Notice of meeting of a Public Meeting of

Audit & Governance Committee

To:	Councillors N Barnes (Chair), Dew (Vice-Chair), Cullwick, Kramm, Lisle, Fenton and Gunnell and Mr Mendus and Mr Bateman
Date:	Wednesday, 24 June 2015
Time:	5.30 pm
Venue:	The George Hudson Board Room - 1st Floor West Offices (F045)

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 the agenda.

2. Minutes (Pages 1 - 8)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 25 March 2015.

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 23 June 2015.**

Filming, Recording or Webcasting Meetings
Please note this meeting will be filmed and webcast and that includes any registered public speakers, who have given their permission. This broadcast can be viewed at http://www.york.gov.uk/webcasts

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

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at https://www.york.gov.uk/downloads/file/6453/protocol_for_webcasting_filming_and_recording_council_meetingspdf

4. Audit and Governance Committee 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 February 2016.

5. Annual Report of Audit and Governance Committee (Pages 15 - 28)

This report seeks Members' views on the draft Annual Report of the Audit and Governance Committee for the year ended 25 March 2015, prior to its submission to Full Council.

6. Annual Governance Statement 2014/15 (Pages 29 - 48)

This report presents the draft Annual Governance Statement 2014/15.

7. Mazars Audit Progress Report (Pages 49 - 82)

This report updates Members on the progress made by Mazars in meeting its responsibilities as the Council's External Auditor. The report also outlines key emerging national issues and developments which may be of interest to the Committee.

8. Annual Report of the Head of Internal Audit (Pages 83 - 120)

This report summarises the outcome of audit and fraud work undertaken in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal controls.

9. Update on Freedom of Information and Environmental Information Regulations (Pages 121 - 130)

This report provides an update on progress and performance in respect of the processing of Freedom of Information (FoI) requests.

10. Update on Information Governance (Pages 131 - 136)

This report provides Members with an update on information governance developments since the last report to this committee in December 2014.

11. 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

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
Meeting	Audit & Governance Committee
Date	25 March 2015
Present	Councillors Ayre (Chair), Brooks (Vice-Chair), Barnes and Fraser and Mr Whiteley (Co-opted Non-Statutory Member)
Apologies	Councillors Potter, D'Agorne and Scott

76. 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.

77. Minutes

Resolved: That the minutes of the meeting of 11 February 2014 be approved and signed as a correct record subject to minute 56 being amended to read "Councillor Barnes declared a personal interest in agenda item 6 as his employer was a *sponsor of one of the future occupants of the stadium...*".

78. Public Participation

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme and that one Member of Council had also registered to speak.

Councillor Warters spoke in respect of agenda item 8 (Audit and Counter Fraud Monitoring Report) with specific reference to the Internal Audit Memorandum dated 22 January 2015 regarding the allocation of funding for highways maintenance schemes. Councillor Warters expressed his concerns regarding the way in which funding had been allocated for highways repairs and stated that he had asked the Chief Executive to investigate as he believed that this had been subject to political manipulation. Councillor Warters stated that the investigation by internal audit

had demonstrated that there had been weaknesses in the process and he was concerned that this may also apply to other aspects of Council business.

Ms Gwen Swinburn spoke in respect of agenda item 8 (Audit and Counter Fraud Monitoring Report) with specific reference to the Democratic Governance (follow-up) report. She expressed concern that officer decisions were still being reported late on the decision log and that they were not always accompanied by supporting documentation.

79. Audit and Governance Committee Forward Plan

Members considered a paper which presented the future plan of reports expected to be presented to the committee during the forthcoming year to February 2016.

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

Members requested that future meetings of the committee not be held during school holidays if possible.

Resolved: That the committee's Forward Plan for the period to February 2016 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.

80. Audit Progress Report

Members considered a report which updated them on progress made by Mazars in meeting its responsibilities as external auditor. The report also included key emerging national issues and developments.

Members were informed that work was ongoing in respect of audit planning and to address issues which had been identified as resulting from an extremely complex bank reconciliation process. Considerable progress had been made regarding this

matter and assurances had been given by officers that the remaining issues would be addressed before the production of the accounts.

Members' attention was drawn to an extract from the Audit Commission's website which explained how its current functions would be discharged from 1 April 2015 after it closed.

Resolved: That the report be noted.

Reason: To ensure that Members are kept updated on the work of the external auditors and key emerging national issues and developments.

81. Audit Strategy Memorandum

Members gave consideration to Mazars' Audit Strategy Memorandum for City of York Council for the year ending 31 March 2015. The document summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided details of the audit team.

Members' attention was drawn to the following significant risks that had been identified and which Mazars would pay particular attention to during the audit:

- Management override of controls (a standard risk in audits)
- Revenue recognition (a standard risk in audits)
- Pension estimates
- Property, plant and equipment – accounting for depreciation, revaluations and impairments

Referring to section 4 (Value for Money Conclusion), details were given of the following significant risks that would be addressed by Mazars:

- Responding to the financial pressures
- Risks in relation to adult social care services

Noting that Mazars would be reviewing whether project management practices were robust and that lessons had been learned from difficult experiences, Members asked if there were particular projects that would be considered. They were informed that consideration was likely to be given to projects such as the Community Stadium, Lendal Bridge and the

reprovisioning of residential care for older people, although other projects could also be considered.

Resolved: That the Audit Strategy Memorandum for the year ending 31 March 2015 be noted.

Reason: To ensure that Mazars is able to understand the Committee's expectations of the external auditors.

82. Internal Audit and Counter Fraud Plan 2015/16

Members considered a report which sought the committee's approval for the planned programme of audit and counter fraud work to be undertaken in 2015/16.

Officers confirmed that the Committee's suggestions, for example in respect of development management, had been incorporated into the final plan. The plan would be kept under review and may need to be adapted to reflect changing risks and priorities. Changes to the plan would be reported back to the Committee.

Resolved: That the 2015/16 internal audit and counter fraud plan be approved.

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

83. Audit and Counter Fraud Monitoring Report

Members considered a report that provided an update on progress made in delivering the internal audit workplan for 2014/15 and on current counter fraud activity.

Members questioned officers on the following Audit reports:

(i) <u>Allocation of Highways Funding</u>

Members asked if the committee could receive a copy of the report that had been presented to the Chief Executive. Officers explained that the report contained sensitive information and to disclose this would be in breach of the

Data Protection Act. It may also make future audits less effective, as people may be less willing to speak freely.

Officers stated that the audit had identified that there had been a lack of proper record keeping. Auditors had spoken to those involved and there had been conflicting responses given as to what had occurred. The outcome of the audit had been that systems and processes needed to be changed and improved. These changes had been accepted by management.

Officers were asked if they were considering whether the weaknesses identified in the audit were applicable in other areas of the Council. They stated that they had been tasked with considering the allocation of highways funding but that the recommendations made were similar to those in respect of the Lendal Bridge project and within the LGA report. The auditors were mindful of these recommendations and would consider whether they applied when similar audits were carried out.

(ii) CANS and CES Charging for Private Works, Overtime

Officers were asked to provide more information regarding the “limited assurance” opinion. They explained that managers were still giving consideration to the issues that had been raised and hence this opinion may change.

(iii) Contract Management for new Service Delivery Models

Members queried whether organisations such as Explore, which were run as a social enterprise model, were subject to the same transparency requirements as a Local Authority. Officers agreed to clarify this matter but explained that the Council had a contract with each organisation which required them to provide information.

(iv) Partnership Arrangements

Clarification was sought as to whether partnership agreements and partnership mandates had been updated and whether a partnership portal had been established. Officers confirmed that these actions would be followed up.

(v) Democratic Governance (follow up)

Members expressed their concern that the training session that had been arranged had been cancelled as no one had enrolled. Officers confirmed that the session would be rescheduled. Consideration was being given to making some training sessions mandatory and to alternative ways of delivering sessions, for example online.

(vi) Subsidy to Greenwich Leisure Limited (GLL) for the Waterworld Leisure Centre

Members requested that the unredacted version of this report be presented at a later meeting once the issues had been dealt with.

Resolved: That the progress made in delivering the 2014/15 internal audit work programme, and current counter fraud activity be noted.

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

84. Appointment of Independent Co-opted Members

Members considered a report which sought approval for the appointment of two independent co-opted members to the committee to be recommended to Full Council.

It was noted that Mr Martin Whiteley was due to complete his term of office as an independent co-opted member in July. Mr Whiteley was thanked for his services to the committee and for the very valuable contribution that he had made.

Members were informed that there had been seven very strong candidates for the positions and that it was the selection panel's recommendation that the Council be recommended to appoint Mr Chris Bateman and Mr Andrew Mendus as independent co-opted members and that Mr Dave Mann be appointed as a reserve in the event that either nomination was declined or the people appointed resigned before the end of their term of office.

Mr Whiteley stated that it would be helpful for induction training to be put in place for the new independent co-opted members.

Resolved: (i) That the process followed to select candidates for the role of independent co-opted members be noted.

(ii) That it be recommended to Full Council that Mr Chris Bateman and Mr Andrew Mendus be appointed as co-opted members of the Audit and Governance Committee for a four year term of office.

(iii) That it be recommended to Full Council that Mr Dave Mann be appointed as a reserve member.

(iv) That thanks be recorded to Mr Martin Whiteley for his services to the Audit and Governance Committee.

Reason: To ensure that the committee continues to operate effectively and in accordance with recommended best practice.

Chair
[The meeting started at 5.30 pm and finished at 6.25 pm].

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Audit and Governance Committee 24th June 2015

Report of the Director of CBSS (Portfolio of the Leader of the Council)

Audit & Governance Committee Forward Plan

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2016.

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 2016. 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. Two amendments have been made to the Forward Plan since the previous version was presented to the Committee in March 2015.

4. A report from the Council's external Auditors Mazars on their review of the housing for older people project has been added to the agenda for the July meeting.

5. The LGA review update report has been deferred from June to the September meeting to allow time for the new administration to reflect on progress that has been made.

Consultation

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

Options

7. Not relevant for the purpose of the report.

Analysis

8. Not relevant for the purpose of the report.

Council Plan

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

Implications

10.

(a) **Financial** - There are no implications

(b) **Human Resources (HR)** - There are no implications

(c) **Equalities** - There are no implications

(d) **Legal** - There are no implications

(e) **Crime and Disorder** - There are no implications

(f) **Information Technology (IT)** - There are no implications

(g) **Property** - There are no implications

Risk Management

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

Recommendations

12. (a) The Committee's Forward Plan for the period up to April 2016 be noted.

