



## Notice of meeting of

### Audit & Governance Committee

<b>To:</b>	Councillors Hyman (Chair), Holvey (Vice-Chair), Moore, R Watson, Jones, Scott and Hill
<b>Date:</b>	Tuesday, 3 April 2007
<b>Time:</b>	5.30 pm
<b>Venue:</b>	Guildhall

### AGENDA

#### Note:

**As agreed at the last meeting, the Chief Internal Auditor will be present in the meeting room from 5:00 pm to provide a private briefing for Members, if required.**

#### 1. Declarations of Interest

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

#### 2. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Panel's remit can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is **Monday, 2 April at 5:00 pm**.

**3. Minutes** (Pages 1 - 6)

To approve and sign the minutes of the meeting held on 31 January 2007.

**4. Follow Up of Internal Audit Recommendations and Breaches of the Financial Regulations (2005/06)** (Pages 7 - 24)

This report sets out progress made by departments in implementing agreed audit recommendations due for implementation by 31 January 2007 and provides an interim summary of progress made in addressing breaches and waivers of Financial Regulations identified for 2005/06, as previously requested by Members.

**5. Officer Governance Group - 2006/07 Out-turn and 2007/08 Work Programme** (Pages 25 - 46)

This report advises Members of the progress made during 2006/07 in respect of the Officer Governance Group work programme and sets out the Group's proposed work programme for 2007/08.

**6. Statement of Internal Control** (Pages 47 - 70)

This report provides details of the progress which has been made to prepare the 2006/07 Statement of Internal Control (SIC), to address the significant control issues identified in the 2005/06 SIC and to rectify the control weaknesses declared by departments in their individual control self assessments.

**7. Annual Audit and Fraud Plan for 2007/08** (Pages 71 - 102)

This report seeks approval for the planned programme of audit and fraud work to be undertaken during 2007/08, and new terms of reference for the Internal Audit Service.

**8. Risk Management Out-turn Report** (Pages 103 - 116)

This report informs Members of the progress made during 2006/07 in managing and embedding risk management arrangements at City of York Council and provides details of the 2007/08 work programme.

## **9. Urgent Business**

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

### Democracy Officer:

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

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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City of York Council	Committee Minutes
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	31 JANUARY 2007
PRESENT	COUNCILLORS HYMAN (CHAIR), HILL, HOLVEY (VICE-CHAIR), MOORE, SCOTT, R WATSON AND B WATSON (SUBSTITUTE)
APOLOGIES	COUNCILLOR JONES

### **36. DECLARATIONS OF INTEREST**

Members were invited to declare at this point any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

### **37. PUBLIC PARTICIPATION**

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation scheme.

### **38. MINUTES**

**RESOLVED:** That the minutes of the meetings of the Audit and Governance Committee held on 25 September 2006 and 4 October 2006 be approved and signed by the Chair as a correct record.

### **39. AUDIT COMMISSION REPORT : ARRANGEMENTS FOR THE DISPOSAL OF THE BARBICAN**

Members considered a report which presented the findings of the Audit Commission's review of the Council's arrangements for disposal of the Barbican. This item had been deferred from the Committee meeting on 4 October 2006, to enable a representative from the Audit Commission to attend and respond to Members' questions on the report.

The objectives of the review had been to assess the Council's arrangements for securing best consideration for the Barbican site, ensuring appropriate governance controls were maintained and managing the impact on service delivery. The resulting report, attached as Annex A, had recommended that the Council should in future:

- Include within reports the legal framework and basis for making key decisions (R1);
- Be clearer in its selection criteria for future partners and set parameters for major schemes which, if exceeded, would trigger a review (R2);
- Clearly articulate and record the objectives of major projects at the outset, in order to evaluate future success (R3).

Some actions had already been taken in response to these recommendations, as outlined in the report. Since the recommendations were aimed at enabling better management of risk, it was considered important to take further steps to embed the suggested approaches into the Council's working practices.

Mark Kirkham, the District Auditor, was present to respond to Members' questions on the Commission's report. He confirmed that the report's conclusions related only to the arrangements leading up to disposal of the site and the Commission would be concerned to review whether best consideration had been obtained once the final arrangements for disposal of the site had been concluded. If the sale was completed in the current financial year, the results of this work would be available by September. Officers confirmed that the sale was proceeding and that Council was now close to exchanging contracts with the purchaser.

RESOLVED: (i) That the Audit Commission's report be noted.

(ii) That authority be delegated to the Director of Resources to devise and implement appropriate responses to the recommendations, through giving advice and guidance to other Officers on Council procedures and requirements.

REASON: In order to improve governance and risk management of Council projects and developments.

(iii) That a report be brought back to the Audit and Governance Committee in September 2007 to inform them of progress made on the Audit Commission's recommendations and the results of the review of the transaction.

REASON: To enable the Committee to monitor progress, in accordance with their role.

#### **40. DECIDING AND DELIVERING COUNCIL PRIORITIES - AUDIT COMMISSION REPORT**

Members considered a report which detailed the findings and recommendations arising from the Audit Commission's study of the Council's arrangements for deciding and delivering its priorities.

The Audit Commission's report, issued in August 2006, was attached as Annex A. It presented a fairly positive picture of the way in which the Council had developed its priorities as part of the corporate strategy but identified a significant amount of work needed to embed and deliver these. An update letter issued by the Commission in December (Annex B) reflected progress made by the Council since publication of the report. Actions taken or planned in response to the recommendations were set out in Annex C.

It was noted that the Audit Commission had agreed to pay a return visit in June in order to review the progress made by the Council on their recommendations. The results of this review would be brought to the

Committee, either in September or, if the timescale allowed, to the meeting in June.

RESOLVED: (i) That the findings of the Audit Commission study, and the actions which have been taken or planned to be taken in order to respond to the recommendations contained in the report and the update letter, be noted, and that Officers be asked to bring an update report on progress back to this Committee during 2007/08.

REASON: So that Members are informed on progress made in improving the Council's prioritisation arrangements, in accordance with this Committee's monitoring role.

(ii) That the Audit Commission's report be referred to the Executive for their consideration.

REASON: In accordance with the Executive's responsibility to take the lead in the setting and delivery of the Council's priorities.

#### **41. 2006/07 STATEMENT OF INTERNAL CONTROL – MANAGING THE PROCESS**

Members considered a report which informed them of the process that had been planned to enable publication of the 2006/07 Statement of Internal Control (SIC).

The process followed for preparation of the 2005/06 SIC had worked well and was recognised by the Audit Commission as best practice. It was therefore proposed to follow a broadly similar process for the 2006/07 SIC, subject to some limited changes to enhance and improve the approach, including:

- Extending the period allowed for consultation on the draft SIC;
- Involving Members in the consultation at an earlier stage (early April);
- Assigning responsibility for significant control issues to named Officers.

A proposed timetable for publication of the 2006/07 SIC, including presentation of the completed SIC to Audit and Governance Committee in June 2007, was set out in paragraph 11 of the report.

Internal Audit was currently undertaking a follow up exercise to identify progress made in addressing significant control issues identified in the 2006/07 SIC. The results of this review would be reported to Audit and Governance Committee in April.

RESOLVED: (i) That the proposed process and timetable for completion of the 2006/07 SIC be agreed.

REASON: To ensure that the Council complies with relevant legislation.

(ii) That the intention to report on progress made to address the significant control weaknesses included in the 2005/06 SIC to the next meeting of this Committee be noted.

REASON: To enable Members to consider the adequacy and effectiveness of the Council's control environment.

#### **42. AUDIT AND FRAUD MID-TERM MONITOR**

Members considered a report which provided details of progress made in delivering the Council's internal audit and fraud work plan for 2006/07.

It was reported that 51% of the 2006/07 Audit Plan had been completed to date. However, it was expected that the 90% target would be achieved, as current figures did not take into account audit fieldwork which was either complete or in progress. A number of variations had been made to the Plan, to accommodate the shortfall in resources and take account of changes in priorities. Details of audits completed were set out in Annex 1 to the report, and details of variations were provided in Annex 2. Investigations had been carried out into one suspected financial irregularity and 4 minor thefts and frauds. Findings from completed investigations were summarised in Annex 3.

Annex 4 provided a summary of the work completed in accordance with the approved Counter Fraud Activity Plan. Most of the work undertaken by the Fraud team during the year had related to suspected fraudulent Housing and Council Tax benefit claims. Details of investigations undertaken, and prosecutions and sanctions achieved, were set out in Annex 5. The Fraud team was also undertaking work on the Audit Commission's 2006/07 National Fraud Initiative data matching exercise.

