual Governance Statement.

**Background****Data Protection and Information Governance**

3. Earlier this year, the Information Commissioner and the Chair of the Local Government Association wrote jointly to all Council Leaders reminding them of their legal obligations in regard to Data Protection. The letter reminded local authorities that the ICO had levied monetary penalties of over £1.5m on local authorities since 2010 and pointed to an increased focus by the ICO on compliance by local government in their investigations.
4. In the last three years, the council has been the subject of several investigations by the ICO following reports of data breaches. Apart from the investigation in 2010 which resulted in the council being required to sign an undertaking to comply with the Data

Protection Act, the ICO have thus far been satisfied with the action taken by the council in more recent cases.

## Breaches

5. A number of other public bodies and service providers have been subject to enforcement action by the ICO in the last year. Recent cases have included the following:
  - **North East Lincolnshire** - hundreds of children's details were lost on an unencrypted council memory stick (this incident resulted in a £80,000 fine)
  - **NI Department of Justice** – the ICO levied a £185,000 penalty after a filing cabinet containing details of a terrorist incident was sold at auction
  - **The British Pregnancy Advice Service (BPAS)** – the ICO levied a £200,000 fine after thousands of people's personal details were revealed to a malicious hacker
  - **A Welsh home care provider** - the files of 10 vulnerable and elderly people were found on a street in Neath Port Talbot
  - **Kent Police** – the ICO levied a £100,000 fine after confidential information, including copies of police interview tapes, was left in the basement of a former police station.
6. In addition to the above, Basingstoke and Dean Borough Council have recently reported a breach in which the details of 1,900 benefit claimants were inadvertently disclosed in response to a Freedom of Information request. This happened when a spreadsheet sent in response to the Fol enquiry was found also to contain detailed source information (names, addresses etc). This incident repeats previous cases elsewhere where spreadsheets containing pivot tables have been sent out inadvertently in response to Fol enquiries.
7. Within the council, there is an established system for reporting data breaches. Since April 2013, 38 such cases have been reported. Most of these were found to be the result of human error and affected small numbers of people. However, one recent breach resulted in the personal email addresses of a large number of correspondents (in relation to Lendal Bridge) being widely circulated. This incident is currently subject to an ICO investigation.

## **Legal Requirements and CYC Strategy**

8. In March 2011, CYC approved a long term strategy for the council to meet its legal obligations in terms of Information Governance. The strategy aimed to ensure compliance with the Cabinet Office Information Assurance Maturity Model (IAMM) level 1 by March 2015. The attached document at Annex A shows progress made against the main deliverables in that strategy.
  
9. Apart from the strategy, experience has shown that, when a data breach occurs, the ICO looks for evidence that the organisation can demonstrate that a number of key elements are in place. In summary, these are:
  - Demonstrable top level commitment (eg. CMT involvement and Audit and Governance Committee oversight)
  - Clear, effectively communicated and enforced policies
  - Effective physical security and IT controls
  - Staff training and evidence that staff have understood the key policies
  - A comprehensive and clearly communicated breach reporting and investigation system
  - Feedback and a lessons learnt culture; and
  - Disciplinary action being taken in cases of data breaches where members of staff have failed to comply with policies.

## **Progress against the strategy**

10. Overall, the council has made significant progress in meeting level 1 of the IAMM. Further details are provided in Annex A, but the key recent developments have been:
  - The implementation of a new software application (icomply) to enable the provision of an information governance e-learning facility. More work is required to develop the training packages, but the delivery method is now in place and this will provide evidence that staff have received training and have understood the contents. Whilst this software was specifically acquired for use in Information Governance training, it has the potential for much wider application.
  - Encryption of laptops and removable devices is a key control to prevent inadvertent data loss. Failures in this area have been a

consistent feature in cases elsewhere which have resulted in fines being levied by the ICO. The council routinely issues encrypted laptops and detachable storage devices, however more work is needed to ensure that all laptops and devices can be located and responsibility for them clearly assigned

- Mobile devices and the risk surrounding them are becoming increasingly important. The council has installed the facility to locate, restrict e mail access and remotely wipe mobile devices. ICT are able to initiate the remote location and wipe facility, thus preventing unauthorised access to sensitive data.
11. A data breach reporting system is also now in place. However compliance with this is variable with some directorates reporting breaches and others reporting many less than would be expected given the nature of their work. Training through icomply can be expected to increase staff awareness and understanding of the importance of breach reporting, however to be most effective managers will need to re-enforce these messages with their teams.

### **Freedom of Information (FOI) Requests**

12. At the meeting of this committee on 26th September 2013, members learned more about the council's review of FOI processes to respond to the draft Annual Governance Statement, including information governance risks around the processing of FOIs and also on the planned improvements to meet the recommendations from the internal audit review.
13. Since commencing a centralised approach the total amount of business passing through the Customer Feedback Team has risen by 400%, the majority is related with complaints but with an evident increase in number of FOIs received.
14. During 2013/14 overall 81% of FOIs were answered within the 20 day prescribed deadline set by the Freedom of Information Act 2000. The council has received a 72% increase in the number of FOI enquiries in 2013/14 (1384) from the number received in 2011/12 (804).
15. According to a survey of councils carried out by University College London (UCL) in 2010, the average percentage of requests completed by unitary authorities within 20 days was 83.2%.



16. It is important to note however that following the changes to FOI processes and the introduction of improved monitoring processes, which was described at the meeting on 26th September 2013, there has been significant improvement in the % of FOI enquiries responded to in time as shown in the table below.

	Oct	Nov	Dec	Jan	Feb	Mar
Percentage In Time	99.2%	97.3%	90.6%	99.4%	95.6%	90.3%
Percentage Out of Time	0.8%	2.7%	9.4%	0.6%	4.4%	9.7%

NB In future a rolling graph will be included to show monthly figures including trends

17. The number and nature of FOIs, however continue to increase in number and complexity. Annex B shows the FOIs received into the council in one week ending 13 June 2014.
18. The intention is to achieve performance to exceed 95%. Work will also be done to try and increase the amount of information on the website and to target enquiries to this information where relevant.