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

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

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

Contact Details

Author:	**Chief Officer Responsible for the report:**
Emma Audrain Technical Accountant Customer & Business Support Services Telephone: 01904 551170	Ian Floyd Director of CBSS Telephone: 01904 551100

Report Approved √ **Date** 16/06/2015

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 2016

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Annex

Audit & Governance Committee Draft Forward Plan to April 2016

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

- **Committee 29th July 2015**

  Draft Statement of Accounts 2014/15

  Mazars review of Housing for older people project

  Mazars Audit progress report

  Scrutiny of the Treasury Management Annual Report 2014/15 and review of Prudential indicators

  Key Corporate Risks Quarter 1 (including directorate risks)

  Freedom of Information Update Report

  Changes to the Constitution (if any)

- **Committee 23rd September 2015**

  Final Statement of Accounts 2014/15

  Mazars Audit Completion report

  Key Corporate Risk Monitor Quarter 2 (including directorate risks)

  Internal Audit & Fraud Plan Progress Report including follow up of Audit Recommendations

  LGA Review Update Report

  Changes to the Constitution (if any)

- **Committee 9th December 2015**

  Mazars Annual Audit Letter 2014/15

  Mazars Audit Progress Report

  Treasury Management Mid year review report 2015/16 and review of prudential indicators

  Information Governance Update Report

  Freedom of Information Update Report

  Internal Audit & Fraud progress report

  Changes to the Constitution (if any)

- **Committee 10th February 2016**

  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

  Audit & Counter Fraud Plan & Consultation

  Changes to the Constitution (if any)

- **Committee 13th April 2016**

  Mazars Audit Progress Report

  Mazars Audit Strategy Report

  Approval of Internal Audit Plan

  Internal Audit & Fraud Plan Progress Report including follow up of Audit Recommendations

  Information Governance Annual Report

  Changes to the Constitution (if any)

Audit and Governance Committee 24 June 2015

Report of the Chair of the Audit Committee

Annual Report of the Audit and Governance Committee

Summary

1 This report seeks Members' views on the draft annual report of the Audit and Governance Committee for the year ended 25th March 2015, 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 effectively discharge its responsibilities.

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** 10/06/2015

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable **All** ✔

For further information please contact the author of the report

Background Papers:

None

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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 25th March 2015. 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 25th March 2015. 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 considered a report which presented an update on the key corporate risks, which highlighted in more detail emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

2. The Committee also received an overview National Risk report which provided Members with an update on the new and emerging wider risks that might face the Council. Members had the opportunity to identify any further information they would like to receive on these matters.

3. Members also received a session of Risk Management training during the year.

Internal Audit and Counter Fraud

4. The Committee 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 initial Internal Audit and Counter Fraud plan along with a number of update reports on the progress made throughout the year.

6. Received two reports which provided an update on the progress in implementing the Information Governance Strategy, information governance developments and progress made to develop the Council's information governance arrangements.

7. Members requested and received an additional update report on the Council's Absence Management procedures in light of concerns raised in the Annual Governance Statement. The report outlined plans in place to address these concerns.

8. Considered a report which sought Members' views on the priorities for internal audit for 2015/16, to inform the preparation of the Internal Audit plan. The report also informed Members about potential fraud risks facing the council and potential counter fraud activity to address those risks.

9. Received the Annual Report of the Head of Internal Audit which summarised the outcome of audit and fraud work undertaken in 2013/14 and provided an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

Members scrutinised the significant control issues highlighted in the report and noted that these were reflected within the Annual Governance Statement.

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 2014/15 along with the Value for Money audit plan. The Committee were satisfied the plan sufficiently reflected the audit needs and interests of the Council.

11. Received and considered the Annual Audit Letter which summarised the outcome of the 2013/14 audit carried out by Mazars. Members noted the findings of the audit contained in the report.

12. Considered a report that presented the results of Mazars certification of Claims and Grants in 2013/14.

13. Received regular 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

14. Received and considered an Audit Completion report from Mazars which summarised their audit conclusions for the year ended March 2014.

Treasury

15. The committee continued the role of scrutinising the Council's treasury management strategy and policies and considered two update reports during the year.

16. Members received and considered the annual treasury management strategy statement and prudential indicators for 2014/15, and also later considered a mid year review report updating Members on the performance for the first six months of 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. 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. These included:

a. Adult Social Care Progress report
b. Absence Management Progress Report
c. Information Governance update reports
d. Partnership Governance update report

18. Considered the Annual report of the Audit and Governance Committee prior to its submission to Full Council.

19. Initially considered a draft pre audited version of the Statement of Accounts for 2013/14 before approving the Final audited Statement of Accounts at a later meeting.

Democratic Governance

20. The Committee have received a number of reports related to Democratic Governance throughout the year including:

21. A report advising members on the Council's response to a recent internal audit report in relation to democratic governance. The report included details of the progress being made against recommendations made.

22. A report setting out limited changes to the committee's terms of reference. Members considered the report prior to recommending to Full Council for approval.

23. Two progress reports throughout the year summarising progress made in respect of a revision to the Council's constitution.

24. A report setting out revised Council procedure rules. Members considered the revisions and made recommendations to Full Council that the revised rules be adopted.

25. A report proposing new arrangements for handling petitions made to the Council. Members made recommendations which resulted in an updated petitions scheme and amendments made to the terms of reference of the Corporate and Scrutiny Management Committee.

26. A report which sought Members' views on whether any changes were required in the governance arrangements for scrutiny. Members made a number of recommendations for changes to

scrutiny arrangements, which were fed back to the Corporate and Scrutiny Management Committee

27. A report setting out the context and early findings of a review carried out by the Local Government Association (LGA) into member-officer relations. Members requested an additional meeting to receive the written report and consider the way forward.

28. Members later received a further report setting out the draft action plan prepared in response to findings following the LGA peer review, to ensure arrangements were in place to address the recommendations from the review

29. Considered a report detailing a list of governance changes submitted by opposition groups and Independent Members, and the Leader's response to the proposed changes.

30. Received a report in relation to constitutional changes regarding contract procedure rules, to ensure that the Council's procurement activity is both effective and lawful. Members scrutinised the report before recommending to Council for approval.

31. Received a report in relation to constitutional changes regarding access to information rules, to ensure the council has effective and accessible rules in place and the Constitution is kept up to date. Members put forward amendments before recommending to Council for approval.

Other

32. 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.

33. Received a report presenting the draft revised financial regulations to ensure they remain appropriate in maintaining the integrity of the Council's financial arrangements. Members commented on the proposed changes before recommending to Full Council for consideration.

34. Received a partnership governance report setting out work ongoing as part of an action plan to ensure that the council has a methodology and approach in place to ensure partnerships operate effectively.

35. Members considered a report that covered the actions taken in respect of the governance of major projects, as a result of the review of the trial closure of Lendal Bridge in 2013/14.

36. Considered a further project management update report, to ensure Members are fully updated on the Council's approach to the management of programmes and projects.

37. Received three update reports on progress made by Adult Social Care against the ten recommendations made by the External Auditors to assist the service to respond more effectively and quickly to the challenges posed by the continuing demographic changes and by financial constraints.

38. Members received a report providing an update on the Council's progress and performance in responding to Freedom of Information requests and scrutinised the contents.

39. Considered a report setting out the Council's approach to business continuity, and the current position of the council with regards to identifying those service areas which provide critical services and the progress made towards the development of business continuity plans for these critical service areas.

40. Received an update report on the Council's progress in implementing the requirements under the revised local government transparency code.

41. Received a report seeking approval for the appointment of two independent co-opted members to the Committee to be recommended to Full Council.

Summary

42. The Audit and Governance Committee have considered a large number of reports during 2014-15 in carrying out their responsibility for overseeing the Council's corporate governance, audit and risk management arrangements and providing assurance that the Council's financial and governance procedures are effective. The Committee has also carried out its duty in scrutinising the Statement of Accounts and Annual Governance statement prior to approval, alongside overseeing the appointment of two new independent co-opted members to the Committee for the upcoming year.

Cllr Neil Barnes - Chair of the Audit & Governance Committee

Appendix 2

The functions of the Audit & Governance Committee are:

No	Delegated authority	Conditions
	Audit	
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 framework of governance, risk management and control 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 consider whether internal audit work conforms to professional standards and 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 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 (or its successor body) over the appointment of the Council's External Auditor.	
10	To approve the Internal Audit Charter.	
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.

Appendix 2

No	Delegated authority	Conditions
	Governance & Regulatory	
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 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 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.
	Annual Governance Statement and Accounts etc	
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.	
24	To report on the discharge of the Committee's responsibilities under the Constitution to Full Council on an annual basis.	

Appendix 2

No	Delegated authority	Conditions
25	To maintain and participate in a programme of training relevant to the activities and responsibilities of the Committee.	

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Audit and Governance Committee 24th June 2015

Report of the Director of Customer & Business Support Services

Annual Governance Statement 2014/15

Summary

1 The purpose of this report is to present the draft Annual Governance Statement (AGS) 2014/15 for approval. The AGS is attached as Annex A and a signed version, as agreed by the Leader and Chief Executive of the council, will accompany the Statement of Accounts 2014/15.

2 The AGS continues to form part of the Statement of Accounts, however it is now considered as an accompanying document rather than a core statement. The Draft Statement of Accounts will be approved by the S151 Officer by the 30th June and will be reviewed by this Committee at the meeting in July 2015. The final version of the Statement of Accounts will be approved by this Committee, at the meeting in September 2015.

Background

3 The Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of systems of internal control and to publish Statements of Internal Control (SIC) as part of the annual accounts.

4 In 2007, CIPFA/SOLACE published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework'* set out six core principles of governance which authorities are required to adopt. In accordance with this requirement, the council has a local Code of Governance which reflects the CIPFA/SOLACE framework.

5 The Framework introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC from 2007/08 onwards. In preparing the AGS it is necessary to address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Preparation Process

6 In compiling the 2014/15 AGS, a range of sources of evidence have been gathered and analysed. These have then been reviewed by the Officer Governance Group to consider the following:

(a) the adequacy and effectiveness of key controls, both within individual directorates and across the council
(b) any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
(c) 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
(d) significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies;
(e) the results of internal audit and fraud investigation work undertaken during the period;
(f) 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;
(g) the Council's risk register and any other issues highlighted through the Council's risk management arrangements
(h) the outcomes of service improvement reviews and performance management processes
(i) progress in dealing with control issues identified in the 2013/14 Annual Governance Statement.
(j) The Council's counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption

7 Local authorities are required to use judgement in deciding whether control weaknesses are significant and hence require

disclosure in the AGS. The Officer Governance Group have therefore evaluated all the control issues identified through the review process and considered which should be disclosed in the AGS as a significant control weakness. A control weakness is considered to be significant where:

a) the issue has seriously prejudiced or prevented achievement of a principal council aim or objective;

b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the council's services;

c) the issue has led to a material impact on the accounts;

d) the Audit and Governance Committee has advised that it should be considered significant for this purpose;

e) the Head of Internal Audit has reported on it as significant in the annual opinion on the Council's internal control environment;

f) the issue, or its impact, has attracted significant public interest or has seriously damaged the council's reputation;

g) the issue has resulted in formal action being taken by the S151 Officer and/or the Monitoring Officer.