RESOLVED: (i) That the results of the audit and fraud work undertaken to date in 2006/07 be noted.

REASON: So that Members are informed of the implications of audit and fraud findings.

(ii) That the variations to the 2006/07 Audit Plan, as approved to date by the AD (Resources) ARM, be noted.

REASON: So that Members are informed on the delivery of the Internal Audit Plan.

(iii) That Officers be thanked for their hard work in progressing the Internal Audit Plan and the Counter Fraud Activity Plan.

#### **43. PRIVACY AND CONFIDENTIALITY POLICY**

Members considered a report which set out proposals for adoption of a privacy and confidentiality policy, covering both the receipt of reports relating to specific audit matters and periodic informal discussions with auditors.

It was noted that there was a strong public interest in showing how public funds had been spent and assets safeguarded and in demonstrating that Members and Officers had acted in accordance with the highest standards of probity. In relation to reports, it was therefore suggested that a policy of full disclosure be adopted, except where the reports contained exempt information under Schedule 12A of the Local Government Act 1972 (as amended). In such cases, every effort would be made to disclose as much information as possible, provided it was considered to be in the public interest.

It was also proposed to adopt the guidance issued by CIPFA and to hold informal private meetings between the Members of this Committee and the Chief Internal Auditor and / or external auditor. It was suggested that these meetings take place quarterly and immediately prior to the formal public meetings of the Committee. Any notes of these meetings would be treated as confidential.

**RESOLVED:** (i) That the proposed privacy and confidentiality policy set out in the report be approved.

**REASON:** To ensure that the Council provides for openness and transparency in audit and governance related matters.

(ii) That the proposal to hold private informal meetings with the external auditor and the Chief Internal Auditor be agreed.

**REASON:** To enable Members of the Committee to be made aware of issues arising from the work of internal and external audit.

K Hyman, Chair

[The meeting started at 5.30 pm and finished at 7.10 pm].

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## Audit and Governance Committee

3 April 2007

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

### Follow Up of Internal Audit Recommendations and Breaches of the Financial Regulations (2005/06)

#### Summary

1. This report sets out the progress made by departments in implementing those agreed audit recommendations which were due to have been implemented by 31 January 2007.
2. The report also includes an interim summary of progress made in addressing breaches and waivers of Financial Regulations identified for 2005/06 and reported to Audit and Governance Committee in October 2006, as requested at that meeting.

#### Background

3. In June 2006, the Audit and Governance Committee approved the process to be followed in reviewing and reporting on progress made by service departments in implementing agreed internal audit recommendations. In accordance with this process reports are brought to Committee for Members consideration every six months setting out progress, together with details of any outstanding recommendations that require referral to the Committee for further action. This report is based on follow up work by the Internal Audit Service. All recommendations are reviewed once their agreed implementation date has passed. The review is carried out using a combination of questionnaires completed by departments, risk assessment, and by further detailed examination by Internal Audit where appropriate.
4. Internal Audit is also responsible for preparing an annual report to Audit and Governance Committee detailing breaches of Financial Regulations along with any approved waivers from the Regulations. In October 2006 Members asked for an interim follow up report, setting out the progress made by departments to address the breaches identified at that time.

#### Consultation

5. Details of the findings of follow up work have been discussed with the relevant service managers and chief officers.

## Follow Up of Recommendations

6. A total of 160 recommendations were followed up as part of this review. A summary of the priority of these recommendations is included in figure 1, below.

*Figure 1: Recommendations followed up as part of the current review*

Priority of Recommendations	No. of Recommendations Followed Up
1 (High)	10
2 (Medium)	129
3 (Low)	21
Total	160

7. Of the 160 recommendations, 5 (3%) had been superseded (for example by business developments or because of cessation of service). Of the remaining recommendations, 131 (82%) had been satisfactorily implemented.
8. In 24 cases (15%), the recommendations had not been implemented (although progress had been made in some cases). These were referred back to the relevant service manager or assistant director. Following this, a revised implementation deadline has been agreed in 20 cases. These will be followed up again after the revised deadline, and escalated in accordance with the approved procedure if necessary.
9. In four cases, the reasons given for not progressing the recommendation were not considered satisfactory, and the escalation process for these outstanding recommendations has now commenced. All four recommendations are at stage 2 of the escalation process (see Annex 3) and have been referred to the service manager for a response. None of the recommendations are yet at the stage for Member referral.

## Follow Up of Breaches and Waivers of Financial Regulations

10. Figure 2 below shows the number of breaches of Financial Regulations reported in relation to 2005/06 (figures for the two previous years are included for comparison).

*Figure 2*

Number of breaches of Financial Regulations	2005/06	2004/05	2003/04
Total number of breaches reported	40	33	16
Newly reported breaches	13	22	4
No. brought forward from previous year	27	11	12

11. The total number of breaches has continued to increase over the last few years. Officers believe this is largely due to improvements in the systems for

detecting and recording them and that this was a major factor contributing to the large number of new breaches reported in 2004/05. Delays in resolving these breaches (and others from previous years) led in turn to the high number of breaches for 2005/06 – of the 40 breaches reported, 27 were ongoing issues from previous years that had not been addressed before 2005/06.

12. Good progress is now being made to address the outstanding breaches. Of the 40 reported for 2005/06, 16 had already been satisfactorily addressed, or were no longer ongoing issues, when they were reported to Audit and Governance Committee in October 2006. Departmental progress on the remedial action taken to address the remaining 24 breaches have been followed up for this report<sup>1</sup>.
13. It was found that of the 24 breaches outstanding, 11 have now been resolved and action is being taken to address a further 10. The remaining three breaches will require input from the Corporate Procurement Team (CPT) - time has been allocated as part of the 2007/08 CPT workplan to support the development of corporate contracts for these areas by the relevant client officers. The results of the follow up are summarised in Figure 3 below. More detail on each of the outstanding breaches is included in Annex 1 and Annex 2.

*Figure 3 – Follow Up of Outstanding 2005/06 Breaches*

<b>Result of Follow Up</b>	<b>No</b>	<b>Notes</b>
Resolved	11	This includes breaches where a contract is now in place or has been awarded, or the reason for the breach has ceased to be an issue.
In the process of being resolved	10	Tendering is now underway for these breaches. With the exception of one breach it is expected that contracts will be in place by July 2007. The exception is tendered bus services, where retendering is being carried out as existing contracts end – this is not expected to be fully resolved until 2009.
Still outstanding	3	The breaches relate to the provision of security services, lifts and lift maintenance, and newspaper advertisements. All of these breaches will be reviewed by the Corporate Procurement Team as part of their 2007/08 workplan.

## **Conclusions**

14. The follow up testing undertaken by Internal Audit confirms that in general, good progress has been made by directorates to rectify the weaknesses in control identified in Internal Audit reports. However, there are a number of areas where work is still required to address the recommendations made. Progress in implementing these recommendations will be monitored, and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee at this time.

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<sup>1</sup> Follow up is based on reports from service departments about action being taken. These will be reviewed in detail by Internal Audit as part of the 2006/07 breaches and waivers reporting process.

15. For breaches, good progress continues to be made to address known issues. In particular, action has now been taken or is underway to address several breaches within Neighbourhood Services that have been outstanding for a number of years. Of the 40 breaches reported in total for 2005/06, only 13 remain outstanding to be carried forward to the 2006/07 report compared to 27 brought forward for 2005/06. Action is already underway to address 10 of these 13 breaches.
16. It is expected that the numbers of new breaches identified will continue to remain relatively high for the foreseeable future. This is because of continuing improvements in management information systems (eg the new Supplier Contract Management System being introduced by the Corporate Procurement Team - CPT), more rigorous corporate procurement arrangements, and an increasing awareness of the need for compliance with Financial Regulations – particularly in relation to procurement issues. However, ongoing issues are being kept under review by the CPT, and addressed as part of their workplan – either directly, or by promoting better procurement practice within service departments. It is anticipated that this will lead to a gradual reduction in the numbers of breaches in the medium to long term.

## **Options**

17. Not relevant for the purpose of the report.

## **Analysis**

18. Not relevant for the purpose of the report.

## **Corporate Priorities**

19. This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## **Implications**

20. The implications are:

- **Financial** – While there are no specific implications arising from this report, the breaches set out in Annex 1 and Annex 2 do give rise to financial risks to the Council as a body corporate. Although it is not possible to quantify or specify the risks arising from any individual breach identified by Internal Audit, for the purposes of this report a summary of the typical kinds of risks arising are included in the section on risk management below, for Members information.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** – there are no equalities implications to this report.