### **Review of Fol requests**

19. Following discussions with the ICO, the council has introduced a system of independent review for cases where customers are unhappy with the response to Fol requests. In order to maintain a clear separation and demonstrate the independence of these reviews, they are carried out by Veritau. In cases where the request for a review stems from a failure to respond to the Fol request, Veritau seeks to establish the reasons for the delay. In cases where an exemption has been applied, Veritau review the degree to which the exemption has been correctly applied.
20. Over the last year 98 reviews have been carried out. 70 were reviews of the application of exemptions and the remaining 28 of late/non responses. Of the 70 reviews of the application of exemptions, Veritau upheld the council's decision in 43 cases, ruled against the council in 9 and ruled partially in favour of the council in 12 cases. The remaining 6 were withdrawn.
21. In addition to requesting a review through Veritau, dissatisfied customers also have the right of appeal to the ICO. Between April 2013 and March 2014, there were 93 appeals made to the ICO (over half of which were made in the last third of the year). In 40 of those appeals, the ICO found against the council. However, if cases of late/non response are excluded, the pattern changes

significantly, with 48 out of the 58 appeals of substance being found either partially or wholly in favour of the council.

REASONS FOR REVIEW	ICO Findings			
	Total	In favour of CYC	Partially in favour	Against CYC
No response	31	5	0	26
Response outside 20 working days	4	0	0	4
Incomplete response	24	18	6	0
Application of exemption	27	15	3	9
Information inaccurate	7	6	0	1
Total	93	44	9	40

### Update on the key improvements to FOI processes:

22. In addition to improvements mentioned above, the following changes have been introduced:

- Senders of FOI enquiries made by email are sent an automated email acknowledgment confirming that it has been received and when to expect a response.
- All FOIs are sent to Heads of Service and copied to Assistant Directors.
- The council has introduced the new internal deadline of 15 days at which point a reminder is also escalated to the relevant Assistant Director/Director copied to the Director of Customer and Business Support Services. Any late responses are now required to provide an explanation and assurance to the Director of CBSS.
- There is a clear mechanism in place for cross council enquiries through the Customer Feedback Team.
- Using the guidance available from <https://www.gov.uk/make-a-freedom-of-information-request/how-to-make-an-foi-request> enquirers are asked to provide their name and address where they can be contacted.
- Quarterly quality assurance monitoring conducted by Veritau auditors.

- Following on from the successful achievement of a FOI practitioner qualification for a member of the Customer Feedback Team, training and toolkit information (including a “handy guide to getting it right”) is being developed jointly with Veritau, and will be rolled out to all staff across the council. This will ensure that there are further improvements in the arrangements for determining exemptions early in the process, erroneous and duplicate requests.
- An online FOI enquiry form has been developed and will soon be available through the council website, increasing the contact channels available to make a FOI enquiry.

### **Update on FOI Monitoring Processes**

23. Monthly reports are now made available to Directorate Management Teams including follow up information on out of time responses.
24. Corporate monitoring is being undertaken by the Director of Customer & Business Support Services and the Corporate Information Governance Group (CIGG) as well as annual and interim reports to Audit & Governance Committee, as agreed.
25. Targets were set that would enable CYC to attain the performance levels achieved by the best performing councils as described in the report in September 2013 and progress will be reported against these to members as agreed through six monthly reports to this committee.

### **Planned further improvements:**

26. The following work is planned in this year:
  - Completion of the audit of published data against CYC’s own and nationally prescribed publication schemes, to ensure as much as possible is published in a clear and understandable way, on the council website.
  - This will further inform the changes still needed to be made to improve the transparency and accessibility of such information.
  - CYC will also publish data that is themed to allow easier identification of information which should result in a corresponding reduction in volume of FOI enquiries.

### **Consultation**

27. The report is for information only.

### **Options**

28. The report is for information only.

### **Analysis**

29. All analysis is contained in the report.

### **Council Plan**

30. Data Protection and compliance with the Freedom of Information Act are legal requirements. Failure to adequately safeguard personal data could compromise the Council's relations with partner organisations (eg. the NHS) and make it more difficult to deliver the council's core services. Similarly failure to deliver a good quality Fol service can have reputational damage for the council.

### **Implications**

31. The main implications for the council are reputational, particularly the impact a serious breach of personal data would have on members of the public.

- **Financial** – potential of up to £500,000 penalty levied by the ICO in the event of a serious data breach.
- **Human Resources (HR)** Council wide staff awareness training needs to be implemented (through lcomply) to ensure all staff and members are aware of their obligations and what to do in the event of a breach.
- **Equalities** – None
- **Legal** - a data breach could place the council in contravention of the Data Protection Act and expose the organisation to financial penalties. Implementation of the actions arising from the internal and external reviews of Fol cases will assist in meeting the statutory requirements of the Freedom of Information Act.
- **Crime and Disorder** - none

- **Information Technology (IT)** - medium term system changes are required to integrate FOI, complaints and feedback into the council's Customer Relationship Management System (CRM); this will be built into the IT Development Plan. In regard to Information Security, implications for IT are in terms of compliance with PSN requirements, data retention and IT security.
- **Property** - implications for basic physical security of Council offices.
- **Other - none.**

### **Risk Management**

32. The information, update and actions outlined in this report are intended to reduce the time taken in processing FOIs and publication improvements may reduce the overall number of FOIs received, therefore introducing no new risk. Failing to sustain current performance however will again increase the risk of criticism or intervention from the Information Commissioner which can include financial penalties.
33. Data Protection and Information Security risks are included in the Council's risk registers at several levels.

### **Recommendations**

34. Members are asked to:

- a) Consider and note the Information Governance and Data Protection update.

*Reason: To ensure the council meets the requirements of Data Protection legislation, is able to ensure security of key personal data and is able to continue to work effectively with partner organisations.*

- b) Consider and note the Freedom of Information update.

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

**Contact Details**

**Authors:**

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Veritau  
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**Report  
Approved**



16-06-14

**Specialist Implications Officer(s)**

Name Lorraine Lunt  
Title Customer Services Support Manager  
Tel No 01904 552247.

Name Roman Pronyszyn  
Title Client Relationship Manager (Veritau)  
Tel No 01609 552284.

**Background Papers:**

Previous report to Audit & Governance Committee 26 September 2013:  
Information Governance Strategy Update, Including Freedom of  
Information Processes

**Annexes**

Annex A - Progress against Level 1 of the IAMM  
Annex B – FOIs received weekend ending 13 June 2014.