8 The items that the Officer Governance Group (OGG) have agreed meet the criteria above have been published within Section 5 of the AGS. This year there are 3 items in total, with 1 new significant governance issue and 2 areas originally raised in the 2013/14 AGS where concerns still remain. Two items from the previous year's statement have made sufficient progress to no longer be considered significant issues.

Monitoring of AGS Action Plans

9 The Officer Governance Group (OGG) will have oversight and regularly monitor the progress of all AGS actions. Follow up reports will also be brought back to the Audit & Governance Committee during the year to keep Members updated on the progress being made in improving the issues raised.

Consultation

10 Not relevant for the purposes of this report

Options

11 Not relevant for the purpose of the report.

Analysis

12 Not relevant for the purpose of the report.

Corporate Priorities

13 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It specifically contributes to the Effective Organisation priority in the Corporate Strategy.

Implications

14 The implications are;

- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS and that it will form part of the published statement of Accounts for 2014/15.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there is a legal requirement for the council to publish an Annual Governance Statement as part of the annual Statement of Accounts.
- **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 Assessment

15 The Council will fail to comply with legislative requirements if it does not publish an Annual Governance Statement with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Annual Governance Statement was not sufficiently robust.

Recommendation

16 Members are asked to consider and approve the AGS 2014/15, particularly the significant governance issues identified in section 5 of the Statement.

Reason:

To enable Members to consider the effectiveness of the Council's governance framework, and in particular the significant control issues.

Contact Details

Author:	**Chief Officer Responsible for the report:**
Emma Audrain Technical Accountant Te: 01904 551170	Ian Floyd Director of Customer & Business Support Services Telephone: 01904 551100

Report Approved	✔	**Date**	24th June 2015

Specialist Implications Officers: Not applicable

Wards Affected: Not applicable **All** ✔

For further information please contact the author of the report

Background Papers

- CIPFA/SOLACE – 'Delivering Good Governance in Local Government' – Framework and Guidance Note for English Authorities' (2007)
- CIPFA/SOLACE – Application Note to Delivering Good Governance in Local Government:a Framework (March 2010)
- Accounts and Audit Regulations 2011
- 2013/14 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

Annexes

Annex A – Draft Annual Governance Statement 2014/15

ANNUAL GOVERNANCE STATEMENT

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 the Accounts and Audit Regulations to review the systems of internal control and prepare an annual governance statement.

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
- 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 2015 and up to the date of approval of the Statement of Accounts for 2014/15.

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 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. A new Council plan will be developed following the recent local elections. 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 Executive , 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 Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Chief Finance Officer (Director of CBSS) (Customer and Business Support Services) and the Monitoring Officer (Head of Legal and ICT) review reports before they are presented to the Executive 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 and improve 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.

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.

During the year the Local Government Association (LGA) carried out a peer review into member-officer relations. This resulted in members signing up to an Action plan to address the recommendations set out in the report.

The Office of the Surveillance Commissioners undertook a periodic inspection of the Council's surveillance arrangements and found:

> "Overall the City of York Council is compliant with the legislation and its officers are enthusiastic that they remain so". The OSC made recommendations for further improvement which are being implemented

The Council is committed to making further improvements in Information Governance, and has asked the Information Commissioner to carry out an Audit during 2015 to identify any further improvements that can be made.

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

<u>Management and Decision Making Processes</u>

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. The Council has a Workforce Strategy 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 led 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
- 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 . 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 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 best professional practice as set out in the Chartered Institute of Public Finance and Accountancy's guidance and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

<u>Compliance Arrangements</u>

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 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 and the Public Sector Internal Audit Standards. The service in 2014/15 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 governance, risk management and 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
- helps to maintain the council's counter fraud arrangements including policy framework
- supports 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 established 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. Each directorate reports finance and performance monitoring progress to members through the established Scrutiny arrangements.

Finance and Performance monitoring is reported regularly at CMT and Executive, 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
- public consultation events – in the Council offices, public transport and supermakets
- 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
- 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 contributes to effective partnership and joint working arrangements. The council has developed methodology and protocols during the year to ensure that partnerships operate effectively across the Council.

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).

ANNUAL GOVERNANCE STATEMENT

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 2013/14 Annual Governance Statement.
- The councils counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption

Having considered all the principles, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

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 been made in recent years 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)** -
  As first highlighted within the 2013/14 AGS there are ongoing issues in respect of Lendal Bridge/ Coppergate in terms of repayment of fine income which has been subject to public interest. The Committee received a report on Lendal Bridge during the year, and the financial issues will continue to be considered/ addressed as part of the preparation of the Statement of Accounts and reports to the Executive.

Review of 2013/14 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 2013/14 AGS. The following items have all made significant progress/improvement and are no longer considered to be significant concerns:

- **Partnership Governance –** The Committee received a progress report during the year setting out the work that has taken place to ensure the council has a methodology and approach to ensure that partnerships across the council continue to operate effectively.

- **Adult Social Care-** The Committee received two update reports during the year updating Members on the progress being made by Adult Social Care as part of their Action Plan in response to External Audit recommendations and continuing demographic growth and financial constraints. In taking this item off it reflects progress against the review undertaken by External Audit. It does not however mean that there are not significant financial/operational issues associated with Adult Social Care, but these issues are more a general financial risk than a specific control/governance issue.

(ii) Areas where concerns still remain

The following areas were included in the 2013/14 AGS as significant Governance matters, and whilst there has been progress made, there remains some concerns/ongoing risks. The progress is identified below, along with the recommended actions.

- **Information security –** The council has worked to communicate its Information security policies during the year, however, due to the nature of the issue there remains ongoing risks in terms of the control of data, particularly in electronic form, and risks of financial, service and reputational damage. It is therefore recommended that the Committee continue to receive reports on this matter though out the year.

- **Absence Management Process –** The Committee received a report during the year setting out actions planned to address improvements required in the Council wide process for accurately reporting and managing absences. Further time is required however to embed the improvements desired, therefore it is recommended Members receive a further report during the year to confirm sufficient improvements have been made.

New Issues

One new area has been identified through the effectiveness review at Section 4 above and is outlined below with details of the plans which will be monitored by the OGG, and the Audit and Governance Committee during 2015/16 for evidence of improvement:

- **Role of Scrutiny/ Executive/Audit Committee in managing risk/ major projects**
  Improvements are considered necessary to the role Scrutiny/ Executive/Audit Committee play in proactively managing the risks and governance issues, and monitoring progress, around all major projects.

  It is recommended that the Committee receive a report during the year addressing potential improvements that can be made and implemented.

  In summary:

- Good progress has been made to address a range of issues identified in last year's Annual Governance Statement, and details of the work done have been reported to the Committee during the last 12 months.

- The following areas are identified as major areas requiring focus by the Committee in the next 12 months :-

  - Information Security,
  - Absence Management
  - Role of Scrutiny/ Executive/Audit Committee in managing risk/ major projects

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 Dated
K. England
Chief Executive

Signed Dated
Cllr C Steward
Leader of the Council

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City of York Council

Audit Progress Report

June 2015

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02 Summary of audit progress

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Our reports are prepared in the context of the '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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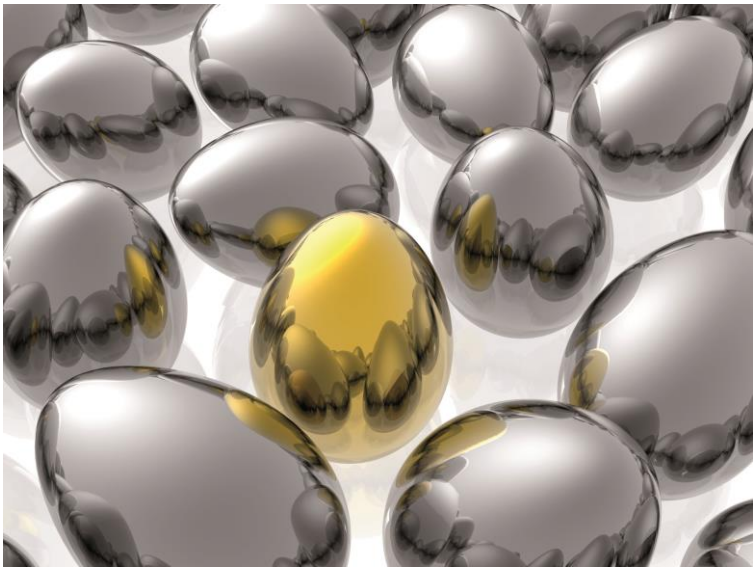

Purpose of this paper

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

Objection to the 2013/14 accounts

For the benefit of new Members, there is an outstanding objection to the 2013/14 accounts in relation to the receipts arising from penalty charge notices for Lendal Bridge and Coppergate.

The objection to the accounts by a local elector is on the grounds that the income has been held unlawfully by the Council, and the objector is seeking that the auditor applies to the Courts to have the item of account declared contrary to law and issues a public interest report in relation to these matters.

The income relating to the penalty charge notices was £1.8m, which was below the level of materiality for our opinion on the financial statements, so we were able to issue an unqualified opinion on the 2013/14 financial statements, but we have been unable to certify completion of the audit until the objection has been determined.

The Council indicated that it will make a settlement payment where members of the public contest their penalty charge notices, and at its meeting on 20 January 2015, the Cabinet determined some additional actions in relation to the publicity and governance of arrangements for those wishing to contest their penalty charge notices, following legal advice from Queen's Counsel.

The Council was also seeking an update from the Traffic Penalty Tribunal (TPT) regarding the internal review request by the Council of the TPT decision in relation to Coppergate. The review decision was received in April 2015.

We have taken our own legal advice, and sought some additional information from officers, which has recently been provided. We are now in the process of framing our conclusions and we expect to determine the objection over the summer.

2014/15 Audit

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 are mindful that from 2017/18, the accounts and audit timetable will be brought forward significantly. With this in mind, we have continued to carry out early testing where we can. This year we have carried out early testing on capital items of property, plant and equipment, journals and income and expenditure items.

This is a step in the right direction, although we will need to work closely with officers in future years to ensure arrangements are made to meet the new deadlines from 2017/18.

We have maintained a dialogue with officers working on the production of the Authority'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. We have discussed a number of technical issues, including the accounting treatment of schools and the Council's justification that group accounts are not required.

Officers have also informed us that the issues in relation to the bank reconciliation, reported in last year's audit, have now been substantively addressed. We will review the bank reconciliation in detail as part of our final accounts work.

VFM conclusion

Before its closure on 31 March 2015, the Audit Commission issued updated guidance in respect of the Value for Money (VfM) conclusion.