- **Legal** – While there are no specific implications arising from this report, the breaches set out in Annex 1 and Annex 2 do give rise to legal risks to the Council as a body corporate. Although it is not possible to quantify or specify the risks arising from any individual breach identified by Internal Audit, for the purposes of this report a summary of the typical kinds of risks arising are included in the section on risk management below, for Members information.
- **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

21. The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and Members. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when this is re-assessed.
22. There are a number of risks that arise as a result of breaches of Financial Regulations and EU procurement rules, which are detailed below.
  - (i) The Council may be subject to scrutiny from central government and may have grant funding withdrawn if it is found to have breached EU purchasing regulations.
  - (ii) Third parties may claim to have been disadvantaged by unfair tendering processes and could raise legal challenges to the award of contracts. There is a risk of financial loss if compensation is subsequently awarded or if contracts are overturned. In this case there is also a threat to the provision of services and the reputation of the Council.
  - (iii) Any damage to the reputation of the Council caused by inappropriate tendering processes may compromise relationships with existing suppliers and make it more difficult to attract new suppliers in the future. Such a situation could hinder the provision of services and may lead to increased costs.
  - (iv) There is an increased risk that the Council will not achieve value for money in its procurement of goods and services.
  - (v) Poor tendering procedures increases the risk that fraud or other inappropriate actions may occur.

- (vi) External Audit may challenge the legality of the Council's activities, which in turn may result in the publication of reports in the public interest under section eight of the Audit Commission Act (1998).

## Recommendations

23. Members of the Audit and Governance Committee are asked to:

- consider the progress made in implementing audit recommendations as reported above (paragraphs 6 – 9 and 14) and what further action is required, if any.

### Reason

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

- consider the actions taken to address outstanding breaches of Financial Regulations and express a view about further action necessary on those matters that remain outstanding (paragraphs 10 – 13, 15 – 16 and Annex 1).

### Reason

*To fulfil their role in considering the Council's compliance with its own and other relevant published regulations, controls, operational standards and codes of practice.*

## Contact Details

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Audit and Risk Management  
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### **Chief Officer Responsible for the report:**

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Assistant Director (Audit and Risk Management)  
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Report Approved

Date 20 March 2007

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

All

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

**Background Papers:**

None

**Annexes**

Annex 1 – Breaches now resolved or in the process of being resolved.

Annex 2 – Breaches not yet fully resolved

Annex 3 – Escalation process for unaddressed recommendations

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## Breaches Resolved Or In The Process Of Being Resolved

Annex 1

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
<b>City Strategy</b>			
Amey Infrastructure Services Ltd	No formal tendering for the maintenance of street lighting with Amey Infrastructure Services Ltd. The original contract ended in September 2003 but has been extended since this time, without any further tendering exercise. The original contract did not include any extension clause. This is a breach of Financial Regulations and EU procurement rules.	979	<b>Newly identified in 2005/06 – in the process of being resolved</b> The department has now re-tendered the service. Tenders were opened on 9 March 2007, and an evaluation exercise is taking place. It is expected that a new contract will commence by July 2007.
Tendered Bus Services	Although services had been formally tendered, the tendering and contract arrangements were not in accordance with EU regulations.	NA <sup>1</sup>	<b>Outstanding from 2004/05 – in the process of being resolved</b> The service is in the process of re-tendering all bus contracts in accordance with EU procurement rules. However, this will take some time to complete as the timing of existing contracts is staggered, with some of them not due to expire until February 2009. The service will not be fully compliant with EU procurement rules until that time.
Concessionary Travel	Failure to tender contract to provide travel tokens. Aggregate expenditure exceeded EU and Council tendering thresholds.	800	<b>Outstanding from 2004/05 – now resolved</b> The contract to provide travel tokens has now been tendered in accordance with Council and EU procurement regulations.
<b>Housing and Adult Services</b>			
Provision of Bed & Breakfast Temporary Accommodation	Provision of this service has not been tendered, despite spend exceeding the tendering limits in Financial Regulations.	N/A <sup>2</sup>	<b>Newly identified in 2005/06 – now resolved</b> Following a review by the department, a framework arrangement for Bed and Breakfast accommodation will now be put in place. An exemption from Financial Regulations has been granted for two years to enable this framework to be developed, subject to EU regulations regarding contract award notices being followed.

<sup>1</sup> Expenditure relates to a number of suppliers, who also provide other services.

<sup>2</sup> Provision of this service is spread across several different Bed & Breakfast establishments, with spend ranging from £250K to £500K a year.

## Breaches Resolved Or In The Process Of Being Resolved

Annex 1

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
Residential Care Placements	Spot contracts are being agreed with providers of care, without formal tendering. The total value of contracts with individual suppliers often exceeds £100k. The failure to tender is a breach of Financial Regulations.	NA <sup>3</sup>	<b>Outstanding from 2004/05 – now resolved</b> A waiver has now been approved for a period of three years to allow the service to enter into contracts without formal tendering. This is subject to EU regulations regarding contract award notices being followed and a requirement that the service continues to monitor whether arrangements provide value for money.
<b>Learning Culture &amp; Children's Services</b>			
Residential Care Placements	Spot contracts were being agreed with providers of specialist children's residential care, without formal tendering. Individual contracts were generally over £100k. The failure to tender is a breach of Financial Regulations.	NA <sup>4</sup>	<b>Outstanding from 2004/05 – in the process of being resolved</b> Following a review by the department, it has been concluded that tendering this service would be unfeasible and would not achieve better value for money. Discussions are currently being held with the department about a possible exemption from the Financial Regulations.
Foster Care Associates	Aggregate expenditure on fostering placements exceeded the Council's tendering threshold of £100k. Although quotations for individual contracts had been sought, no formal tendering had taken place and there was no overall framework agreement in place.	42	<b>Outstanding from 2004/05 – in the process of being resolved</b> Following a review by the department, it has been concluded that tendering this service would be unfeasible and would not achieve better value for money. Discussions are currently being held with the department about a possible exemption from the Financial Regulations.
<b>Neighbourhood Services</b>			
Oxford Glass	No contract in place for glazing services. Aggregate expenditure exceeded EU and Council tendering thresholds. See also 'Around The Clock Glazing' – Annex 2.	100	<b>Newly identified in 2005/06 – now resolved</b> This area of work has now been tendered in accordance with EU rules, and a contract awarded – this commenced in January 2007.

<sup>3</sup> Information is currently unavailable about the extent of this issue. Contracts relate to a large number of different suppliers and types of service.

<sup>4</sup> Although several cases were identified as a result of sample testing, no information is available about the extent of this issue. Contracts relate to a large number of different suppliers and types of service.

## Breaches Resolved Or In The Process Of Being Resolved

**Annex 1**

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
Dunning Plant Hire	No formal tendering had been undertaken and no contract was in place for plant hire. Although the department had obtained written quotations, this was insufficient to meet the Financial Regulations requirement to tender. Aggregate expenditure exceeded the EU tendering threshold.	153	<b>Outstanding from 2004/05 – now resolved</b> This area of work has now been tendered in accordance with EU rules, and a contract awarded – this commenced in January 2007.
Cemex (UK) Materials Ltd  (Formerly RMC plc)	No formal tendering had been undertaken and no contract was in place for the supply of concrete. Although the department had obtained written quotations, this was insufficient to meet the Financial Regulations requirement to tender. In addition, aggregate expenditure exceeded the EU tendering threshold.	105 (estimated)	<b>Outstanding from 2003/04 – now resolved</b> This area of work has now been tendered in accordance with EU rules, and a contract awarded – this commences on 1 April 2007.
Prismo Ltd	No contract in place with Prismo for highway maintenance work. Aggregate expenditure exceeded Council and EU tendering thresholds.	148	<b>Outstanding from 2004/05 – now resolved</b> This area of work has now been tendered in accordance with EU rules, and a contract awarded – this commences on 1 April 2007.
Torridon Commercials	This service was initially set up as a pilot scheme for the supply of vehicle parts, with Torridon maintaining a store at the Foss Islands Depot. The pilot had been allowed to continue for a number of years without being formally tendered. Aggregate expenditure exceeded EU and Council tendering thresholds.	163	<b>Outstanding from 2004/05 – now resolved</b> Fleet management services has now been tendered in accordance with EU rules and a new partnership contract commenced in January 2007.
Around The Clock Glazing	No formal tendering undertaken and no contract in place for glazing services. Aggregate expenditure exceeded EU and Council tendering thresholds.	157	<b>Outstanding from 2004/05 – now resolved</b> This area of work has now been tendered in accordance with EU rules, and a contract awarded – this commenced in January 2007.