**Corporate Information Governance  
Level 1 Information Maturity Model Action Plan**

Ref	High Level Action	Ref	Action and Current Position	RAG
1	Promulgate top level policy statement <ul style="list-style-type: none"> <li>Publish Information Charter</li> </ul>	a	Information Charter is published on the internet. Charter has been reviewed and is up to date	✓
		b	Comprehensive list of Information Governance policies in place	
2	Senior commitment to Information Assurance <ul style="list-style-type: none"> <li>Appoint Senior Information Risk Owner (SIRO)</li> <li>Report to Main Board regularly</li> <li>Provide assurance to Audit Committee on annual basis</li> </ul>	a	SIRO appointed and sits on Main Board.	✓
		b	Annual progress report to CMT – in place	
		c	Annual assurance report to Audit and Governance Committee – in place and on regular agenda	
		d	Develop assurance mechanism to support SIRO assurance report – to be integrated with Annual Assurance Statement	
3	Appoint Information Asset Owners (IAOs) for each key group of information assets	a	Information Asset Groups identified and communications established. 50 key IAOs used as basis for communication	I/P
		b	Continue ongoing awareness training of the key “50” information asset owners	
		c	Continue review of information asset registers and ensure “fit for purpose”	
4	Develop reporting mechanism to provide assurance to SIRO <ul style="list-style-type: none"> <li>Breach reporting and investigating system</li> </ul>	a	Review and update Data Breach reporting mechanism	I/P
		b	Develop assurance mechanism for IAOs to feed into Departmental	

Ref	High Level Action	Ref	Action and Current Position	RAG
	<ul style="list-style-type: none"> <li>IAO assurance to SIRO</li> <li>Compliance review</li> </ul>		Information Governance Champions and annual assurance as part of the Assurance Statement	
		c	Carry out reviews of adherence to Data Breach policy as part of audit programme	
		d	Continue to carry out QA reviews of FoI cases and report to CIGG quarterly	
		e	Develop and implement file management standards to ensure compliance with Legal Admissibility Code of Practice	
		f	Carry out compliance reviews of adherence to LA Code of Practice. Report annually to CIGG and include in annual assurance to Audit and Governance Committee	
5	<p>Carry out annual risk awareness training for those with access to personal data</p> <ul style="list-style-type: none"> <li>Identify groups of staff and their training needs</li> <li>Develop training packs for different groups</li> <li>Deliver selected training</li> <li>Monitor delivery of training</li> </ul>	a	Continue Shout campaign – include findings from internal audit visits in campaign	I/P
		b	Continue with spot checks of compliance with security at West offices and other council establishments	
		c	Develop and implement Metacompliance (Icomply)	
		d	Identify training needs of different groups of staff	
6	<p>Develop data sharing protocols with 3<sup>rd</sup> party suppliers &amp; delivery partners</p> <ul style="list-style-type: none"> <li>Identify groups, exposure and needs</li> <li>Develop appropriate awareness information packs</li> <li>Ensure requirement is</li> </ul>	a	Ensure robust data sharing protocols exists with partners based in West Offices	I/P
		b	Review CYC arrangements against NHS data sharing standards	
		c	Identify and review all partnerships to ensure protocols are in place	



Ref	High Level Action	Ref	Action and Current Position	RAG
	<ul style="list-style-type: none"> <li>included in contracts</li> <li>Deliver training where appropriate</li> </ul>			
7	Develop Information Risk Policy <ul style="list-style-type: none"> <li>Define information risk appetite</li> <li>Agree classification scheme for records</li> <li>Communicate scheme to staff</li> <li>Monitor compliance</li> </ul>	a	Classification scheme in place and communicated to staff via Colin	I/P
		b	Conduct QA reviews of Information Asset registers and application of classification scheme	
		c	Develop and implement records management policy	
		d	Implement Legal Admissibility policy	
		e	Develop assurance mechanism for BS 10008	
8	Develop Information Risk Register <ul style="list-style-type: none"> <li>Register monitored regularly</li> <li>Highest risks fed into corporate risk register</li> <li>IAOs and IMs identified in Information Risk Registers</li> </ul>	a	Maintain and update Information Risk Register	✓
		b	Ensure key DP risks continue to be considered as part of corporate and service risk register for CYC	
9	Information Security <ul style="list-style-type: none"> <li>Develop Information Security Policy covering both IT and non IT based data</li> <li>IT Security Officer appointed</li> <li>Access to and use of sensitive data monitored</li> </ul>	a	Ensure policy for home working and bring your own devices is implemented and complied with	✓
		b	BYOD and Home Working policies approved by CIGG	
		c	Review arrangements for IT security compliance monitoring	
		d	Monitor EDRMS Info Gov security arrangements	
10	Data/Information Transparency	a	Review Compliance with Code of Practice – Self Assessment	I/P

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Annex B FOI REQUESTS RECEIVED WEEK ENDING 13<sup>th</sup> JUNE 2014

Received	Request
9 <sup>th</sup> June	<p>Could I please refer you to <a href="http://andystrangewayovernightparkingcampaigner.wordpress.com/2014/06/06/york-park-and-ride/">http://andystrangewayovernightparkingcampaigner.wordpress.com/2014/06/06/york-park-and-ride/</a></p> <p>As per the post could I please make a Freedom of Information request with regards all information held regards the cancelled tickets including the reason they were cancelled?</p>
9 <sup>th</sup> June	<p>Under the Freedom of Information Act please can you tell me how many parking fines/ PCNs have been issued between April 2013 to April 2014?</p> <p>How many were paid?            How many were cancelled or written off?            How many remain unpaid?            How much income was generated?            How much expenditure?</p> <p>Please can you repeat this for the financial years 2012-2013 and 2011-2012.</p>
9 <sup>th</sup> June	<p>Please provide all correspondence/emails and all documents between all York council officers and any other advisers responsible regarding the closing of Lendal Bridge</p>
9 <sup>th</sup> June	<p>1) The total costs and a breakdown of them relating to the York Fairness Conference held at the University of York on Monday 9th June. These should include but not be limited to:</p> <ul style="list-style-type: none"> <li>• All costs relating to the evening reception held on Sunday 8th June for the event</li> <li>• All costs relating to room hire at the University of York</li> <li>• All costs relating to the production of the "Is it Fair?" video by One &amp; Other</li> <li>• All costs relating to the Hidden II Art exhibition</li> <li>• All costs relating to the live webstreaming of the event by Pilot Theatre</li> </ul>