We are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources. Our conclusion on your arrangements is based on two specified criteria :

- **securing financial resilience** – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- **challenging how you secure economy, efficiency and effectiveness** – focusing on whether you are prioritising resources within tighter budgets and the need to improve productivity and efficiency.

In addition, we have regard to:

- your system of internal control as reported in your own Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review bodies; and
- any other locally determined risk-based VfM work considered necessary.

The guidance is similar to last year, setting out guidance for each sector under the following areas:

- approach and specified reporting criteria;
- key sector issues;
- guidance on the specified reporting criteria;
- financial resilience;
- securing economy, efficiency and effectiveness;
- risks relevant to the specified reporting criteria; and
- supporting VfM tools.

The guidance also sets out the typical characteristics for each of the two criteria; we plan to use these as a framework to inform our work, taking into account any local risks we may identify, as set out in our Audit Strategy Memorandum presented to the previous meeting of the Audit and Governance Committee.

Our advisory Review of the Housing for Older People Project

Our advisory team was commissioned to carry out a review of the Housing for Older People Project, following the cessation of this procurement earlier this year.

Our team has completed the detailed review work, including review of supporting documentation and a wide range of interviews, and a draft report is being discussed with officers. It is envisaged that our final report will be presented to the next meeting of the Audit and Governance Committee on 29 July 2015.

Briefings for new Members of the Audit and Governance Committee

On 4 June 2015, we provided a briefing on the role of the external auditor to the two new independent members of the Audit and Governance Committee, and we are scheduled to provide a similar briefing to new councillors joining the Committee on 23 June 2015.

Certification of the housing benefits claim

As your appointed auditor, Mazars LLP acts as an agent of Public Sector Audit Appointments (PSAA) in carrying out certification work on the housing benefit subsidy claim. In previous years the Audit Commission made arrangements with the Department for Work and Pensions (DWP) for claim certification but this function has transferred to PSAA following the closure of the Audit Commission on 31 March 2015.

Prior to closure the Audit Commission made arrangements with DWP for appointed auditors to certify the housing benefit subsidy claims for 2014/15. In certifying these claims, all auditors are required to comply with a specified approach set out in a certification instruction.

We certify the claim by issuing a certificate which states whether the claim has been certified:

- without qualification;
- without qualification following an agreed amendment made by the Council; or
- with a qualification letter.

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

As reported to you in our Audit Strategy Memorandum, presented at the April 2015 meeting, the proposed fee for the certification of the housing benefit subsidy claim for 2014/15 is £15,220 plus VAT (2013/14 £18,304). The proposed fee reflects the scale fee set by the Audit Commission.

In addition to certification work carried out as agents of PSAA, we may also be engaged directly by the Council to carry out other certification work. Where this is the case we will agree separate engagement terms for each claim or return. We have recently agreed to undertaken the work required on the 2014/15 teachers' pensions return as part of these arrangements for a fee of £2,750 plus VAT.

Management processes and oversight by those charged with governance

We have a good understanding of your governance arrangements but each year we write to you to formally update our understanding in accordance with auditing standards. Our request focuses on your arrangements to prevent and detect fraud and corruption, maintain effective internal controls and comply with law and regulations. We also seek information on your arrangements for identifying related parties.

The attached letters have been prepared from the Director of Customer and Business Support Services (on behalf of management) and the Chair of the Audit and Governance Committee (on behalf of those charged with governance) – see Appendices 1 and 2.

We will consider these responses further as part of our audit work.

03

Emerging issues and developments

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

- Moving ahead with health and social care integration (CIPFA Briefing); and,
- Accounting for transport infrastructure.

Our proposals for a Yorkshire and Humber Governance Forum

Members may wish to be aware that we are seeking to establish a Yorkshire and Humber Governance Forum, targeted at Chairs and Vice Chairs of Audit Committees, with the aim of promoting good governance and sharing ideas and best practice.

The flyer attached as Appendix 3 to our Audit Progress Report sets out our proposals, including details of the two free places that are available to City of York Council.

We hope that the Council will find this a helpful initiative and will participate in it.

CIPFA briefing paper: Moving ahead with integration, *May 2015*

With health and social care finances under increasing pressure and little sign that the government can afford to pump in the additional resources which would be needed to maintain historic arrangements, the integration of health with social care has emerged as a key initiative. However, many local health and social care providers do not yet have a secure basis for medium-term planning, and without that there is a danger that the promising start represented by the Better Care Fund will be dissipated. If the best is to be made of such integration, CIPFA thinks that three conditions will need to be met as set out below.

First, it will need to recognise that combining two financially challenged systems will not in itself increase resources available. All the indications are that additional funding or changes to the regime for charging will also be needed.

Second, it is critical that the new government moves quickly to address the financial and policy framework for integration in 2016/17 and beyond.

Third, central and local health and social care leaders must take the right local actions to facilitate successful integration, concentrating on frontline practice.

The Council is well aware of the integration agenda. We have already discussed these and other issues with senior officers of the Council and the CCG and will continue to do so over the coming months.

http://www.cipfa.org/cipfa-thinks/briefings

Accounting for transport infrastructure – The long and winding road, Room 151 (Mazars briefing), April 2015

CIPFA published the original Code of Practice on Transport Infrastructure Assets in 2010, setting out significant changes in the measurement of transport infrastructure assets captured by the code. CIPFA has now confirmed that local authorities are required to implement the requirements for the first time in 2016/17.

The sheer size and complexity of the network of transport assets managed by local authorities is leading many in the sector to begin to worry about how prepared authorities are to meet the challenges that implementing the code brings.

One of the primary reasons for the change is the continuing qualification of the Whole of Government Accounts on the grounds of inconsistency in the measurement basis for transport infrastructure assets between central and local government. HM Treasury estimates that the impact of this inconsistency is a potential £232bn understatement of asset values, which gives a good idea of the scale of the restatements required by each local authority adopting the code.

Even a fairly small unitary authority is likely to have a few billion pounds worth of assets on their balance sheet with larger county areas potentially exceeding £10bn.

We have already started discussing this issue with officers who are aware of the task ahead.

http://www.room151.co.uk/technical/accounting-for-transport-infrastructure-the-long-and-winding-road/

04

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Appendix 1

Management arrangements letter from the Director of Customer and Business Support Services

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Customer & Business Support Services

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Gavin Barker
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24 June 2015

Dear Gavin

Management processes and arrangements

Further to your letter of 24 March 2015, please find the council's response to your questions, below.

1) Management processes in relation to fraud and error

Management discharges its responsibilities through systems of internal control. These controls are designed, amongst other things, to prevent any material mis-statement in the financial statements and to ensure that appropriate action is taken in the event of actual or suspected fraud occurring. The system of control and specific activities include:

- a corporate framework of standards, regulations, and rules for example the council's Constitution, Schemes of Delegation, and Finance and Contract Procedure Rules
- Codes of Conduct for members and officers
- Counter fraud and related policies which clearly outline to staff the council's commitment to the elimination of fraud and the steps that they should take in the event of fraud being suspected
- Register of members' interests, gifts and hospitality
- Register of officers' interests, gifts and hospitality.
- comprehensive budgetary control systems and regular budget and performance reporting arrangements

- analytical review of the financial statements themselves
- administrative procedures (including the segregation of duties) and management supervision
- commissioning internal audit services from Veritau, this work includes reporting on the council's systems for financial accounting and financial management as part of its annual risk based internal audit plan.
- the provision of dedicated counter fraud services by Veritau who undertake proactive work to identify possible fraud and investigate all suspected cases of fraud which are identified (in accordance with an annual counter fraud plan).
- participation in the Audit Commission's National Fraud Initiative and investigation of potential benefit fraud cases identified by the Department for Work and Pensions (DWP)
- joint working protocols and arrangements with the DWP and the police to support the investigation of suspected fraud
- the provision of fraud awareness training for all relevant staff
- staff induction processes
- fraud awareness measures for example articles in staff newsletters and on the intranet
- publication of successful prosecutions through the local press
- provision of advice and guidance to managers to assist them in the prevention and detection of possible fraud.

The council's counter fraud policies and annual counter fraud plan cover the following main areas:

- creation of a council wide anti-fraud culture
- arrangements to deter and prevent fraud
- measures taken to detect fraud
- investigation of suspected cases of fraud
- application of appropriate sanctions and the recovery of losses due to fraud.

Details of the counter fraud work undertaken by Veritau during the year, and the outcome of investigations into suspected fraud have been reported to the Audit and Governance Committee. Regular reports to the

Committee on other counter fraud activities have also been made during the year.

2) Compliance with laws and regulations

The Monitoring Officer has a specific responsibility to ensure that the council operates lawfully. The council also has comprehensive arrangements in place to ensure that risks are managed and all relevant laws and regulations have been complied with.

The council has developed and implemented a system of assurances based on:

- objective setting – whereby the council's strategic objectives are identified and assigned to individual directors or assistant directors
- risk assessment – whereby each director or assistant director identifies and prioritises the risks related to achieving those strategic objectives
- a Local Code of Corporate Governance – which is consistent with the principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government" Framework and the council's business model
- Annual Governance Statement – which sets out the council's governance framework. The key elements of the governance framework consists of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements. A review of the governance framework is undertaken as part of the process to prepare the Annual Governance Statement. All significant governance issues are highlighted in the published Annual Governance Statement.

The council's Cabinet is responsible for decision making within the policy and budget framework set by full Council. The corporate management team (CMT) has responsibility for implementing council policies and decisions, providing advice to members and for co-ordinating the use of resources and the work of the council's directorates. The Cabinet and CMT monitor and review council activities to ensure corporate compliance with governance, legal and financial requirements.

Specific policies, regulations and written guidance exist to support the council's corporate governance arrangements. The Officer Governance Group is responsible for monitoring the effectiveness of these arrangements and for the maintenance of appropriate systems of assurance. Assurance is obtained from the work of internal and external audit, inspection agencies and other relevant bodies.

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

The Audit and Governance Committee's terms of reference include the requirement to monitor the effective development and operation of risk management and corporate governance as well as to consider the council's compliance with its own and other relevant published regulations, controls, operational standards and codes of practice. The Committee is also responsible for keeping under review the council's Financial Regulations, Contract Procedure Rules, working protocols and codes of conduct and behaviour.

The Audit and Governance Committee receives assurance from management through the:

- receipt and approval of the annual counter fraud plan
- receipt and regular update reports from the Head of Internal Audit detailing the results of internal audit and counter fraud work, including the audit of the financial accounting and financial management of the organisation
- receipt of the annual report of the Head of Internal Audit which provides an overall opinion on the council's control environment including the arrangements to prevent and detect fraud.

I am not aware of any instances of non-compliance with relevant laws or regulations that would affect the financial statements.

3) Litigation or claims

All known claims or liabilities known have been properly accounted for and provision made, where appropriate, including potential Business Rate appeals.