## Breaches Resolved Or In The Process Of Being Resolved

**Annex 1**

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
Plumbase	<p>The expenditure relates to plumbing supplies. This was reported as part of the 2004/05 breaches and waivers report because the department was unable to confirm or provide evidence that formal tendering had been undertaken or that a contract was in place.</p> <p>During the course of the 2005/06 breaches and waivers review, evidence was provided to show that tendering had taken place, although there were insufficient records to fully support the tender and contract award process.</p>	141	<p><b>Outstanding from 2004/05 – in the process of being resolved</b></p> <p>Following a mini-competition using Office of Government Commerce's pre-tendered select lists, a preferred supplier has now been selected for the supply of building materials. Negotiations are currently ongoing and a new contract should be in place by May 2007.</p>
Wolseley UK Ltd	No formal tendering undertaken and no contract in place for building supplies. Aggregate expenditure exceeded EU and Council tendering thresholds.	106	<p><b>Outstanding from 2001/02 – in the process of being resolved</b></p> <p>Following a mini-competition using Office of Government Commerce pre-tendered select lists, a preferred supplier has now been selected for the supply of building materials. Negotiations are currently ongoing and a new contract should be in place by May 2007.</p>
Arnold Laver	No formal tendering had been undertaken and no contract was in place for the supply of timber. Although the department had obtained written quotations, aggregate expenditure exceeded the Financial Regulations requirement to tender (based on the value of expenditure over more than one year of supply).	29	<p><b>Outstanding from 2001/02 – in the process of being resolved</b></p> <p>Following a mini-competition using Office of Government Commerce's pre-tendered select lists, a preferred supplier has now been selected for the supply of building materials. Negotiations are currently ongoing and a new contract should be in place by May 2007.</p>

## Breaches Resolved Or In The Process Of Being Resolved

Annex 1

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
Elcocks	No formal tendering had been undertaken and no contract was in place for the purchase of small tools and equipment. Although the department had obtained written quotations, this was insufficient to meet the Financial Regulations requirement to tender. Aggregate expenditure exceeded the EU tendering threshold (based on the value of expenditure over more than one year of supply).	68	<b>Outstanding from 2001/02 – in the process of being resolved</b> Expenditure in this area has now fallen below EU and Council tendering thresholds (estimated spend for 2006/07 is £30k). An invitation to quote has been issued for all non-operated plant and equipment hire (which includes expenditure in this area) and it is expected that a new contract will be in place by April 2007.
<b>Resources</b>			
Phoenix Office Supplies Ltd	No tendering, and no overall contract or framework agreement in place with Phoenix Office Supplies Ltd for the purchase of IT equipment. Aggregate expenditure exceeded EU and Council tendering thresholds.	228	<b>Newly identified in 2005/06 – now resolved</b> No expenditure has been incurred with this supplier since September 2006. However, this area will be reviewed as part of the 2007/08 Corporate Procurement Team workplan, to identify any action required for the future – eg development of corporate framework contracts if necessary.
<b>Corporate Issues</b>			
Staffing Agencies	No contract or framework agreements are in place for recruitment consultancy and the supply of specialist temporary staff. Aggregate expenditure across directorates exceeded the Council's tendering threshold.	NA <sup>5</sup>	<b>Outstanding from 2003/04 – in the process of being resolved</b> A corporate contract has been in place with Manpower for administrative and financial staff since September 2003. However, significant expenditure is still being incurred with other agencies who supply staff with specialist skills. A new contract, which will address all agency staffing requirements, is currently out to tender. The contract is expected to be in place by early 2007/08.

<sup>5</sup> This is a cross directorate issue, and the full range of suppliers used for recruitment consultancy and agency staff by different departments is not known. Expenditure with specific suppliers is in breach of the Council's tendering thresholds. However, some areas of expenditure have also been procured in accordance with Financial Regulations and therefore the total value of expenditure in breach is not known.

## Breaches Resolved Or In The Process Of Being Resolved

Annex 1

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
External Legal Advice	No comprehensive formal corporate tendering arrangements or framework agreements exist for purchasing external legal advice. Work is commissioned by several departments, from a number of different suppliers. Individually, departments appear to be acting in accordance with Financial Regulations. However, aggregate expenditure across the Council, with some suppliers, exceeded the tendering threshold of £100k and has caused a breach of the Regulations.	NA <sup>6</sup>	<p><b>Outstanding from 2004/05 – in the process of being resolved</b></p> <p>This issue was identified as a breach in 2004/05 because no corporate contract was in place, yet legal advice was being purchased across directorates from a number of legal firms.</p> <p>New framework arrangements for the procurement of legal advice have now been put out to tender. Evaluation of tenders is currently underway and it is expected that new contracts will be in place by 1 April 2007.</p>
Tom Rhodes & Son	No formal tendering undertaken and no overall contract or framework agreement for minor building works. This contractor is used by a number of departments across the Council, who each order work separately. The aggregate value of expenditure exceeded Council tendering thresholds.	116	<p><b>Outstanding from 2004/05 – now resolved</b></p> <p>This contractor is used across the Council by several directorates for a range of small building works. For the 2004/05 Breaches &amp; Waivers report it was identified that a number of contractors are used in a similar manner, and although individual contracts were being let correctly, aggregate expenditure meant that spend with the contractor was exceeding the EU tendering threshold.</p> <p>A new framework agreement for minor building works has recently been put in place by Neighbourhood Services. However, further review by the Corporate Procurement Team has identified that actual expenditure and the numbers of suppliers used for minor building work may be greater than originally thought. The adequacy of the current framework arrangement will be reviewed again during 2007/08 as part of the Corporate Procurement Team workplan.</p>

<sup>6</sup> This is a cross directorate issue, and the full range of suppliers used for legal advice by different departments is not known. In addition, some elements of service have been tendered separately. It is therefore not clear what amount of this supply is in breach.

## Breaches Of Financial Regulations Not Yet Addressed

## Annex 2

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
<b>Corporate Issues</b>			
Security Services (including F1 Security Service)	<p>No formal tendering arrangements or framework agreements exist for purchasing security services. Work is commissioned by several departments, from a number of different suppliers. Individually, most departments appear to be acting in accordance with Financial Regulations. However, aggregate expenditure across the Council has led to breaches of Council Financial Regulations and EU procurement rules.</p> <p>A specific breach was identified in relation to F1 Security Service. In 2005/06, £80k was spent on the provision of security services at Council run hostels. Aggregate expenditure over several years exceeds Council and EU tendering thresholds. However, no tendering exercise had been carried out.</p>	NA <sup>1</sup>	<p><b>Newly identified in 2005/06 – not yet addressed</b> Some elements of expenditure on security services have been separately tendered. However, there are no corporate arrangements in place to ensure that breaches of Financial Regulations do not occur where aggregate spend across the Council on similar products and services, or with the same supplier, exceeds tendering thresholds.</p> <p>Although security services were considered for inclusion as part of the new agency staff contract currently being tendered (see below), this was not possible. It is now planned to address this issue through the development of a separate corporate contract. Time has been allocated as part of the 2007/08 Corporate Procurement Team workplan to provide support to the relevant client officer in the development of this contract.</p>
Pickerings Ltd	No tendering or overall contract in place for the purchase and maintenance of lifts (including stair lifts). Aggregate expenditure exceeded EU and Council tendering thresholds.	179	<p><b>Newly identified in 2005/06 – not yet addressed</b> This contractor provides lifts and lift maintenance services for the Council. An analysis of expenditure shows that this is incurred across several departments including Adult Services, Housing, and Facilities Management. Time has been allocated as part of the 2007/08 Corporate Procurement Team workplan to provide support to the relevant client officer in the development of a corporate contract.</p>

<sup>1</sup> This is a cross directorate issue, and the full range of suppliers used for security services by different departments is not known. In addition, some elements of service have been tendered separately. It is therefore not clear what amount of this supply is in breach.

## Breaches Of Financial Regulations Not Yet Addressed

**Annex 2**

Item	Breach	2005/06 Spend (£'000s)	Current status/comments
Newsquest	No overall contract or framework agreement was in place for advertisements placed in local newspapers. Aggregate expenditure exceeded the Council's tendering threshold.	59	<p><b>Outstanding from 2001/02 – not yet addressed</b></p> <p>In 2003/04 a contract was let to Rileys for recruitment advertisements and public notices. However, expenditure is still being incurred in other areas with this supplier. This totalled £59k in 2005/06, across all directorates. Cumulative expenditure with the company for the last three years totals £361k. Time has been allocated as part of the 2007/08 Corporate Procurement Team workplan to provide support to the relevant client officer in the development of appropriate corporate procurement arrangements.</p>

## Escalation Procedure for Unaddressed Internal Audit Recommendations

1) Follow up by internal audit. A questionnaire will be issued to the service manager asking whether recommendations have been implemented. Further testing will be carried out, where necessary, to verify the responses.