	<ul style="list-style-type: none"> <li>• All costs relating to the "Where did you last have it?" performance art installation</li> <li>• All costs relating to the "visual depiction of the day" by ICE Creates</li> <li>• All costs relating to coffee breaks, lunch and any outside activities at the conference</li> <li>• All costs relating to the website <a href="http://www.yorkfairness.com">www.yorkfairness.com</a> including domain registration and payments to Pooka web design company.</li> </ul> <p>2) A breakdown of all payments (including speaking fees, expenses, accommodation and travel costs) made to attendees and/or speakers and/or facilitators at the York Fairness Conference held at the University of York on Monday 9th June.</p>
9 <sup>th</sup> June	<p>Under the Freedom of Information Act, I am seeking the following information regarding your Penalty Charge Notices.</p> <ol style="list-style-type: none"> <li>1. What computer system do you use to record and issue Penalty Charge Notices? This is by traffic wardens and office based staff.</li> <li>2. How many staff's sole job is recording and issuing Penalty Charge Notices? Numbers only please, separated by traffic wardens and office based staff</li> <li>3. If no staff have sole responsibility in Q2, how many staff are part employed in this role? Numbers only please, separated this by traffic wardens and office based staff.</li> <li>4. Are any of the following elements of the service outsourced: Call handling, dealing with appeals, debt recovery?</li> <li>5. Do you carry out any debt recovery stages other than those prescribed in the parking penalty enforcement process?</li> </ol>
9 <sup>th</sup> June	<p><b>Local authority education provision for children and young people with vision impairment – a separate questionnaire provided with 15 detailed questions.</b></p>
6 <sup>th</sup> June	<p>Would you be kind enough to send me copies of the food hygiene reports for Il Cibo del Paradiso, Walmgate; Biltmore Bar &amp; Grill, Swinegate; and Drakes, Low Petergate, please?</p> <p>Would it be possible to make all food hygiene reports routinely available on the CYC website? And can businesses be forced to display their hygiene ratings so that customers can make an informed judgement about where to eat?</p>
9 <sup>th</sup> June	<p>would like to make a request to the LEA under the Freedom of Information Act. Please provide the following</p>

	<p>information relating to the free school meals plan being introduced in September.</p> <p>I would be grateful if you could provide the information requested in an Excel spreadsheet format. If it is not possible to answer all the questions, for whatever reason, please nevertheless provide answers to as many as possible.</p> <ol style="list-style-type: none"> <li>1. For each primary school under the LEA's authority, please provide a figure for the average number of pupils who have school dinners. These figures should relate to the most recent term in the 2013/14 academic year which you have records for. Please break this down by (a) reception pupils; (b) year 1 pupils; (c) year 2 pupils.</li> <li>2. For each primary school, how many pupils will there be in September 2014 in total for: (a) reception; (b) year 1; (c) year 2. This should include pupils who have been offered places and pupils who are expected to resume their places.</li> <li>3. For each primary school, please state how many of the above pupils have so far registered for Pupil Premium, entitling them to free school meals who will be in: (a) reception; (b) year 1; (c) year 2.</li> <li>4. How many primary schools will have to (or have already) make changes/refurbishments to the school kitchen in preparation for implementing the free school meals plan? For each school, please give: (a) description of the changes; (b) the cost; (c) which budget is funding it; (d) whether it has been completed.</li> <li>5. (a) How many primary schools plan to employ extra members of kitchen staff to facilitate the free school meals plan in September? (b) How many extra staff will be taken on, in total? (c) What will be the total annual cost of this, if known?</li> </ol>
9 <sup>th</sup> June	<p>Q1. What computer software are you using for Highways Maintenance, Works Ordering and Inspections, how much are you paying per year, how many users are you licensed for, is this provided as Managed Service and is there a fixed length associated with your current contractual arrangements, if so when?</p> <p>Q2. What computer software are you using for Street Lighting Management, how much are you paying per year, how many users are you licensed for, is this provided as a Managed Service and is there a fixed length associated with your current contractual arrangements, if so</p>

	<p>when?</p> <p>Q3. What computer software are you using for UKPMS, how much are you paying per year, how many users are you licensed for, is this provided as a Managed Service and is there a fixed length associated with your current contractual arrangements, if so when?</p> <p>Q4. What computer software are you using for Street Works, how much are you paying per year, how many users are you licensed for is this provided as a Managed Service and is there a fixed length associated with your current contractual arrangements, if so when?</p> <p>Q5. What computer software are you using for Bridges/Structures, how much are you paying per year, how many users are you licensed, for is this provided as a Managed Service and is there a fixed length associated with your current contractual arrangements, if so when?</p>
9 <sup>th</sup> June	<p>Under the existing Freedom of Information Act 2000, I would like to request the following information:</p> <ol style="list-style-type: none"> <li>1. The amount of money spent on road safety in the following financial years: <ol style="list-style-type: none"> <li>a. 2010/11</li> <li>b. 2011/12</li> <li>c. 2012/13</li> <li>d. 2013/14</li> </ol> </li> <li>2. The amount of money allocated to spend on road safety in the current financial year (2014/15)</li> <li>3. The amount of money allocated to spend on road safety in the following financial years: <ol style="list-style-type: none"> <li>a. 2015/16</li> <li>b. 2016/17</li> </ol> </li> </ol>
9 <sup>th</sup> June	<ol style="list-style-type: none"> <li>1. The number of council personnel that have been convicted for breaches of the Data Protection Act.</li> <li>2. The number of council personnel that have had their employment terminated for breaches of the Data Protection Act.</li> <li>3. The number of council personnel that have been disciplined internally but have not been prosecuted for breaches of the Data Protection Act.</li> <li>4. The number council personnel that have resigned during disciplinary procedures.</li> </ol>

5. The number of instances where a breach has not led to any disciplinary action.

In each case, I request that you provide a list of the offences committed by the individual in question, for example "*Accessed personal information for personal interest*" or "*Inappropriately shared patient information with a third party*".

I request that the time period covered is 1<sup>st</sup> April 2011-1<sup>st</sup> April 2014.

I further request that the information be displayed in the below format:

Outline of what was lost/reported missing/accessed	Data contained	Action taken criminal/discipline	Additional responses to rectify loss
Council USB stick left/lost in internet cafe.	Council employee names and email addresses.	Final written warning issued.	None taken.
Council external hard drive left in taxi.	Names of residents in local authority housing.	Suspended from work without pay for two weeks.	Database rebuilt and password access further restricted.

10<sup>th</sup> June

Further questions arising from the City of York Council response to direct Freedom of Information Request CCF/1395

Thank you for your response which, although I understand was outside of time limits but; to be honest considering the requested information, the timescale was acceptable.

However, there are a few queries which have been brought to light:-

I requested

ALL Access Signage for York City Centre, Foot streets and Lendal Bridge and ALL subsequent variations as originally sited at Micklegate Bar, Bootham, Walmgate Bar, Peasholme Green, The foot of Lendal Bridge on Station Road/Lendal Bridge, Piccadilly, Clifford Street.

I confirm receipt of documentation pertaining to the authorisation requested in Dec-96 with what is headed as DFT Reference: - YHDOT F2740/26/16/1/2 Prohibition of vehicles signage (HGV and Bus) from the Department for Transport it seems that these references are yours and not theirs.