4) Related party transactions

On an annual basis all senior managers and elected members are asked to provide details of any interests they hold in other companies, transactions with the Council, employment by any other organisation and membership of any outside bodies. These forms are reviewed and subsequently queried with officers and members as appropriate to ensure that a full disclosure in made in the Statement of Accounts.

Signed by the Director of Customer and Business Support Services on behalf of management

Ian Floyd

24 June 2015

Appendix 1

No	Question	Response
1	Are you aware of any instances of actual, suspected or alleged fraud, either within City of York Council as a whole or within your department during the period 1 April 2014 – 31 March 2015?	Yes. Records of all suspected fraud, and outcomes of any investigation are maintained by Veritau, on behalf of the council.
2	Do you suspect fraud may be occurring, either within City of York Council or within your department? • Have you identified any specific fraud risks within City of York Council/your department? • Do you have any concerns that there are areas within your department or City of York Council that are at risk of fraud? • Are there particular locations within City of York Council where fraud is more likely to occur?	Yes. On an annual basis, the council undertakes a risk assessment of service areas, and identifies areas where there are potential fraud risks. This is used to prioritise counter fraud activity. Please refer to the latest fraud risk assessment presented to the Audit and Governance Committee in February 2015.
3	Are you satisfied that internal controls, including segregation of duties, exist and work effectively? • If not where are the risk areas? • What other controls are in place to help prevent, deter or detect fraud?	Yes. A summary of controls and other arrangements are set out in response to question 1, above.
4	How do you encourage staff to report their concerns about fraud? • What concerns about fraud are staff expected to report?	The council has effective whistleblowing arrangements in place. A confidential reporting line is available through Veritau, the council's counter fraud provider. The council expects all non-trivial matters to be reported.
5	From a fraud and corruption perspective, what are considered to be high risk posts within your area of responsibility? • How are the risks relating to these posts identified, assessed and managed?	The control environment that operates within the Council ensures that appropriate systems are in place to ensure separation of duties and authorisation of contracts and expenditure. Therefore no individual posts are considered high risk.

6	Are you aware of any related party relationships or transactions that could give rise to instances of fraud? • How do you mitigate the risks associated with fraud related to related party relationships and transactions?	A full review of related party relationships has been undertaken and no issues have been identified as being of concern.
7	Are you aware of any entries made in the accounting records of City of York Council that you believe or suspect are false or intentionally misleading? • Are there particular balances where fraud is more likely to occur? • Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of City of York Council? • Could a false accounting entry escape detection? If so, how? • Are there any external fraud risk factors which are high risk of fraud?	No. The final accounts have been prepared in accordance with proper practice. Detailed working papers are available and an analytical review completed.
8	Are you aware of any organisational, or management pressure to meet financial or operating targets? • Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No. The Council reports its financial position to Cabinet on a regular basis which has highlighted areas of concern and actions being taken to mitigate those areas.

Appendix 2

Oversight of management letter from the Chair of the Audit and Governance Committee (on behalf of those charged with governance)

CITY OF YORK COUNCIL

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24 June 2015

Dear Gavin

Statement from those Charged with Governance – gaining assurance from management

Further to your letter of 24 March 2015, please find the Audit and Governance Committee's response to your questions, below.

1) Oversight of management processes in relation to fraud and error

Management discharges its responsibilities via systems of internal control, including Financial Regulations, Contract Procedure Rules and the Employee Code of Conduct, and via disciplinary procedures where fraud is highlighted as a dismissible event. The organisation also has in place appropriate counter fraud policies which clearly outline to staff the commitment to the elimination of fraud and the steps that they should take in the event of fraud being suspected.

The organisation commissions local counter fraud specialists from the council's shared service provider, Veritau Limited, to undertake an annual counter fraud plan of work on its behalf. The Director of Corporate and Business Support Services meets on a regular basis with the Head of Internal Audit (Veritau) to discuss progress.

The council's Counter Fraud and Corruption Policy and the annual counter fraud plan cover the following main areas:

- the creation of an anti-fraud culture

- deterrence
- prevention
- detection
- investigation
- sanction
- redress

The Audit and Governance Committee receives reports on counter fraud risks, approves the annual counter fraud plan and receives regular updates on counter fraud activity.

2) Oversight of processes for identifying and responding to risks of fraud and breaches of internal control

All reported cases of suspected fraud are investigated by Veritau. Details of the counter fraud work undertaken by Veritau and the outcome of investigations into suspected fraud are reported to the Audit and Governance Committee.

Management also commissions internal audit services from Veritau. The company is required to report on the council's systems for financial accounting and financial management as part of its annual internal audit plan. This includes reporting potential errors or control weaknesses which may result in financial misstatement. The assurance gained contributes to the preparation of the Annual Governance Statement.

The Audit and Governance Committee receives assurance from management through:-

- receipt and approval of the annual internal audit plan
- receipt of regular update reports from the Head of Internal Audit detailing the results of internal audit and counter fraud work, including the audit of the financial accounting and financial management systems of the organisation
- receipt of the annual report of the Head of Internal Audit which provides an overall opinion on the council's control environment, including the arrangements to prevent and detect fraud.

The Audit and Governance Committee also receives and considers regular reports from its external auditors.

Specific weaknesses in internal control are summarised in the periodic monitoring reports and annual report brought to the committee by the Head of Internal Audit.

3) Assurance that relevant laws and regulations have been complied with

The council has developed and implemented a system of assurances based on:

- Objective setting – whereby the council's strategic objectives are identified and assigned to individual directors or assistant directors
- Risk assessment – whereby each director or assistant director identifies and prioritises the risks related to achieving those strategic objectives
- A Local Code of Corporate Governance – which is consistent with the principles of the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and the council's own Business Model
- Annual Governance Statement (AGS) – which sets out the council's governance framework. The key elements of the governance framework consist of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements. A review of the governance framework is undertaken as part of the process to prepare the AGS. All significant governance issues are highlighted in the published AGS.

The council's Cabinet is responsible for decision making within the policy and budget framework set by Full Council. The corporate management team has responsibility for implementing council policies and decisions, providing advice to members and for co-ordinating the use of resources and the work of the Council directorates. The Cabinet and corporate management team monitor and review council activities to ensure corporate compliance with governance, legal and financial requirements.

Specific policies, regulations and written guidance exist to support the council's corporate governance arrangements. The Officer Governance

Group is responsible for monitoring the effectiveness of these arrangements and for the maintenance of appropriate systems of assurance. Assurance is obtained from the work of internal and external audit, inspection agencies and other relevant bodies.

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

The Audit and Governance Committee's terms of reference include the requirement to monitor the effective development and operation of risk management and corporate governance as well as to consider the council's compliance with its own and other relevant published regulations, controls, operational standards and codes of practice. The Committee is also responsible for keeping under review the council's Financial Regulations, Contract Procedure Rules, working protocols and codes of conduct and behaviour.

I am not aware of any instances of non-compliance with relevant laws or regulations that would affect the financial statements.

4) Litigation

All known claims or liabilities known have been properly accounted for and provision made, where appropriate, including potential Business Rate appeals.

5) Assessment of going concern assumption

Through its role in overseeing the operation of risk management arrangements, the Audit and Governance Committee receives regular reports from officers on significant risks (including financial risks) faced by the council. No risks have come to light through this process that would cast doubt on the council's ability to operate as a going concern. The committee will also receive the draft financial statements and will be able to challenge officers on the underlying assumptions, including the ability of the council to operate as a going concern.

Signed by the Chair of the Audit & Governance Committee on behalf of those charged with governance:

Cllr Neil Barnes

24 June 2014

Appendix 1

No	Question	Response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2014 – 31 March 2015?	Yes. Records of suspected fraud, and outcomes of investigations are maintained by Veritau, on behalf of the council.
2	Do you suspect fraud may be occurring, within City of York Council? • Have you identified any specific fraud risks within City of York Council? • Do you have any concerns that there are areas within City of York Council that are at risk of fraud? • Are there particular locations within City of York Council where fraud is more likely to occur?	Yes. On an annual basis, the council undertakes a risk assessment of service areas, and identifies areas where there are potential fraud risks. This is used to prioritise counter fraud activity. The latest fraud risk assessment presented to the Audit and Governance Committee was in February 2015.
3	Are you satisfied that internal controls, including segregation of duties, exist and work effectively? • If not where are the risk areas? • What other controls are in place to help prevent, deter or detect fraud?	Yes. A summary of arrangements are set out in my responses to the questions above.
4	How do you encourage staff to report their concerns about fraud? • What concerns about fraud are staff expected to report?	The council has effective whistleblowing arrangements in place. A confidential reporting line is available through Veritau, the council's counter fraud provider. The council expects all non-trivial matters to be reported.
5	From a fraud and corruption perspective, what are considered to be high risk posts within City of York Council? • How are the risks relating to these posts identified, assessed and managed?	The control environment that operates within the Council ensures that appropriate systems are in place to ensure separation of duties and authorisation of contracts and expenditure. Therefore no individual posts are considered high risk.
6	Are you aware of any related party relationships or transactions that could give rise to instances of fraud? • How do you mitigate the risks associated with fraud related to	A full review of related party relationships has been undertaken and no issues have been identified as being of concern.

	related party relationships and transactions?	
7	Are you aware of any entries made in the accounting records of City of York Council that you believe or suspect are false or intentionally misleading? • Are there particular balances where fraud is more likely to occur? • Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of City of York Council? • Could a false accounting entry escape detection? If so, how? • Are there any external fraud risk factors which are high risk of fraud?	No. The final accounts have been prepared in accordance with proper practice. Detailed working papers are available and an analytical review completed.
8	Are you aware of any organisational, or management pressure to meet financial or operating targets? • Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No. The Council reports its financial position to Cabinet on a regular basis which has highlighted areas of concern and actions being taken to mitigate those areas.

Appendix 3

Our Proposals for a Yorkshire and Humber Governance Forum

Yorkshire and Humber Governance Forum

We are seeking to establish a Yorkshire and Humber Governance Forum, targeted at Chairs and Vice Chairs of Audit Committees, with the aim of promoting good governance and sharing ideas and best practice.

What is good governance?

Governance is about the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.

Good governance combines the 'hard' factors – robust systems and processes, such as risk management, financial management, performance management and internal controls – with the 'softer' characteristics of effective leadership, a culture based on openness and honesty, and high standards of behaviour. It involves a combination of both internal and external focus, understanding the needs of service users and the public and maintaining clarity of purpose.

The best organisations use governance to create the culture and tone that underpins the delivery of service excellence.

Why establish a governance forum?

Local government and the wider public sector is facing greater change and transformation than ever before, driven by austerity, significant cuts in public spending and a sharper focus on improving services and achieving better outcomes for local people.

Significant changes will include:

- new and innovative models of service delivery;
- commissioning services rather than directly providing them;
- making services more self financing and sustainable;
- managing demand and reducing reliance on the public sector;
- working more closely with partners and the voluntary sector; and,
- building community capacity and resilience.