2) Audit testing identifies that a recommendation has not been addressed. The service manager<sup>1</sup> will be given two weeks to either implement the recommendation, or to set out an acceptable course of action for doing so<sup>2</sup>.



3) If an acceptable response has not been received after two weeks then a reminder will be issued to the service manager<sup>1</sup>, and a further two weeks will be given to respond.



4) If an acceptable response has not been received from the service manager after four weeks then the issue will be escalated by internal audit to the assistant director (AD) responsible for the service. The AD will be given a further two weeks to provide an acceptable response<sup>2</sup>.



5) If an acceptable response is not received from the AD, the issue will be referred to the director of the department and will also be referred to the Chief Internal Auditor (CIA). The director will be given a further two weeks in which to provide an acceptable response<sup>2</sup>.



6) If no acceptable response has been received from the director after two weeks, the CIA will refer the issue to the s151 officer and/or to the Chief Executive for action<sup>2</sup>.



7) If no acceptable response is received after this stage, the matter will be referred to the Audit and Governance Committee for remedial action as part of the six monthly reporting cycle for follow up of recommendations. The committee may require directors to attend the meeting to explain the reason for failing to take the agreed action.

<sup>1</sup> Where an audit report has been issued directly to an assistant director, rather than a service manager, then the assistant director will be asked for a response in the first instance (stages 2 & 3). If escalation is necessary, this will be with the director (ie stage 4 is omitted).

<sup>2</sup> Where an acceptable course of action is agreed, and a revised implementation date is set, then further follow up will occur after that date. At that stage, if the agreed action has not been taken, then the issue will be immediately escalated to the next stage of the escalation procedure.

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## Audit & Governance Committee

3 April 2007

Report of the Assistant Director (Audit & Risk Management)

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### Officer Governance Group 2006/07 outturn & 2007/08 work programme

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#### Summary

- 1 The purpose of this report is to advise Members of the progress made during 2006/07 in respect of the Officer Governance Group work programme. This report sets out:
  - the background to the Governance Group being established and the purpose of the Group further to the overall governance agenda at the Council;
  - progress against the plan and the key issues being addressed by the Governance Group on behalf of the organisation during 2006/07;
  - the Group's proposed work programme for 2007/08.

#### Background

- 2 The Officer Governance Group was established as a sub-committee of Corporate Management Team in 2005 in response to:
  - the growing prominence of the national policy agenda in respect of governance matters generally in recent years as reflected in revised CPA criteria published in both 2005 and again in 2006 as part of the 'harder test' for the Use of Resources assessment;
  - long standing concerns on the part of the District Auditor and the weaknesses reported in the Annual Audit Letters over the last few years in respect of the Council's governance arrangements (which have ranged from relatively minor points of procedure to major issues of principle, such as the need to establish a proper Member reporting arrangements for audit & governance issues).
- 3 Many of the weaknesses identified by the District Auditor had remained unresolved for many years and risked seriously compromising the Council's future CPA score unless satisfactorily resolved.

- 4 Following a meeting of the District Auditor with the Chief Executive and the Director of Resources in early 2005 it was agreed that an officer group should be established to deal with corporate governance issues and provide a vehicle for exercising the on-going stewardship responsibilities of the S151 Officer and Monitoring Officer.

## Role & function

- 5 The primary roles and function of the Group is to ensure that satisfactory arrangements are in place that facilitate:
  - **The proper operation of an effective internal control environment**

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

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

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

The Council must ensure that it acts within the law and that all relevant legislation, codified practice, local regulation etc is observed and complied with by Members and Officers. Non-compliance must be dealt with and reported by the S151 Officer and/or the Monitoring Officer further to the stewardship responsibilities placed upon them variously by extant statute.
- 6 The Group's remit is to deliver a corporate governance development agenda on behalf of the Council, to keep implementation under on-going review and to report progress on a regular basis to both Corporate Management Team (CMT) and those Members charged with governance at the Council (A&G Committee). The Group is not be responsible for day to day operational matters or deployment, nor may it form part of any control system in its own right.

## Working arrangements

- 7 Given the nature of the work involved and the commitment required to the governance agenda by all Directors, it was important for the Group to be constituted as a sub-group of CMT and report progress to CMT and A&G Members on a regular basis. The Group's membership comprises only a few core members supported by a number of associate members who are involved in specific development work as and when needed to minimise additional meetings burdens on key staff. Membership details are given in Annex 1 to this report.

## Progress to date

- 8 The Group's original work programme is attached as Annex 2 to this report. It sets out the work scheduled for completion since September 2005 to date, lead officer responsibilities for each main area of development, time-tabling commitments and reporting requirements and progress to date.
- 9 As Annex 2 shows a great deal of the work programme has already been achieved (shaded in grey) and/or is currently in hand, specifically the majority the tasks relating to sub-sections 1, 3, 4, 5, 6, 7, 9, 11, 13, 14 and 15. Key work currently outstanding or still to complete includes:
- **Sub-section 2 - Stakeholder awareness and information work** – more communications work is required generally and specifically in respect of briefing key Members and CLG. This area of work was de-prioritised by the Group in 2006/07 due to resourcing constraints. Key actions included in the work programme for 2007/08 therefore include building in Member briefings to the post-election Member induction programme to be run by the Monitoring Officer, developing an Intranet site, running News & Jobs articles and presenting to a CLG workshop scheduled for September 2007;
  - **Sub-section 3 task a4 – Registers of staff interests** – this work has been outstanding for a very long time and failures to tackle this previously did adversely impact on the 2006 CPA UOR score as reported to CMT in February 2007. Since then a great deal of work has been done to improve and standardised Council arrangements. A separate paper has been tabled at CMT on 21 March 2007 setting out the new requirements and implementation proposals;
  - **Sub-section 4 task b1ix – Officers Code of Conduct** – this work was pended during 2006/07 awaiting the publication of a national standard by central government. This is now expected to follow after the White Paper legislation;

- **Sub-section 8 task a – Data Protection & FOI** – OGG decided to defer this review work until 2007/08 as the existing DP and FOI policy framework is essentially sound and it was realised that the review needed to be taken wider in order to pull together a coherent Information Governance Strategy which incorporates a considered approach to effective records management arrangements in advance of the move to Hungate. Work on this is now on-going and has been incorporated into OGG's work programme for 2007/08;
- **Sub-section 10 – HR rules of procedure & scheme of delegation** – whilst new HR rules of procedure were produced by the former Head of HR for incorporation into the new Constitution last year, it is apparent that these now need to be revisited to ensure they are sufficiently comprehensive, complete and consistent with provisions set out elsewhere in the Constitution. In addition some key policy review work remains outstanding including the need to ensure disciplinary procedures are properly integrated (ie linkages between investigation outcomes/police referrals etc and staff disciplinary procedures need to be clearly set out and agreed);
- **Sub-section 12 – Strategic decision making & reporting** work is on-going to develop a competition policy, competition handbook, practitioner guidance manual and corporate procurement strategy. Work in 2006/07 was delayed due to the long-term sickness absence of the former Corporate Procurement Manager. The Corporate Procurement Team has now been re-structured and is working quickly to recover lost time in order to have these ready to report to the Executive in June 2007. The Strategic Procurement Programme has been drafted and was reported to CMT before Christmas; roll-out and monitoring of the Plan by the CPT will begin from 1 April 2007. In addition, work is on-going to devise arrangements for the Head of Finance to regularly report on the performance of fundamental systems to the S151 Officer and Members. A final paper setting out what these arrangements will be along with the first quarter's data set will be brought to OGG in July 2007;
- **Sub-section 13 tasks c2 & c3** – capital & asset management – work is now on-going but was delayed in these areas in 2006/07 due to the prolonged sickness absence of the Corporate Landlord earlier this year;
- **Sub-section 13 task e** – Service & performance reporting – this work remains outstanding to be done and has been incorporated into the 2007/08 work programme;
- **Sub-section 13 task h5** – this work was delayed in 2006/07 due to the need for the Risk & Insurances Manager to provide managerial support to the CPT in the absence of the Corporate Procurement Manager. It has been re-scheduled for 2007/08.