They use a case number, date, description and location to index the authorisations although your reference appears on each authorisation. Their records indicate full dates and there is a different number of authorisations in total.

It will therefore take some time to try to reconcile the common ground and discover where any more discrepancies exist.

It is noted that there are no comments against all the authorisations listed from Dec '88 through to Jan '09

Therefore the query concerning all access signage and subsequent variations remains unanswered.

Question 1.

With regard to Authorisation your ref YHDOT F2740/26/16/1/2 "Prohibition of vehicles signage (HGV and Bus)" requested in Dec-96, [The abbreviation HGV only appears in the title of the application and the full term Heavy Goods Vehicle or even Goods Vehicle does not feature or appear at all] - (drawings signed off 13th Jan 1997) and granted 27th January 1997. It is quite confusing that here is no mention, in the actual signed authorisation of, or reference to HGV, or sign type diagram 622.1A or 620.1 qualifying plate [Traffic Signs Manual Chapter 3 reference has been used for up to date description purposes only] and so therefore probably no authorisation has actually been granted in respect of HGV exceeding 7.5 tonnes, loading, access or otherwise.

Authorisation at that time would have had to have been made for the HGV signage separately, it should and would have had to be mentioned in an authorisation in its own right in accordance with the then "latest legislation" as contained in Traffic Signs Regulations 1994 (S.I. 1994/15119).



Does there exist, any additional authorisation(s) with respect to HGVs, drawings and plans of the proposed locations or documentation stating that they were proposed to be located at the same sites as the Bus plan?

Question 2.

Initially signage of type shown in diagram 617 (and in the attached graphic: - “First Sign at Bootham – Lendal – Micklegate – etc. etc.”) with qualifying plate and variations, had been used and was later replaced by the signs mentioned in the next paragraph.

[Traffic Signs Manual Chapter 3 reference has been used for up to date description purposes only].

Can you please advise the dates from when and until this “no vehicles” roundel with qualifying plate sign was in use?

Question 3.

Referring back to the Authorisation you have provided bearing your ref: - YHDOT F2740/26/16/1/2 “Prohibition of vehicles signage (HGV and Bus)” granted in Dec-96, and signed on the 13th Jan 1997.

Can you please advise the dates from when and until this “16 seat coach/bus” roundel with qualifying plate sign was actually in use?

Question 4.

In the DFT Authorisations.pdf (copy attached) there is no mention of authorisation for a special/modified sign variant - being an amalgamated combination of three sign types as depicted in diagrams 619/622 & 952. A general description would probably be: - slightly similar to type diagram 619; but with the motorcycle silhouette image being replaced by a 7.5 tonne HGV - similar to that in sign type diagram 622.1, above/jumping over a bus/16 seater bus silhouette image - similar to that in sign type diagram 952 and with a qualifying plate being a mixed combination of 620 and 620.1 plus permitted variations i.e. 619 [Motor Vehicles Prohibited commonly referred to as “except for Access” which actually has NO PERMITTED VARIANTS] - but with times also stated.

[Traffic Signs Manual Chapter 3 reference for up to date description purposes only, since it was published 11 years after the authorisation and TSRGD 2002 was published, therefore, 5 years after that authorisation] but for the authorisation you present Traffic Signs Regulations 1994 (S.I. 1994/15119) were probably the points

of reference.

Can you please advise the dates from when and until this combined/special/modified 619 [Motor Vehicles Prohibited “except for Access” NO PERMITTED VARIANTS] sign variant with qualifying plate sign was in use?

Question 5.

Can you please advise the dates from when this combined/special/modified sign variant with qualifying plate sign was no longer in use?

Question 6.

Can you please advise the dates to and from when the standard “except for access” roundel with revised qualifying plates was in use?

Question 7.

There does not appear to be any authorisation for a single large panel and/or a yellow backed panel containing both sign types shown separately beside each other as depicted in diagrams 622 [HGV Prohibited] & 952 [Busses Prohibited].

Question 8.

Are you aware that references in the authorisation point to the legislated definition in Traffic Signs Regulations 1994 (S.I. 1994/15119) of “Local Bus” and state that a qualifying plate is ONLY TO BE USED TO PROHIBIT LOCAL BUSSES (defined as busses serving local routes and not busses used for Tours or Excursions) and NOT TO EXCEPT them?

9<sup>th</sup> June

Please provide the area in m<sup>2</sup> of carriageway in the following categories (if area data is not available please provide lengths in km and a nominal width)

**Strategic Roads**

Condition	Urban	Rural
Green (resurfaced in the		

last 2 years)		
Green – good condition		
Amber – some deterioration present		
Red – requires maintenance		

**Classified Roads (Anything not strategic, but classified)**

<b>Condition</b>	<b>Urban</b>	<b>Rural</b>
Green (resurfaced in the last 2 years)		
Green – good condition		
Amber – some deterioration present		
Red – requires maintenance		

**Local Roads (unclassified roads)**

<b>Condition</b>	<b>Urban</b>	<b>Rural</b>
Green (resurfaced in the last 2 years)		

	<p>Green – good condition</p> <p>Amber – some deterioration present</p> <p>Red – requires maintenance</p>			<p>Please provide a summary of how this information was formulated (the source of the data, the processing methodology, sample size, etc.)</p> <p>Please provide an evaluation of the accuracy of the data.</p> <p>If you usually classify your road network and its condition differently, please provide a summary of how you usually do this.</p>
<p>10<sup>th</sup> June</p>	<p>I do not believe that the expenses details of chief officers, published on the CYC website are accurate. Under the Freedom of Information Act, can I be provided with -</p> <p>Details of the Chief Officers who have been provided with City of York Council Parking scratch cards to allow them to park for free in the city. I would like to be provided with details as to how many tickets have been given to each individual.</p> <p>Can you provide me with the conditions that apply to these 'free' parking tickets.</p> <p>Can you confirm whether the provision of this benefit is reported to the Inland Revenue.</p>			
<p>10<sup>th</sup> June</p>	<p>Earlier this year, the Local Government Association (LGA) wrote privately to councils about plans to press the government for more restrictions on the Freedom of Information Act (FOIA). The letter asked councils to supply the LGA with details of “problems” caused by the act. The full text of the letter is copied below for your information.</p> <p>Under the Freedom of Information Act, please provide me with copies of any submission sent by City of York Council in response to the LGA’s letter.</p>			

I believe that, under the FOIA, I am entitled to this information and I believe it can be provided within the time and cost limits set by the legislation. If you disagree, then please contact me as soon as possible to discuss this, as required by Section 16 of the FOIA.