This change brings with it new governance and oversight challenges and those charged with governance need to be well sighted on the implications of the changes for their responsibilities.

Who should attend the governance forum?

The governance forum is for elected members and independent members and is targeted at the Chairs and Vice Chairs of Audit Committees and others interested in governance.

How will the governance forum help?

The purpose of the Governance Forum would be to:

- promote good practice in governance;

- facilitate a dialogue, debate and sharing of ideas among those providing governance oversight and their peers;
- horizon scanning to ensure that the forums are briefed on the latest developments and key topical issues; and,
- provide a safe and secure forum for discussion with a professional input drawing on Mazars' wide range of experience and expertise.

What are the benefits for those that attend?

Those attending the Governance Forum will be better equipped to deal with their governance responsibilities and will benefit from:

- up-to-date briefings;
- a deeper understanding of key issues; and,
- a wider perspective on topics of interest and concern.

When will it meet?

The forum would aim to meet 3 times a year, and be broadly based around the accounts and audit timetable:

- January / February - Planning phase, identifying and addressing risks;
- May / June – Accounts production, annual reviews of governance arrangements; and,
- October – Reflections on audit completion, and horizon scanning on upcoming issues and developments.

The governance forum will meet for the first time in October 2015.

How much will it cost?

Each authority that we invite to join the governance forum will be entitled to two free spaces at each meeting.

If an authority wishes to nominate more than two delegates, each additional delegate will be charged at a nominal fee of £50 plus VAT (this charge will for be per meeting).

Where will it meet and what will the format of the meeting be?

The venue and date of the first meeting is still to be confirmed.

The meeting will run from 10am to 12.30pm, with tea / coffee on arrival and including a tea / coffee break, and a buffet lunch / networking opportunity will be provided afterwards.

MAZARS

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Audit and Governance Committee 24 June 2015

Report of the Head of Internal Audit

Annual Report of the Head of Internal Audit

Summary

1 This report summarises the outcome of audit and fraud work undertaken in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

Background

2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 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.

2014/15 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 March 2015 are included at annex 2.

4 Internal audit delivered 94.2% of the 2014/15 internal audit plan by 30 April 2015 (against a target of 93%). The service also achieved a positive customer satisfaction rating of 100% (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 as part of the regular monitoring reports. 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 43% of cases investigated resulting in positive action being taken (2013/14 - 55%). Housing fraud has continued to be an area of success with 44 properties either recovered or prevented from being let following joint work with the Housing Department. The team continues to develop fraud areas such as Adult Social Care fraud, Council Tax Support fraud, Parking Fraud and abuse of York's Financial Assistance Scheme. It has recently started to work with School Services to investigate false applications for school placements. The team identified real savings of £135k for the council in 2014/15 - a 39% increase from the previous 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 2014/15. A summary of the breaches identified since the last report to this committee in March 2015 is included at annex 4. There are no 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 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 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was last carried out in April 2014.

10 The outcome of the QAIP demonstrates that the service confirms to the Public Sector Internal Audit Standards. Further details of the 2015 Quality Assurance and Improvement Action Plan are given in annex 5.

Opinion of the Head of Internal Audit

11 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.

12 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.

13 In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2014/15 Annual Governance Statement:

a) Overtime – a review of overtime payments identified weaknesses in procedures for controlling amounts of overtime worked in some service areas. In addition to the financial implications, there are risks to health and safety if employees are not prevented from working excessive hours. A final report has been issued and actions have been agreed with management to address these control weaknesses.

b) Attendance Management – an audit report was issued in 2013/14 identifying that there are a number of weaknesses with the council's processes for recording and managing sickness absence. The council is still in the process of implementing actions to address these weaknesses.

c) Information Security – there have been improvements in control in this area but internal audit work undertaken during the year has continued to identify concerns about information security in some areas. For example where sensitive documents were left on desks or in unlocked cabinets as well as the control of data, particularly in electronic form, resulting in increased risks of financial, service and reputational damage.

Consultation

14 Not relevant for the purpose of the report.

Options

15 Not relevant for the purpose of the report.

Analysis

16 Not relevant for the purpose of the report.

Council Plan

17 The work of internal audit and counter fraud 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

18 There are no implications to this report in relation to:

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

Risk Management Assessment

19 The council will 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

20 Members are asked to:

(a) note the results of audit and counter fraud work undertaken in 2014/15.

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 framework of governance, risk management and internal control .

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

Author:	**Chief Officer responsible for the report:**
Max Thomas Head of Internal Audit Veritau Limited 01904 552940	Ian Floyd Director of CBSS Telephone: 01904 551100

Report Approved	✓	**Date**	11/06/15

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable **All** ☐

For further information please contact the author of the report

Background Papers

- 2014/15 Internal Audit and Counter Fraud Plan
- Internal Audit, Counter Fraud, and Information Governance Monitoring Reports to Audit and Governance Committee in 2014/15 (September, December and March)

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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Annex 1

Opinion of the Head of Internal Audit

I have evaluated the results of the audit and fraud work undertaken during the 2014/15 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

24 June 2015

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ANNEX 2

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

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

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

Priority	Long Definition	Short Definition – for use in Audit Reports
1 (High)	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. 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. 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.	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.

Priority	Long Definition	Short Definition – for use in Audit Reports
2	Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss. Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.	A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.
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. Such issues are usually matters that can be implemented through line management action and may result in efficiencies.	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Draft Reports Issued

16 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.

Opinion	Number	Reports
High Assurance	4	Procurement & Contract Management, Council Tax Support & Housing Benefits, Debtors, Rufforth Primary School
Substantial Assurance	4	Housing Rents, Main Accounting System, Burton Green Primary School, St. Lawrence's Primary School
Reasonable Assurance	5	Data Quality, Health & Safety, Information Security, Payroll, Public Health
Limited Assurance	0	
No Assurance	0	
Not given	3	Risk Management, Use of Interims Specialists and Consultants, Safeguarding Children

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in March 2015. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
Asset Disposals	High Assurance	0	0	Assets are suitably identified for disposal. Engagement across the council ensures that alternative uses are considered and decisions on disposals are taken at the appropriate level. Land and property disposals include a method statement that is applied uniformly. This includes the retention of documents that provided a sufficient audit trail for the sale.
Clifton with Rawcliffe School	High Assurance	3	0	A schools audit. No significant weaknesses were found.
Copmanthorpe Primary School	High Assurance	2	0	A schools audit. No significant weaknesses were found.

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
Fulford School	High Assurance	1	0	A schools audit. No significant weaknesses were found.
Hob Moor Community Primary School	High Assurance	2	0	A schools audit. No significant weaknesses were found.
Osbaldwick Primary School	High Assurance	3	0	A schools audit. No significant weaknesses were found.
Treasury Management	High Assurance	0	0	The policy and reporting arrangements were in line with expected standards. The audit found that there is appropriate authorisation and documentation of decisions relating to loans and investments, as well as the reconciliation of records to the financial ledger. Prudential indicators were calculated accurately on the basis of appropriate source data.
VAT Accounting	High Assurance	0	0	The audit found that VAT returns, planning arrangements and charging were effectively and

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
				appropriately administered.
Fishergate Primary School	Substantial Assurance	7	0	A schools audit. The control environment was generally effective although a number of areas requiring improvement were identified.
Free Early Years Funding	Substantial Assurance	4	0	Overall, free early education funding is effectively and appropriately administered by the funding team. Weaknesses identified during the course of the audit mainly related to the neglect of central guidance by providers rather than a lack of communication on the part of the council.
Internet, email and lync Misuse	Substantial Assurance	2	0	The council uses effective software to block unacceptable Web content from being viewed. There are a small number of users who have unlimited access because of their roles, and this is well managed. Appropriate logs of users' online activities are retained. However, it was unclear which version of the Electronic Communication Policy is current, and

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
				policy reviews and revisions are not recorded.
Safeguarding Adults	Substantial Assurance	4	0	The Safeguarding Adults Board has developed a constitution and memorandum of understanding to ensure that the board and its members comply with the duties placed upon them by the Care Act. An assurance framework has also been developed which is completed by all members. The council has and continues to review and update the Safeguarding Adults Board in response to the developing guidance and information available regarding the requirements of the Care Act. A policy in relation to serious case reviews has also been approved. Development of the working relationships between partner organisations on the board has been undertaken. The council has participated in regional and national programmes and developed the process around Making

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
				Safeguarding Personal principles, a key part of the Care Act. The main issue raised in the audit is that the procedures for processing Deprivation of Liberty cases are heavily reliant on manual inputs, including identifying cases due for review.
St Wilfrid's RC Primary School	Substantial Assurance	4	0	A schools audit. The control environment was generally effective although a number of areas requiring improvement were identified.
Cash Handling and Income Management	Reasonable Assurance	7	0	The audit focused on the cash handling arrangements across a number of council services and establishments. The findings for individual areas were summarised in the report. The Transactional Services team have ensured that the correct versions of all policies and procedures remain available to staff at all times. However, there are no cash handling procedures available.

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
Cleaning and Facilities Management	Reasonable Assurance	7	0	The audit reviewed the effectiveness of controls in relation to additional hours and overtime. A number of changes in the structure and staffing of the service have taken place since the previous audit was carried out. Since then there has been a significant reduction in the level of expenditure on additional hours and overtime. Improvements however could be made including more proactive monitoring of expenditure on additional hours and overtime and a review of the establishment structure.
Information Security Sweep March 2015	Reasonable Assurance	n/a	n/a	Overall, the council is well protected against accidental disclosure of information. The majority of information is stored in cupboards and most cupboard doors are closed. The clear desk policy is largely adhered to throughout. The detailed findings of the audit will be

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
				presented to the Corporate Information Governance Group (CIGG) in order to help identify further actions to be taken at a corporate and directorate level.
Overtime	Limited Assurance	2	1	The purpose of the audit was to identify whether processes in place to manage levels of overtime are robust. Significant amounts of overtime are worked in some service areas. However, the audit found that processes to monitor and control the level of overtime worked were not robust, and there is a lack of good quality management information. In addition to the financial risk, the weaknesses also increase the risk that employees work excessive hours. Actions were agreed with management to improve the monitoring and authorisation of overtime in the service areas affected.