10 OGG considered work plan proposals for 2007/08 at its last meeting on the 12 March 2007. The draft work programme is attached here as Annex 3. It represents a body of work to be done covering:

- outstanding matters from 2006/07 still to be done;
- work now in progress that will not conclude before the end of the current financial year;
- further known issues arising from the 2006 CPA UOR;
- the results of internal & external audit work in 2006/07 and the Annual Audit Letter 2005/06 (to be reported in March 2007);
- issues arising from the annual report on Breaches & Waivers of financial regulations;
- relevant developments in the national policy arena.

## Options

11 Not relevant for the purpose of the report.

## Analysis

12 Not relevant for the purpose of the report.

## Corporate Priorities

13 Not relevant for the purpose of the report.

## Implications

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

## Risk Management Assessment

13 Inadequate governance arrangements are generally regarded as being prejudicial to the good management and efficiency of an organisation. Failure to take the necessary action to develop and improve the governance and assurance arrangements at the Council will adversely impact on the Council's CPA scores for 2007 & 2008 and may be reported by the District Auditor in future annual audit letters.

## Conclusions

- 14 A great deal of good and relatively speedy progress has been made in respect of the original work programme. However, some key areas of work are outstanding from 2006/07 to complete. These along with a number of new requirements mean that OGG's work programme in 2007/08 remains challenging. It is suggested therefore that, as in 2006/07, a mid-term monitoring report is brought to A&G Committee in September 2007 to advise Members of the progress of the Group and key developments.

## Recommendations

- 15 It is recommended that Members:

- a) note the progress made in respect of the Group's work programme since September 2005 as set out in Annex 2;

Reason

*In fulfilment of the delegated responsibilities of the Committee as set out in Article 13 of the Council's Constitution*

- b) note the outstanding matters detailed at paragraph 9;

Reason

*To ensure the effective management and follow-up of key action to be taken to support on-going development and improvement work at the Council*

- c) comment on the proposed work programme for the Group for 2007/08 attached as Annex 3;

Reason

*To ensure the effective management of the key action to be taken to support on-going development and improvement work at the Council in 2007/08*

- d) endorse the need for the Group to provide a mid-term monitoring report on progress in September 2007;

Reason

*To ensure the effective management and follow-up of key action to be taken to support on-going development and improvement work at the Council*

**Author:**

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

**Chief Officer Responsible for the report:**

Liz Ackroyd  
Assistant Director of Resources (ARM)

**Report Approved**

Yes

**Date** 20 March 2007

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

All

**Annexes**

- Annex 1 Group membership details
- Annex 2 Original work programme (Sept 2005 – March 2007)
- Annex 3 Proposed work programme 2007/08

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## Annex 1

### Group Membership

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#### **Core Membership**

##### **Simon Wiles**

Director of Resources & Deputy Chief Executive  
(Chair & S151 Officer)

##### **Liz Ackroyd**

Assistant Director of Resources (ARM)  
(Group Secretary & Chief Internal Auditor)

##### **Suzan Hemingway**

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

#### **Associate Members**

##### **Max Thomas**

Audit & fraud Manager

##### **Dawn Steel**

Democratic Services Manager

##### **Peter Steed**

Head of Finance

##### **Jamie Simms**

Acting Head of HR

In addition departmental representatives can also be co-opted onto the group to progress corporate initiatives or requirements work such as departmental assurance statements work in support of the preparation of the Council's annual Statement of Internal Control.

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**Annex 2**  
**Work programme 2006/07**

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



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



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**Annex 3**  
**Draft work programme 2007/08**

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**Agenda Item****Audit and Governance Committee**

3 April 2007

Report of the Assistant Director (Audit and Risk Management)

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**2006/07 Statement of Internal Control**

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**Summary**

- 1 The purpose of this report is to provide Members with details of the progress which has been made;
  - to prepare the 2006/07 Statement of Internal Control (SIC) (which is to be published with the Statement of Accounts).
  - to address the significant control issues identified in the 2005/06 SIC;
  - by each Directorate to date to rectify control weaknesses, as declared in their individual control self assessments.

**Background**

- 2 As reported to the last meeting of this Committee (on 31 January 2007), the Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to publish a SIC as part of their Statutory Accounts. The purpose of the SIC is to demonstrate and/or provide;
  - a) openness and accountability to the public;
  - b) assurance to stakeholders;
  - c) a framework for improving the adequacy and effectiveness of corporate governance arrangements;
  - d) evidence for CPA.
- 3 CIPFA has previously issued guidance on the process which needs to be followed to prepare the SIC (including the need to establish, maintain and review the systems of internal control). The guidance also prescribes the form and content of the SIC. The Council's 2005/06 SIC fully complied with the CIPFA guidance and the process which was followed resulted in ten significant control issues being identified.

## 2006/07 SIC

- 4 There is now a well established process within the council to prepare the SIC. A key element of the process is the review of the Council's governance arrangements and systems of internal control. This review includes a requirement for each Directorate to complete a self assessment of the key controls within their respective areas. Each Director must then complete and sign a Directorate Assurance Statement, using the information obtained from the review of key controls and associated evidence. The S151 Officer and Monitoring Officer must also complete and sign disclosure statements. The review process will also take account of the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment. In addition, Internal Audit will review other documentary evidence to identify possible control weaknesses (for example, internal and external audit reports and other inspection reports).
- 5 The Officer Governance Group will evaluate any control issues identified through the review process and consider which should be disclosed in the SIC as significant control weakness. A control weakness will be 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 Chief Internal Auditor 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.
- 6 At the last meeting of this Committee it was agreed that;
  - a) the period of time allowed for consulting on the draft SIC, prior to it being reported to Members, should be extended (see the list of key dates below).

- b) Members should be invited to contribute to the review process itself by identifying control weaknesses and other governance issues for possible inclusion in the SIC.
  - c) in-year monitoring arrangements needed to be strengthened to ensure focus is maintained on resolving any control issues identified in the SIC.
- 7 The following are the key dates for preparing the 2006/07 SIC;

	<b>Target Completion Date</b>
Deadline for receipt of Directorate key control self assessments and the completion of the Corporate key control self assessment	9/3/07 (completed)
Deadline for the receipt of control/governance related issues from Members	23/3/07 (completed)
Deadline for receipt of Directorate Assurance Statements, and the S151 and Monitoring Officer Disclosure Statements	23/5/07
Completion of evidence gathering (by Internal Audit)	23/5/07
Consideration of identified control weaknesses by OGG.	1/6/07
Consideration of the draft SIC by CMT	6/6/07*
Completion of the formal consultation on the draft SIC with the Leader and Chief Executive	13/6/07
Final amendments to the SIC to be completed	15/6/07
Audit and Governance Committee	25/6/07*
Executive	26/6/07*
Full Council	28/6/07*
SIC to be signed by the Leader and Chief Executive	28/6/07

\* dates of meetings to be confirmed.

## Progress to Date

- 8 Group Leaders, the Executive Member and Shadow Executive Member for Corporate Services, the Chairs of Corporate Services EMAP, Standards Committee and the Scrutiny Management Committee, together with Members of this Committee, were asked to provide details of any significant control issues which they were aware of, for possible inclusion in the 2006/07 SIC. Details of the control issues which have been identified to date, are given in annex 1.
- 9 Internal Audit has reviewed the progress which has been made to address the 10 significant control issues identified in the 2005/06 SIC. In all but one case, work has either been completed or is ongoing to improve the relevant governance arrangements and control framework. The one exception is project and programme management where there is still insufficient evidence to show that key projects are always effectively managed, properly resourced, undertaken in accordance with best practice and deliver the anticipated benefits. In addition, for some of those control issues where work is still ongoing there is still insufficient evidence that the new or improved control arrangements are fully embedded across the Council. Further details of the progress which has been made to address the significant control weaknesses are given in annex 2.
- 10 Each Directorate has also reviewed and updated their key control self assessments, and provided evidence of;
  - a) what action(s) they had been taken to address any control weaknesses identified as part of the 2005/06 SIC review, plus
  - b) any new or emerging control weaknesses.
- 11 Detailed responses have been received from all the Directorates. The responses have not been subject to audit, but will be verified as part of the review of governance arrangements which is due to be completed by 23 May. Although there are a number of common concerns identified there are also some apparent inconsistencies between the submissions. Further work will therefore be undertaken to investigate these issues. A summary of the responses received is given in annex 3.
- 12 The Officer Governance Group will take account of the results of the follow up exercise as part of the wider review of the effectiveness of the Council's governance arrangements (which is due to be completed by 1 June 2007).