**LGA letter**

*FOI information wanted*

*The LGA are considering pressing the Government again for changes to the FOI legislation, having regard to the cost and time in handling FOI requests. One development seems to be the use of the FOI process by researchers and campaigners for their benefit at our expense. The LGA do however need hard evidence to support their arguments with the Government. It would be helpful to have some basic statistics from LAs on the following:*

- *Number of FOI requests per year from 2005 to date*
- *Percentage increases from year to year*
- *Proportion (percentage) of FOI applications from the media, campaigning bodies, commercial or business bodies undertaking their own research*
- *Average time taken, and cost of dealing with the research type requests*
- *Any other trends creating problems*

*Please pass this request to your info officer(s) to respond to the LGA with as much info on the above lines as possible, to inform the LGA's discussions with the Government. Whilst FOI is now a fact of life, it may be possible and practical to make some changes to the system which may compensate LAs for the cost of people and bodies exploiting the system for commercial purposes. Please send information to [xxxx@local.gov.uk](mailto:xxxx@local.gov.uk)*

10<sup>th</sup> June

I would like to request information from your establishment under the Freedom of Information Act pertaining to smoke and CO alarm and detection systems. This specifically relates to the systems you have in place in council owned care homes and properties with multiple occupancy (HMO's).  
This request does not require any personally identifiable information.  
This request does not require any commercially sensitive information.

9 <sup>th</sup> June	Request for data about cash deposits relating to Highways Agreements – contained in a separate letter
10 <sup>th</sup> June	<p>Thank you for this.</p> <p>For one reason or another, I neglected to ask the question</p> <p>1. For the financial year 2013 / 2014 April - March, what is the number of cases related to litter FPNs taken to court and how many of these were successful?</p> <p>I am now wondering if you have this information to hand as part of the data collated for the FOI request I already made?</p>
11 <sup>th</sup> June	I would like to know the amount of money the council spent on the services of external law firms and barristers over the last five years (years ending March 31). If this is not possible within the restrictions of the Freedom of Information Act, three years of data will suffice. If this is not possible, two years of data are acceptable.
11 <sup>th</sup> June	<p>Dear Licensing Department,</p> <p>Because of the increasing number of complaints from the public about face to face charity street fundraising, we emailed you three years ago and you told us how you are dealing with problems in your area.</p> <p>I hope you will help us again with our new enquiry. Please answer these questions.</p> <p><i>1. Does your council have any limitations on chugging - specific days, areas, etc?</i></p> <p><i>2. Which local streets or roads are most used by chuggers?</i></p> <p><i>4. Have you had any problems with chuggers and, if so, what?</i></p> <p><i>5. Have you had any complaints from the public about chuggers and, if so, what?</i></p> <p><i>6. Have you seen anything in the local press or had any dealings with the local press regarding chugging (please specify)?</i></p> <p><i>7. Do you know if your council has debated the question of chugging and if so, what was the outcome?</i></p> <p><i>8 Can you name any other towns where chugging has been a problem or banned?"</i></p>
11 <sup>th</sup> June	To enable the researcher to analyse the changes in stock and flow of housing and the effects of Right to Buy could the following questions be answered <b>per year from 1980 to 2013:</b> <u>Essential information:</u>

	<p>Does the council have their own social housing stock? If not, who are the main social landlords in your district?</p> <p>What was the stock of your social housing?</p> <p>How many tenants have exercised their RTB?</p> <p>What has been the annual revenue generated by RTB?</p> <p>How many new social homes have been added to the social housing stock</p> <p>a) <i>Through building</i></p> <p>b) <i>Through acquisition of existing properties</i></p> <p>What was the annual level of investment into new social housing?</p> <p>What was the population of your district?</p> <p>How many people applied for a council house?</p> <p>How many people have successfully been allocated a council house?</p> <p>How many tenants had the bedroom tax applied to them? (since it was instigated)</p> <p><u>This would be helpful if you have it.</u></p> <p>What was the average wage per family within your boundaries?</p> <p>What was the average house price in your boundaries?</p>
11 <sup>th</sup> June	<p>&gt; following the recent, slightly sensationalist, reporting in the evening press re food hygiene ratings I have some concern about the transparency of the process and availability of the reporting on which the scores are based to the public. I note the reports are apparently available by freedom of information request but that seems a little over the top. Is it possible to get hold of the recent reports, or at least those which are actually complete without jumping through that particular hoop? though i will of course if required. I should be getting</p>

	a response from XXXXXXXX this week too and you can read more of my thought at my food blog.							
11 <sup>th</sup> June	Hi... What service (name of supplier) do you use to log and manage FOI requests? How much is the contract? When is the contract due for renewal?							
12 <sup>th</sup> June (EIR request)	<input type="checkbox"/> Yearly water consumption in cubic metres per year (m <sup>3</sup> /yr) for the local authority each year for the last 3 years. <input type="checkbox"/> Yearly water spend in pounds (£/yr) for the local authority each year for the last 3 years. <input type="checkbox"/> The total number of water accounts paid by the local authority each year for the last 3 years. <input type="checkbox"/> The total number of water accounts which have a water meter that are payable by the local authority each year for the last 3 years. <input type="checkbox"/> A list of properties which have their water accounts payable by the local authority for the current year.							
12 <sup>th</sup> June	<p>What management information system has the council currently procured for the use in its schools e.g. Capita SIMS or SchoolTool? If it has changed in the two last years, please state the previous management information system.</p> <p>2. The name of the school and cost each school pays towards their MIS supplier?</p> <p>3. When did the council last go to tender for its school management information system?</p> <p>5. How long has each school been using the particular information management system?</p> <p>6. Is the information management system secured by the council on an auto renewal basis each year or does the information management system go for tendering?</p> <p>7. Have the council informed schools of their right to change information management systems, if not, why not and who would be the point of contact within the Council reminding schools of this fact?</p>							
12 <sup>th</sup> June	<p>1. Please provide the monetary value of debt outstanding for Council Tax and Sundry Debts. Please also provide the bad debt provision for these financial years, along with the number of accounts this is represented by? For example the following table could be used</p> <table border="1" data-bbox="347 1433 1675 1511"> <tr> <td></td> <td>Council</td> <td>Council</td> <td>Council</td> <td>Sundry</td> <td>Sundry</td> <td>Sundry Debt</td> </tr> </table>		Council	Council	Council	Sundry	Sundry	Sundry Debt
	Council	Council	Council	Sundry	Sundry	Sundry Debt		