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
Children's Social Care Records	No Opinion given	n/a	n/a	The audit involved periodic reviews of the project arrangements for the purchase of a new children's social care IT system. The new system is intended to meet the transformation agenda in children's social care. A number of issues were identified including the assignment of sub-team roles within the project; development of risk registers for the project as a whole; minuting meetings and key decisions; recording actions and monitoring progress against them; and providing key summary information to stakeholders and the project board. Further work is planned for 2015/16 in order to follow up these issues.
Budget Savings	No Opinion given	n/a	n/a	The audit examined a number of savings plans from across the council to ensure that they had been accurately assessed, there were appropriate action plans in place and the risks

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
				that might prevent these savings from being achieved were being properly managed. The audit also considered whether equality impact assessments had been included as part of the savings proposal and whether these had been monitored during the year. The council's overall approach was found to be reasonable; one issue was identified and this will be followed up in 2015/16.
Freedom of Information follow-up	No Opinion given	n/a	n/a	This was a follow-up to an internal audit report issued in October 2013 which identified a number of process and control weaknesses. Good progress has been made in relation to the key findings of the previous audit, to the extent that response rates have increased. Performance information is now reported on a monthly basis, and whilst some minor discrepancies were identified, the fact that

Audit	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
		Total	Priority 1	
				significant manual intervention is required means this is likely. Further improvements should be made once the reporting functionality of the Respond system is developed.
Street/Place-based Services	No Opinion given	n/a	n/a	A review was carried out to assess the progress being made to consider future options for the delivery of street-based services. A number of issues were identified, and these will be followed up in 2015/16 as part of the ongoing transformation work.

ANNEX 3

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.

	2014/15 (Actual: Full Yr)	**2014/15 (Target: Full Yr)**	**2013/14 (Actual: Full Yr)**
% 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).	43%	30%	55%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£135,136	£100,000	£97,947
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£612,700	£600,000	£810,000

Caseload figures for the period are:

	As at 1/4/15	**As at 1/4/14**
Awaiting allocation	40	40
Under investigation	171	184

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	Investigation of matches arising from the National Fraud Initiative is underway. There are a total of 2,200 recommended data matches relating to a number of council teams and services as well as 3,500 matches relating specifically to Single Person Discounts. The council has recently participated in a pilot NFI exercise relating to Council Tax Support payments. Results are expected to be released next month. Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team received 527 HBMS referrals in 2014/15 resulting in 2 benefit fraud prosecutions and 3 sanctions.
Fraud detection and investigation	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: • **Housing fraud** – working in conjunction with housing officers, 29 properties were recovered in 2014/15. In addition, 15 properties were prevented from being let where the prospective tenants had provided false information in their housing applications. One person was cautioned for illegal subletting.

Activity	Work completed or in progress
	In March 2015, City of York Council and Veritau hosted a regional conference with the Yorkshire and Humber Tenancy Fraud Forum. Over 32 social housing organisations attended the event which was over subscribed. Recent statistics from the Audit Commission have shown that in 2013/14 City of York Council was the 5th best performing council nationally in dealing with housing fraud as a proportion of stock held and the best performing council in the Yorkshire and Humber region in terms of actual recoveries of property and the blocking of false applications. There are currently 67 ongoing investigations in this area. • **Internal fraud** - the team has received 15 referrals for internal frauds in 2014/15. 7 cases are still under investigation. • **Council Tax/Non Domestic Rates fraud** – In January 2015, City of York Council alongside a number of other councils in the area successfully bid for DCLG funding in order to create the North Yorkshire Fraud Hub. As part of this project, cross boundary data matching of Council Tax and NNDR records will be undertaken to identify fraudulent discounts and exemptions. There are currently 20 investigations in this area.

Activity	Work completed or in progress
	• **Benefit fraud** – 6 people have been prosecuted for benefit fraud offences and a further 21 have received formal sanctions (cautions and administrative penalties). Benefits have been corrected in 23 cases. On 1 April 2016 the council expects to lose its remit to investigate and prosecute Housing Benefit Fraud when this responsibility is transferred to the Department for Work and Pensions. Significant work is expected to remain with (and be created for) the authority and the fraud team is working with other teams and departments to prepare for this. • **Social Care fraud** – There are currently 13 ongoing investigations in this area. The fraud team is working closely with a number of departments and outside organisations to identify, detect and deter fraud in this area. • **Parking fraud** – 24 cases of blue badge or other parking exemption fraud were referred in 2014/15 resulting in 4 people being cautioned and 6 people being issued formal written warnings. • **Education verification** – The fraud team is working with the schools team to investigate and deter false applications for school placements. There are currently 3 investigations in this area.

ANNEX 4

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

Description of Breach	Instances
Insufficient evidence for payroll payments	1
Failure to obtain 3 quotes for spend in excess of £5k	1
Failure to bank promptly	1
Payments made to staff not made through payroll	1

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Annex 5

VERITAU

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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
- agreement of the objectives, scope and expected timescales for each audit engagement 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 senior 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. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

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[1] as part of the annual report of the Head of Internal Audit.

External assessment

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

[1] As defined by the relevant audit charter.

2.0 Customer Satisfaction Survey – 2015

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2015. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 103 surveys were issued to senior managers in client organisations. 33 surveys were returned representing a response rate of 32% (2014 - 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	8	20	3		2
2 The provision of advice and guidance	10	20	3		
3 The conduct and professionalism of audit staff	17	15	1		
4 The ability of audit staff to provide unbiased and objective opinions	11	18	3		1
5 The ability of audit staff to establish a positive rapport with customers	14	16	3		
6 The auditors' overall knowledge of the system / service being audited	5	19	7		2
7 The auditors' ability to focus on the areas of greatest risk	5	16	9		3

8 Agreeing the scope and objectives of the audit	10	16	5	2
9 The auditors' ability to minimise disruption to the service being audited	10	17	3	3
10 The communication of issues found by the auditors during their work	6	23	2	2
11 The quality of feedback at the end of the audit	6	19	4	4
12 The accuracy, format, length and style of audit reports	11	15	3	4
13 The time taken to issue audit reports	7	17	5	4
14 The relevance of audit opinions and conclusions	8	16	5	4
15 The extent to which agreed actions are constructive and practical	8	18	4	3
Overall rating for the Internal Audit services provided by Veritau	8	19	3	3

The overall ratings in 2014 were:

Excellent - 2

Good - 17

Satisfactory - 1

Poor - 0

The feedback is therefore broadly in line with the previous year and suggests that the service continues to be well regarded by clients.

3.0 Self Assessment Checklist – 2015

The checklist prepared by CIPFA to enable conformance with the PSIAS and the Local Government Application Note to be assessed was originally 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 at standard. However, a few areas of non-conformance were identified. None of the issues identified were however considered to be significant. In addition, in some cases, the existing arrangements were considered appropriate for the circumstances and hence required no further action.

The checklist has been reviewed and updated in 2015. The following areas of non-conformance remain unchanged:

Conformance with Standard	Current Position
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.
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

Conformance with Standard	Current Position
	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 have been accepted included in the risk-based plan?	Consulting engagements are 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?	Whilst reliance may be placed on other sources of assurances there is no formal process to identify and assess such sources. However, assurance mapping will be used where appropriate and audit plans will highlight where other sources of assurance are being relied upon.

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) in April 2014. 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 conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

5.0 Improvement Action Plan

The quality assurance process has identified the need to make the following changes and improvements to working practices:

Change / improvement	**Target completion date**
The standard specification template will be updated 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. Where appropriate, information sharing agreements will also be established with client organisations.	30 June 2015
Checklists will be provided to assist auditors ensure all stages of the audit process are fully completed on Galileo.	30 September 2015
Templates for 'non-standard' reports (for example – consultancy, fraud and special assignments) will be developed.	31 December 2015

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Audit & Governance Committee

Report of the Director of Customer & Business Support Services

Update on Freedom of Information (FOI) & Environmental Information Regulations (EIR)

Background

1. In December 2014, members received a further update on progress against 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 progress made with planned improvements to address the findings from the related 2013 internal audit report. This is a six monthly update on progress and performance, and again includes the financial information on the costs of FOIs that members of the Committee requested.

Summary

2. As previously reported to committee meetings, there has been a considerable and sustained increase in the number of FOI/EIR enquiries. In year 2014/15 there was an increase of 34.7% in FOI/EIR enquiries compared to year 2013/14. There were 1060 more enquiries received in 2014/15 compared to the number of enquiries received in 2011/12. See Annex 1

3. The FOI and EIR transactions for City of York Council (CYC) for the financial years 2011/12 to 2014/15 are summarised in the table below with the percentage answered shown within the 20 day prescribed deadline set by the Freedom of Information Act 2000. This demonstrates the continued improvements made in the number of enquiries being responded to in the time limits.

	total received	In time	Out of time	% in time
2011 - 2012	804	698	106	86.80%
2012 - 2013	954	715	239	74.90%
2013 - 2014	1384	1121	263	81.0%
2014 - 2015	1864	1727	112	94.1%

4. As previously reported, 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%. The Information Commissioner (ICO) states in their guide – How the Information Commissioner's Office selects authorities for monitoring – that they will consider monitoring a local authority where *"it appears that less than 85% of requests are receiving a response within the appropriate timescales".*

5. Using the average cost of producing an FOI response of £136.45 which has previously been reported to this committee, the approximate cost to the council for responding to FOIs only in 2014/15 is = £204,811.45. This has increased from £190,211 in the previous year.

6. Veritau currently undertake internal reviews for FOI and EIR, as well as the ICO casework. In year 2014/15, there were 85 internal reviews and 39 ICO cases. This means that 4.6% of enquiries led to internal reviews and 2.1% led to ICO cases. See Annex 2.

7. Following the launch of the new council website, we have improved the publication format for FOI responses to show in categories rather than date of publication only.

   https://www.york.gov.uk/info/20219/freedom_of_information/1535/freedom of information_responses

   We are continuing to look at other areas for improvement including being able to search on date of publication, key word(s), etc as well as looking into how to improve accessibility from the website home page. There is also the option to link published responses with datasets to the Open Data Platform which we are currently developing further with the Shared Intelligence bureau/team.

   http://www.yorkopendata.org/

Update

8. It is important to note that following the changes to our processes and the introduction of improved monitoring, which were described to Members at previous meetings, considerable and sustained improvement in the percentage of FOI enquiries responded to in time has been achieved – see Annex 1.

9. We have agreed to an audit by the ICO of how we process personal data which will take place by the end of August 2015. The primary purpose of the audit is to provide us and the ICO, with an independent opinion of the extent to which we (within the scope of the agreed audit) comply with the Data Protection Act and highlight any areas of risk to our compliance. It will also review the extent to which we can demonstrate good practice in our data protection governance and management of personal data. The audit is a constructive process and will provide us with real benefits and opportunities to continue to make improvements in these areas. Work is underway in preparing for this audit and further updates will be provided using a variety of mechanisms e.g. Buzz, screens in staff areas of West Offices, Members Newsletters, booked in sessions etc. We have also agreed the key scope areas of Records Management, Subject Access to Records (SARs) and Data Sharing with the ICO auditors.

Consultation

10. The report is for information only.

Options

11. The report is for information only.

Analysis

12. All analysis is contained in the report.

Council Plan

13. Compliance with the Freedom of Information Act and Environmental Information Regulations are a legal requirement. Failure to deliver a good quality FOI/EIR service can have reputational damage for the council.