## Consultation

- 13 Not relevant for the purpose of the report.

## Options

- 14 Not relevant for the purpose of the report.

## Analysis

15 Not relevant for the purpose of the report.

## Corporate Priorities

16 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## Implications

17 The implications are;

- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the SIC.
- **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 a Statement of Internal Control 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

18 The Council will fail to comply with legislative requirements if it does not publish a Statement of Internal Control with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Statement of Control was not sufficiently robust. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

## Recommendation

19 Members are asked to;

- note the results of the work completed to date by Internal Audit to prepare the 2006/07 SIC,

### Reason

*To enable Members to consider the adequacy and effectiveness of the Council's control environment.*

- consider the results of the follow up review of the 2005/06 SIC action plan

### Reason

*To ensure Members are aware of the progress which has been made to address previously reported significant control issues.*

## Contact Details

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**Report Approved**

**Date** 20 March 2007

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

All

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

## Background Papers

- Accounts and Audit Regulations 2003 (as amended)
- CIPFA guidance – 'The Statement on Internal Control in Local Government – Meeting the Requirements of the Accounts and audit Regulations 2003'

**Annexes**

Annex 1 – control issues identified by Members (2006/07 SIC)

Annex 2 – 2005/06 SIC Action Plan Follow Up

Annex 3 - Review of Directorate controls

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**2006/07 Statement of Internal Control -  
Control Issues Identified by Members**

- 1 Concerns about the possible public perception of a conflict of interest where the Executive takes decisions on behalf of the council as property owner and whose members are either responsible for the authority's development control function and/or sit on the planning committee. This issue was previously raised by the Confidentiality and Transparency Scrutiny Board.
- 2 Concerns about the decision making arrangements relating to the submission of expressions of interest for PFI funding for Waste Disposal and Highways Maintenance. Both have major long term implications for the council's finances and as such should have been considered in more depth, with the opportunity to consider the cost of alternative options.

Both submitted by Councillor Andy D'Agorne

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## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
<b>Risk Management</b>			
<p>Risk management is an essential part of the overall governance framework by which the Council identifies and manages risks to the achievement of its aims and objectives. In previous years the external auditor has raised concerns about the extent to which risk management is embedded throughout the organisation. The Council has made good progress in developing its risk management policies and procedures. These arrangements, particularly those in respect of operational risks, however still need to be fully embedded. There is also a continuing need to raise awareness and communicate risk management arrangements to staff.</p>	<p>A programme of training and guidance for Members and relevant staff will be delivered during 2006/07. The Officer Governance Group will review the roll-out of this programme during the year. Service Managers will continue to be supported and encouraged to implement effective risk management arrangements including operational risk registers.</p> <p>March 2007</p>	<p>Work to address the control issue has been incorporated into the CPA Action Plan.</p> <p>Key training event held for all Members in June 2006. Training to relevant officers provided in January 2007. Further training for Members is planned for the post election induction process. Further officer training to be planned for 2007/08.</p> <p>Risk Management Member Champion has also received specific training support.</p> <p>Directorate champions appointed and given access to the Council's corporate risk register (Magique), and trained in the use of the system. The Magique risk register is currently being populated.</p>	<p>This control issue is considered to have been adequately addressed.</p>

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2005/06 SIC)	Original Planned Action / Due Date (as included in the 2005/06 SIC)	Actual Progress To Date	Comment
<p>weaknesses in the Council's existing competition and procurement arrangements. A framework corporate procurement strategy was approved by Members in 2003. The Council's procurement arrangements however need to be further developed so as to provide a comprehensive policy and procedural framework, which takes account of competition and adequately demonstrates best value. During the period the procurement of goods and services across the organisation has also not always complied with EU procurement legislation and the Council's procurement rules and procedures.</p>	<p>prepared and will be issued for consultation in summer 2006. Strategic Procurement Plans and practitioner guidance will be developed. A competition policy and strategy is also currently being drafted.</p> <p>December 2006</p>	<p>The Corporate Procurement Strategy has however been delayed due to resource constraints and a long term sickness absence problem in the Corporate Procurement Team since early Summer 2006. The Corporate Procurement Strategy will now be adopted in June 2007 following the election. The Strategy will include a Competition Policy and a strategic plan for developing the use of procurement by CYC. It will also cover the function of procurement as a whole at the Council over the next three years. In addition, complementary work has been ongoing in respect of:</p> <ul style="list-style-type: none"> <li>a/ developing a Strategic Procurement Programme - this is a programme of strategic procurements that will take place across the Council over the next five years resulting in either a step change in service quality and cost and/or the basic nature of provision - this will be brought in from April 2007 onwards and managed by AD Resources (ARM) as part of the overall Efficiency Programme championed by the Director of Resources.</li> <li>b/ developing the thin-client methodology</li> <li>c/ a procurement practitioner guidance manual will be ready to accompany the CPS &amp; SPP initiatives and support on-going Directorate training work</li> </ul> <p>The Corporate Procurement Team has been restructured to address long standing capacity</p>	<p>be revised. It is therefore likely that this issue may need to be disclosed in the 2006/07 SIC, and followed up during 2007/08.</p>

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
		and performance problems. The new team will be fully in place from 1/4/2007 and will provide support to SPP programme management & manage the new Corporate Contracts Portfolio in addition to existing duties and functions. The team will work with IAS to complete a comprehensive programme of audit & compliance testing across the authority to ensure understanding and compliance with EU requirements (also to be fully set out in a new guidance manual for all staff).	
<b>Overall Governance Framework</b>			
The 2004/05 SIC identified weaknesses in the Council's governance framework. Similar weaknesses had also been identified by the external auditor. Since then the Council has significantly improved its governance monitoring and review arrangements through the creation of an Audit and Governance Committee and an Officer Governance Group. Work is now planned to further strengthen the overall control framework. In particular, there is a need to develop a local code of corporate governance and provide training to Members and relevant staff on the Council's governance framework and the new Protocol for	The Officer Governance Group will coordinate the ongoing review of the Council's governance arrangements and the implementation of the detailed governance action plan.  March 2007	The actions set out in the 2006/07 OGG work programme are substantially complete and a new work programme, approved by OGG and CMT, will be reported to A&G on 3/4/07. The work being undertaken in this financial year to address known weaknesses, includes;  1/ the development of more robust arrangements to record/declare staff interests.  2/ the review and update of the Council's Whistleblowing Policy.	Good progress has continued to be made to address this control issue. It is unlikely that this issue will therefore need to be disclosed in the 2006/07 SIC.

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
Member/Officer Relations. A number of specific internal controls have also been identified which need to be improved, including the maintenance of registers of staff interests and gifts and hospitality, and awareness of the Council's whistleblowing arrangements.			
<b>Sickness</b>			
The levels of sickness across the Council remain higher than for comparable local authorities. Sickness monitoring and reporting arrangements also need to be improved.	<p>A review of the sickness management arrangements is being undertaken by Internal Audit. An action plan will be developed to address any weaknesses in procedures and reporting arrangements.</p> <p>A revised Attendance Management policy was agreed by Personnel Committee in October 2005.</p> <p>Comprehensive workplan for an attendance management strategy was agreed by CMT and Personnel Committee in February 2006.</p> <p>Pilot arrangements in Adult Social Services continued providing improved data and levels of attendance.</p>	<p>Internal Audit completed its review of the Council's sickness management arrangements. Corporate HR are undertaking a comprehensive review of the Council's sickness absence recording, reporting and management arrangements which is scheduled to be completed by the end of March 2007. This work will address all of the recommendations made in the Internal Audit report.</p> <p>A comprehensive action plan for an attendance management strategy was agreed by Personnel Committee in March 2006. This action plan has lead to the agreement of a new corporate Attendance at Work Policy, by CMT on the 13th September 2006. This provides a framework within which the systems required to support optimum levels of attendance at work of all employees can be developed.</p>	Although good progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded. It is therefore possible that this issue will need to be disclosed in the 2006/07 SIC.