	Tax debt £	Tax debt a/cs	Tax provision	Debt £	Debt a/cs	provision
2005/6						
2006/7						
2007/8						
2008/9						
2009/10						
2010/11						

Please ensure the answer is by financial year and by type of debt

2. Alternatively, if this is not available, please provide the level of debt and the number of accounts, by the number of months outstanding.
3. What computer system is used for processing Council Tax and Sundry Debts?
4. Do you obtain payment up front for any Council services? If yes, please indicate which ones (if all, just state all)

12 <sup>th</sup> June	<p>(A) If the council charge sporting teams within the council area a charge to use council owned changing room facilities; If so what are the charges, If the charges are per fixtures or per number of fixtures over a season; If the costs that have been paid cover the costs for showers, lights and maintenance of the facilities etc</p> <p>(B) The amount the council have collected in the past 2 financial years</p> <p>(C) The steps the Council take to ensure that teams that have permission to use the changing room facilities ensure that the facilities are clear of any litter that they may use eg; Plastic bottles etc</p>
13 <sup>th</sup> June	<p>I am looking for a full list of businesses, either Limited companies or PLCS etc, that have either moved into a new unit or property within your authority area, that have become responsible for the business rates between the dates of 1st June 2014 to 15th June 2014. I would like....</p> <ul style="list-style-type: none"> <li>* The Business Name, address and company responsible for the rates</li> <li>* Date they became responsible</li> <li>* Rateable value</li> </ul>

13 <sup>th</sup> June	<p>1) The number of personal injury claims brought against the authority for accidents to pedal or motorcyclists caused by road surface condition in financial years: 2009/10, 2010/11, 2011/12, 2012/13, 2013/14</p> <p>2) The number of claims for damage to pedal or motorcycles related to road surface condition in financial years: 2009/10, 2010/11, 2011/12, 2012/13, 2013/14</p> <p>By "<i>road surface condition</i>" I mean damage caused by potholes, cracks in the road or the general condition of local authority managed highways.</p> <p>I would be grateful if you could supply the information as soon as possible.</p>
13 <sup>th</sup> June	<p><b><u>Freedom of Information Request- External Hosting</u></b></p> <p>Hi I would like to submit a freedom of information request to the organisation with regards to their external/3rd party contract for hosting which may include the following</p> <ol style="list-style-type: none"> <li>1. <b>Software as a Service (SaaS)</b> is a software distribution model in which applications are hosted by a vendor or service provider and made available to customers over a network, typically the Internet.</li> <li>2. <b>E-commerce</b> hosting is a business that furnishes merchants with solutions for selling their merchandise online. The merchant is typically billed monthly for using space on the hosting company's server. Software is also leased for online order processing. E-commerce hosting businesses usually manage all the technical facets of commercial website development and maintenance for their clients. E-commerce hosting can also include electronic data interchange (EDI).</li> <li>3. <b>Exchange</b> Hosting is a service in the telecommunications industry whereby a provider makes a Microsoft e-mail box and space available on a server so its clients can host their data on the server. The provider manages the hosted data of its clients on the server.</li> <li>4. <b>Web</b> Hosting is the activity or business of providing storage space and access for websites.</li> <li>5. <b>VOIP</b> Hosting is a methodology and group of technologies for the delivery of voice communications and multimedia sessions over Internet Protocol (IP) networks, such as the Internet. Other terms commonly associated with VoIP are IP telephony, Internet telephony, voice over broadband (VoBB), broadband telephony, IP communications, and broadband phone service.</li> <li>6. <b>Contact Centre:</b> A hosted contact centre offers all the utilities associated with running a customer service outfit with a pay-as-you-go plan. This means that managers don't need to buy prohibitively</li> </ol>

expensive hardware, instead they can add software as needed and get deeper in their involvement as they grow.

7. **Unified communications** is the integration of real-time communication services such as instant messaging, presence information, telephony, video conferencing, data sharing, call control and speech recognition with non-real-time communication services such as unified messaging.

**For each external/3rd hosting contract can you please provide me with I have provided below:**

**Type of External Hosting Contract:** The types of hosting could include SaaS or Application, Ecommerce, Exchange, Web, VOIP, Contact Centre, and Unified Communications.

**Supplier Name:** Who is the contracted supplier for this external hosting?

**Annual Average Spend:** The annual average spend for this contract and please provide the average spend over the past 3 years for each provider. If this is a new contract please provide me with the estimated annual average spend.

**Contract Duration:** Please state the duration of the contract including any extensions.

**Contract Expiry Date:** When does this contract expiry? DD/MM/YY

**Contract Review Date:** When will the contract be reviewed? DD/MM/YY

**Contract Description:** Please provide me with information of the services provided under this contract.

**Internal Contact:** Can you please provide me with the contact details of the person responsible for this contract please include their full name, actual job title and direct contact number and email address.

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**Audit and Governance Committee**

25 June 2014

Report of the Monitoring Officer

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**Updating the Constitution**

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**Summary**

- 1 This report advises members on progress towards a complete revision of the Constitution.

**Background**

- 2 The Council is required by law to have a Constitution. The current Constitution is based on a model produced when the Local Government Act 2000 came into force. Although it has been regularly updated since then it is now in need of a complete rewrite. Nationally many Councils are facing the same issue and two new model Constitutions have been prepared on behalf of the organisation now known as Lawyers in Local Government. While these models are very helpful they cannot simply be adopted without amendment. That is particularly the case where, as in York, there is a wish to review aspects of how the Council operates at the same time as bringing up to date the document which sets out those arrangements. The review is therefore a very substantial piece of work. Nevertheless substantial progress has been made.
- 3 A key aim of the review has been to make the Constitution more readily understood – acknowledging that it is a technical document which has to reflect the law and set out other rules which the Council has decided it ought to follow. The recently approved revised summary and explanation section for the Constitution goes a long way to meeting that aim.
- 4 The Constitution contains various rules which set out controls on how the business of the Council is conducted. On the agenda for this meeting the Committee is considering

revisions to the financial regulations. This is one of the most important parts of the control environment established by the Constitution.