Implications

14.

- **Financial** –None

- **Human Resources (HR) -** None
- **Equalities** - None
- **Legal -** Implementation of the actions arising from the internal and external reviews will assist in meeting the statutory requirements of the Freedom of Information Act and Environmental Information Regulations.
- **Crime and Disorder** None
- **Information Technology (IT) -** None
- **Property -** None
- **Other -** None

Risk Management

15. The information, update and actions outlined in this report are intended to continue to improve our FOI/EIR compliance and service to enquirers, which may reduce the time taken in processing enquiries, and publication improvements may reduce the overall number of enquiries received, therefore introducing no new risk. Failure to sustain current performance however will again increase the risk of criticism or intervention from the Information Commissioner which can include financial penalties.

Recommendations

16. Members are asked to consider and note the contents of this report.

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

Annexes

Annex 1 – Performance report for FOIs/EIRs
Annex 2 – Performance report for FOI/EIR internal reviews and ICO cases

Contact Details

Author:	**Chief Officer Responsible for the report:**
Lorraine Lunt Transparency and Feedback Manager Telephone: 01904 552247	Ian Floyd Director of CBSS Telephone: 01904 551100

Report Approved √ **Date** 16/06/2015

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

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Annex 1

1st April 2014 to 31st March 2015 performance report

1st April 2014 to 31st March 2015							
	Total received	**In time**	**Out of time**	**Other eg withdrawn/ not pursued/ ongoing**	**% in time**	**% out of time**	**% other**
EIR	363	350	10	3	96.4%	2.8%	0.8%
FOI	1501	1377	102	22	91.7%	6.8%	1.5%
combined/sub total for FOI & EIR	1864	1727	112	25	94.1%	4.8%	1.2%
DP/SAR	131	67	39	25	51.1%	29.8%	19.1%

	total received	**In time**	**Out of time**	**% in time**
2011 - 2012	804	698	106	86.80%
2012 - 2013	954	715	239	74.90%
2013 - 2014	1384	1121	263	81.0%
2014 - 2015	1864	1727	112	94.1 %

Headlines :

Increase of 34.7% in FOI/EIR enquiries in year 2014/15 compared to year 2013/14.

Continued year on year trend for increased FOI/EIR enquiries from year 11/12.

1060 more enquiries made in 2014/15 compared to 2011/12 which is an uplift of 131.8%

13.1% more enquiries responded to within prescribed timescale of 20 working days in 2014/15 compared to 2013/14. This means there has been a 16.2% improvement for in time responses.

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Annex 2

FOI - Internal reviews handled Apr 2014 - March 2015

F= outcome in favour of the Council, P= outcome partially in favour of the Council, A= outcome against the Council

REASONS FOR REVIEW		April			May			June			July			August			September			October			November			December			January			February			March		
	Total	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A
No response	27			2	1		2		1				2			1			2	2		3			4			1				1		3			2
Response outside 20 working days	5																		1				1		1			1			1						
Incomplete response	32		1					1	2				1	1		3	2	1		1		2	2		1			2	5			4	1		2			
Application of exemption	18		1		1			1			2		1	1				1		3		1	2			1									1		2
Information inaccurate	3																			1			1						1									
Outcome total	**85**	0	2	2	2	0	2	2	3	0	2	0	4	2	0	4	2	2	3	7	0	6	6	0	6	1	0	4	6	0	1	5	1	3	3	0	4
Outstanding	0																																				
Total	**85**																																				

Note - in November there was one review which looked at two aspects so has been included twice in the figures above

Annex 2

ICO complaints handled Apr 2014 - Mar 2015

F= outcome in favour of the Council, P= outcome partially in favour of the Council, A= outcome against the Council

REASONS FOR REVIEW		April			May			June			July			August			September			October			November			December			January			February			March		
	Total	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A	F	P	A
No response	19			3			6			1												3									2			1			3
Response outside 20 working days	0																																				
Incomplete response	4	1								1									1								1										
Application of exemption	12			4	1				1	1													1			1	1		1	1							
Information inaccurate	0																																				
No response to review	4						1															1				1											1
Outcome total	**39**	1	0	7	1	0	7	0	1	3	0	0	0	0	0	0	0	0	1	0	0	4	1	0	0	2	1	1	1	1	2	0	0	1	0	0	4
Outstanding	0																																				
Total	**39**																																				
Decision notices	**16**	4			1			1									1			1			1			2			2			1			2		

Note - in April there were 3 complaints which looked at 2 different aspects and so these have been included twice in the above figures. There was also one such case in January.

Audit & Governance Committee **24 June 2015**

Report of the Director of Customer & Business Support Services

Update on Information Governance

Background

1. This report provides Members with an update on information governance developments since the last report to this committee in December 2014.

Summary

2. The Audit and Governance committee approved an information governance strategy in 2011. It was agreed to review the council's approach to and provision of, information governance and management, including the Local Government Transparency Code 2015 requirements. This is being undertaken by the Corporate Information Governance Group and will reflect recent internal audit report recommendations as well as best practice developed by the government and the Information Commissioner (ICO) including codes of practice introduced by the ICO.

Update

3. The following work and progress has been undertaken since the last report to this committee in December 2014:

   a. Transfer of Customer Feedback team into Legal, Democratic and ICT services.

   b. Creation of new role (completed by a restructure and assimilation process) of Transparency and Feedback Team Manager with main objective to provide strategic leadership in the development and delivery of the council's information governance arrangements, including delivering priorities across several areas such as the council's Information governance strategy, the council's data protection and information security arrangements, records management, Transparency of Information, etc.

c. Agreement and commitment for greater council ownership, responsibility and accountability for Information Governance. This is being undertaken by a staggered approach of transferring responsibilities from Veritau to the Customer Feedback team, and the aim is to complete this by September/October 2015.

d. A Multi Agency Overarching Information Sharing Protocol has been developed and signed up to by City Of York Council, North Yorkshire County Council, North Yorkshire Police, the York Teaching Hospitals NHS Trust and North Yorkshire Fire and Rescue Service. The purpose of this protocol is to create a positive culture of sharing information and facilitate more effective Data Sharing practices between Partner Agencies, with the aim of improving service delivery.

e. The draft audit report for information security and further information security sweeps and visits (West Offices, Hazel Court and other council premises), have been completed by the internal auditors, Veritau. These will be reported to the next Corporate Information Governance Group and updates will be presented to the next committee meeting.

f. Local Government Transparency Code 2015 requirements will be met via linking information published on the council website with the open data platform. Compliance monitoring will be undertaken by the Transparency & Feedback Team Manager who will report to the Corporate Information Governance Group (CIGG) and updates will be provided to this committee.

g. A high visibility campaign (Th!nk Privacy) to drive home the importance of information and data security, has been delivered by targeting all staff employed by the council through the IComply package. The induction package on information governance and security has also been updated. These are the first steps in the development of a wider training and awareness raising programme.

h. We have agreed to an audit by the ICO of how we process personal data which will take place by the end of August 2015. The primary purpose of the audit is to provide us and the ICO, with an independent opinion of the extent to which we (within the scope of the agreed audit – the 3 key scope areas agreed are Records Management, Subject Access to Records [SARs] and Data Sharing) comply with the Data Protection Act and highlight any areas of risk to our compliance. It will also review the extent to which we can

demonstrate good practice in our data protection governance and management of personal data. The audit is a constructive process and will provide us with real benefits and opportunities to continue to make improvements in these areas. Work is underway in preparing for this audit and further updates will be provided using a variety of mechanisms e.g. Buzz, screens in staff areas of West Offices, Members Newsletters, booked in sessions etc.

i. The council's submission to Health & Social Care Information Centre (HSCIC) Information Governance Toolkit has been accepted by HSCIC. This means that the council is "trusted" by NHS partners and connection to the NHS network ("N3") can continue. There is an action plan for further areas to become compliant with this ahead of the reassessment due by March 2016.

j. Registration of Caldicott Guardians in Adults and Children's Services and the Transparency and Feedback Team Manager is supporting the development of actions plans for their services areas including raising awareness, training, process for raising Caldicott Guardian issues, etc.

k. Review of Corporate Information Governance Group terms of reference including aims and membership, will be undertaken following the CIGG meeting on 16th June 2015.

l. The provision of a suite of information governance/management policies and procedures following review of existing ones, is nearing completion and the drafts will be presented to the next CIGG meeting and then to Legal Services before implementing across the council.

m. The Privacy Impact Assessment (PIA) toolkit including guidance and support has been refreshed. There will be a register of completed PIAs set up in order to evidence where these have been completed however the risks identified in PIAs will be monitored through the project risk management process.

n. A review of the council's current records management policies and procedures including retention and destruction schedules will be undertaken over the next few months. This will include how compliance and adherence will be monitored and reported going forward.

o. A review of the council's Information Asset Register (IAR) including information asset owners (IAOs) and administrators (IAAs), privacy statements, fair processing notices, risk management etc will be undertaken over the next month.

Consultation

4. Not relevant for the purpose of this report.

Options

5. Not relevant for the purpose of this report.

Analysis

6. Not relevant for the purpose of this report.

Council Plan

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

Implications

8. There are no implications to this report in relation to:-

- **Financial**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information & Communications Technology (ICT)**
- **Property**
- **Other**

Risk Management

9. The council may face financial and reputational risks if the information it holds is not managed and protected effectively. For example, the ICO can levy fines up to £500k for serious data security breaches. The failure to identify and manage information risks may diminish the council's overall effectiveness.

Recommendations

10. Members are asked to consider and note the contents of this report.

    Reason: To ensure Members are aware of the progress being made in the effectiveness of the council's information governance arrangements.

Annexes

11. None

Background Information

12. Not applicable

Contact Details

Author:	**Chief Officer Responsible for the report:**
Lorraine Lunt Transparency and Feedback Manager Telephone: 01904 552247	Ian Floyd Director of CBSS Telephone: 01904 551100

Report Approved	√	**Date**	16/06/2015

Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable **All** ☐

For further information please contact the author of the report

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Glossary

AGS	Annual Governance Statement
CBSS	Customer and Business Support Services
CIGG	Corporate Information Governance Group
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
EIR	Environmental Information Regulations (EIR)
FOI	Freedom of Information
HSCIC	Health and Social Care Information Centre
IAA	Information Asset Administrators
IAO	Information Asset Owner
IAR	Information Asset Register
ICO	Information Commissioner's Office
LGA	Local Government Association
OGG	Officer Governance Group
OSC	Office of Surveillance Commissioners
PIA	Privacy Impact Assessment
PMF	Performance Management Framework
PSIAS	Public Sector Internal Audit Standards
QAIP	Quality Assurance and Improvement Programme
SARs	Subject Access to Records
SIC	Statements of Internal Control
SOLACE	Society of Local Authority Chief Executives and Senior Managers

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