- 5 On a similar theme a review of the contract procedure rules, which set out the arrangements which officers must follow when proposing to enter any contract, is nearing completion. The rules have been completely rewritten with a view to making them easier to follow while maintaining current levels of control. A draft of the new rules is currently being consulted upon internally so that any practical difficulties in applying them can be identified and addressed. The aim is that new rules can be brought through the decision making process for implementation in the Autumn.
- 6 The way that Council meetings operate has been a topic being discussed by Councillors for some time now. During the course of the last year webcasting of meetings has begun and this Committee has considered and approved the arrangements for that as well as for filming and photography at meetings by the public. These arrangements will be referenced in the new Constitution.
- 7 The issue of how full Council should operate has also been the subject of considerable ongoing discussion. This has led to the preparation of a new draft set of Council procedure rules. Group Leaders have been consulted on those rules and final feedback is expected shortly. The Committee can therefore expect to receive a report in relation to this matter later in the year. It is anticipated that these new rules will reflect the guidance given by the Committee this year in respect of public participation. It is also anticipated that new provision will be recommended for handling petitions which will necessitate looking again at the petitions scheme which this Committee recently reviewed.
- 8 In July last year the Committee considered a report on the Council's scrutiny arrangements. The Committee made a number of comments which have fed into ongoing discussions about scrutiny. At this stage no requirement for constitutional change has been identified but it has been recognised that the current committee structure no longer reflects the way the Council is organised in terms of Directorates or executive portfolios and that may be an issue which Members choose to address in due course.

### **Council Plan**

- 9 The Constitution is an essential element of the Council's corporate governance framework. It supports all the Council's decision making and scrutiny processes and includes rules which establish a significant part of the Council's control environment. As such it has an important role in maintaining the Council as an effective organisation.

### **Implications**

- 10 There are no implications to this report in relation to:
- **Finance**
  - **Human Resources (HR)**
  - **Equalities**
  - **Legal**
  - **Crime and Disorder**
  - **Information Technology (IT)**
  - **Property**

### **Recommendations**

- 11 Members are asked to:

Note the progress made to prepare a revised Constitution

#### Reason

*To allow the Audit and Governance Committee to monitor progress*

**Contact Details**

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

Andy Docherty  
Assistant Director  
Telephone: 01904  
551004

**Report  
Approved**

**Date**

12 June 2014

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

None

**Annexes**

None



**Audit and Governance Committee**

25 June 2014

Report of the Monitoring Officer

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**Democratic Governance Audit**

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**Summary**

- 1 This report advises members on the Council's response to a recent internal audit report in relation to democratic governance.

**Background**

- 2 As part of their routine audit plan Veritau recently undertook an audit of democratic governance. That included not only consideration of the Council's formal Member and Officer decision making arrangements but also, key partnerships, ward meetings and information on the website.

- 3 The audit concluded:

“Overall, the council's democratic and decision making processes contain sufficient controls to manage risks to a satisfactory level”

As a result no priority one recommendations for improvement were made. However, the audit was useful in identifying some areas where improvements could be made. This report sets out the steps taken in response to those findings.

- 4 The audit identified that there is not a consistent understanding across the organisation as to who can take key decisions. No example though was identified of a key decision having been taken by someone without authority to do so.
- 5 In response to this all members of CMT have received a briefing from the Director of Customer and Business Support Services and the Monitoring Officer in relation to the Council's decision making arrangements and the issue of key decisions

was an element of this. In addition, as Members are aware, the current constitution review does have an aim of making the document as understandable as possible and any need to further simplify the wording of the rules on key decisions will be considered within that review, and as proposed within the audit recommendations.

- 6 The audit noted that the forward plan did not make it clear whether a Cabinet Member intended to hold a public decision making session. The plan now makes that clear.
- 7 The audit noted the possibility of inconsistency between directorates in recording officer decisions. The Council recorded significant officer decisions many years before there was any legal requirement to do so and still exceeds legal requirements in that non – executive decisions are published. All Members of CMT have been provided with a copy of the current CLG guidance on recording officer decisions and the matter has been discussed at the briefing session referred to above.
- 8 It was identified that some information on modgov was not up to date. The fact that modgov has a different appearance from the main website and does not have a common search function was also noted. All outstanding information relating to Members and their appointments to Committees and other bodies has been updated within Modgov, including any changes made at the recent Annual Meeting and any changes to personal information, eg addresses etc, notified to Democratic Services. The website issues, including integration of the Modgov search engine, have been raised with both the Communications and ICT teams. Work is currently ongoing to bring the Council's webpages and intranet site together and part of this work will also seek to address the issues identified in the audit.
- 9 In relation to the Without Walls partnership it was identified that up to date agendas and minutes were not available on the website. Without Walls now has its own website where agendas and minutes dating back to 2003 are published.
- 10 A number of Ward meeting minutes were not available on modgov when the audit was undertaken. The relevant service has agreed to ensure that draft minutes of the annual Resident Forums are published promptly in future.

- 11 The remaining recommendations related to the wider Council's use of technology and social media and the use of the website to ensure openness and transparency. Those issues are being explored within the rewiring programme and recently the city's residents have been invited to participate in the development of a new website and the creation of an open data web portal. This will enable the recommendations around integrating Mod Gov to be met. The Council has recently created a specific web page for foreign travel and is committed to publishing what the public consider to be 'sensitive' expenditure. It is expected that staff hospitality will be published in the near future.

### **Council Plan**

- 12 Good democratic governance is key to the Council being an effective organisation.

### **Implications**

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

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

### **Recommendations**

- 14 Members are asked to:

Note the progress made in response to the audit recommendations

#### Reason

To allow the Audit and Governance Committee to monitor progress

**Contact Details**

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

Andy Docherty  
Assistant Director  
Telephone: 01904  
551004

**Report  
Approved**

**Date** 12 June 2014

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

None

**Annexes**

None

## Glossary of Abbreviations

AGS	Annual Governance Statement
BYOD	Bring Your Own Device
CBSS	Customer and Business Support Services
CFO	Chief Finance Officer
CIA	Chief Internal Auditor
CIGG	Corporate Information Governance Group
CIPFA	Chartered Institute of Public Finance and Accountancy
CL	Corporate Landlord
CMT	Corporate Management Team
CYC	City of York Council
DP	Data Protection
EDRMS	Electronic Document Records Management
FOI	Freedom of Information
IAMM	Information Assurance Maturity Model
IAO	Information Asset Owner
ICO	Information Commissioner's Office
ITT	Invitation to Tender
KCR	Key Corporate Risk
MEAT	Most Economically Advantageous Tender
MO	Monitoring Officer
NI	National Insurance
OGG	Officer Governance Group
PAYE	Pay As You Earn
PMF	Performance Management Framework
PSIAS	Public Sector Internal Audit Standards
QA	Quality Assurance
QAIP	Quality Assurance and Improvement Programme
SIRO	Senior Information Risk Owner
SOLACE	Society of Local Authority Chief Executives and Senior Managers
SWAP	Southwest Audit Partnership
VAT	Value Added Tax
VFM	Value for Money

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