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
	<p>Further work on improving management information concerning the causes of absence were developed and continue.</p> <p>September 2006</p>	<p>It has been agreed that the pilot arrangements in Adult Social Services should continue pending internal replication of the systems used.</p> <p>Work on improving management information surrounding sickness absence is continuing and recommendations arising from the work in this area are due to be considered by CMT 4/4/07.</p> <p>Following the Internal Audit review, work has also been undertaken within individual Directorates to improve the accuracy and completeness of sickness data and the provision of management information.</p>	
<b>Recruitment and Selection Procedures</b>			
The Council's recruitment and selection policy is not always followed. Guidance to managers is also insufficient to ensure that they comply with all relevant legislation and best practice.	<p>Revised recruitment and selection policy, and associated guidelines were approved by the Personnel Committee in October 2005.</p> <p>Workshops with HR staff are currently taking place.</p> <p>The guidelines will be issued to all relevant staff in summer 2006.</p> <p>Briefings for Directorate Management Teams planned for late summer 2006.</p>	<p>The revised recruitment and selection policy, procedures and associated guidelines were finalised in June 2006, and published on the Council intranet on 4 July 2006. Implementation of the revised processes was supported by workshops for HR staff, briefings for Departmental Management Teams and publicity in the form of an HR Advisory Bulletin and articles in News and Jobs. The Council's recruitment and selection training course has also been amended to align with the revised policy.</p>	<p>Although good progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded. It is therefore possible that this issue will need to be disclosed in the 2006/07 SIC.</p>

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
	Attendance by HR staff at shortlisting and interview as necessary.  December 2006	A follow up audit undertaken by Internal Audit in March and April 2006 found that all of the recommendations made in the March 2005 audit report had been implemented in full. However, concerns remained regarding the extent of awareness of, and compliance with the revised policy and procedures. Further work is therefore ongoing to ensure that managers understand their responsibilities and comply with the policy.	
<b>Business Continuity</b>			
Business continuity plans and procedures are required to enable the Council to respond effectively to any major events which may impact on the city and/or the ability of the Council to maintain its services. The 2004/05 SIC identified weaknesses in the Council's existing business continuity arrangements. Since then the Council has approved a Business Continuity Policy and Strategy. However, there is still a need to prepare specific Business Continuity Plans at corporate, Directorate and service levels.	An implementation plan has been developed to monitor delivery of the Business Continuity Policy and Strategy, together with preparation of the Council wide plan. Achievement of the implementation plan is being regularly monitored by the Business Continuity Officer Liaison Group.  November 2006	Comprehensive and detailed procedures for extending Business Continuity arrangements across the Council have been developed. Each directorate has identified a 'Business Continuity Champion' who is responsible for ensuring compliance within their directorate. These officers meet regularly in a Business Continuity Working Group, where specific issues are addressed to be fed back into directorate plans. Table top exercise's are also available to those managers who wish to test their plans.  The quality of Business Continuity plans across the Council is however inconsistent. There is a clear difference between those departments who have engaged with the Business Continuity department and those who have not. The importance of embedded Business Continuity within the Council was reinforced in a full exercise	There is insufficient evidence that the improved arrangements have been fully embedded. It is therefore possible that this issue will need to be disclosed in the 2006/07 SIC.

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
		with Management team in December 2006 and the introduction of a British Standard.	
<b>Action Plan Implementation</b>			
The Council has no formalised procedure to monitor and review the implementation of agreed action plans including those arising from internal and external audit reports, inspection reports and other financial and performance reports.	A formalised procedure for tracking the implementation of agreed action plans will be developed by the Officer Governance Group.  March 2007	<p>Formal follow up time tables and escalation protocols and procedures for all IAS, external audit &amp; inspection reports are now in place.</p> <p>Establishment of mid-term and outturn monitors for both IAS and External Audit as service functions.</p> <p>In-year monitoring procedures for the SIC, have been introduced, although further improvements are necessary.</p> <p>Mechanisms have been introduced by CMT for monitoring the overall Organisational Effectiveness Programme, which incorporates CPA (including CPA UOR). The Council separately monitors and reports on the CPA UOR action plan and action plan updates.</p> <p>Arrangements to monitor the Annual Audit Letter (AAL) action plan through A&amp;G, were also established in 2006.</p>	Formal procedures developed and now in place. It is unlikely that this issue will therefore need to be disclosed in the 2006/07 SIC.
<b>Budgetary Control</b>			
A number of service areas overspent their budgets during 2005/06. In a	The specific causes of the budget overspends in these service areas	Additional monitoring in the early part of 2006/07 identified on-going pressures for which council	Progress has been made to address this control issue.

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
limited number of these areas the total budget overspends were greater than had been forecast during the year and reported to Members.	are being investigated. Improved budget monitoring arrangements are also being introduced. These improvements include revised forecasting and reporting procedures.  September 2006.	wide corrective actions were identified. Progress on these, and other measures were agreed as part of the 2006/07 budget process, and have been monitored as part of the Council's joint finance and performance monitoring reports. As an example, annexes to the monitor reports now include updates to all growth and savings items.	However, the 2006/07 outturn will evidence whether these changes have been successful.
<b>Health and Safety</b>			
The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. It is recognised that the Council needs to develop greater consistency in health and safety performance and a more robust corporate framework in order to drive improvement and ensure compliance with legislation and best practice. The Council has also recognised the need to satisfy itself that adequate resources are available to provide professional advice and meet statutory requirements.	A prioritised corporate workplan has been agreed by the Health and Safety Steering Group.  Revised corporate policies on Risk Assessment, Lone Workers and Slips, Trips and Falls have been adopted.  Revised policies on Violence and Aggression, Incident Reporting and Manual Handling are currently the subject of final stage consultation.  A revised approach to Health and Safety Training has been agreed.  Training needs relating to lone workers, violence and aggression and manual handling are being assessed by Directorates.	New policies on Risk Assessment, Lone Working and Violence and Aggression were developed and launched in 2006.  A new policy on incidents reporting and accident investigation has undergone consultation and is due for launch in time for the new financial year.  Corporate bite sized training courses have been run and booked for current, new and imminent policies. These include Selection and Management of Contractors, Conflict Management and Manual Handling and Display Screen Equipment.  Recruitment is underway for the additional health and safety post.	Good progress has continued to be made to address this control issue. It is possible that this issue will not need to be disclosed in the 2006/07 SIC.

## 2005/06 Statement of Internal Control – Action Plan Follow Up Report

<b>Control Issue (as included in the 2005/06 SIC)</b>	<b>Original Planned Action / Due Date (as included in the 2005/06 SIC)</b>	<b>Actual Progress To Date</b>	<b>Comment</b>
	September 2006		
<b>Project Management, Programme Management and Benefit Realisation</b>			
Although progress has been made to develop in-house management skills and capacity during the year there is still a need to ensure consistency across the Council. As a result major projects do not always realise the anticipated benefits to the Council. The resources to support key projects also remain limited.	The Council has adopted the Prince II project management methodology and the OGC programme management approach and will apply these to all appropriate activity. Staff leading major projects and programmes will be given formal training in these methodologies. COG will perform a Quality Assurance role for major corporate projects and programmes to ensure the further development of skills and capacity in this area.  March 2007	Limited evidence of progress.	It is likely that this issue will need to be disclosed in the 2006/07 SIC.

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**Statement of Internal Control – Review of Directorate Control Weaknesses**

<b>Directorate</b>	<b>Progress made during 2006/07 to rectify Directorate control weaknesses</b>	<b>Control weaknesses remaining as identified by each Directorate (categorised as Poor/No Control)</b>
Chief Executive's	Some controls reclassified as satisfactory (from good), otherwise continuing progress has been made to address identified weaknesses.	Business Continuity – service area business continuity plans incomplete.
City Strategy	Continuing progress has been made to address identified weaknesses.	<p>Multi year financial planning – no corporate framework and only limited forecasting done at Directorate level.</p> <p>Major project / partnership risks assessments – some good practice but generally poor.</p> <p>Registers of staff interests / gifts and hospitality – directorate procedures need to be updated once corporate guidance issued.</p>
Housing and Adult Social Services	Continuing progress has been made to address identified weaknesses.	<p>Procedure notes for financial systems/processes – departmental procedures incomplete.</p> <p>Whistleblowing Policy – lack of staff awareness.</p> <p>Registers of staff interests – directorate procedures need to be updated once corporate guidance issued.</p>

## Statement of Internal Control – Review of Directorate Control Weaknesses

<b>Directorate</b>	<b>Progress made during 2006/07 to rectify Directorate control weaknesses</b>	<b>Control weaknesses remaining as identified by each Directorate (categorised as Poor/No Control)</b>
Learning, Culture and Children's Services	Continuing progress has been made to address identified weaknesses.	<p>Multi year financial planning – no corporate framework and long term forecasting only done for schools (in accordance with DfES guidance).</p> <p>Business Continuity – service area business continuity plans still need to be prepared.</p>
Neighbourhood Services	Continuing progress has been made to address identified weaknesses.	<p>Delegated authority scheme – the proposed Directorate scheme still needs to be approved.</p> <p>Multi year financial planning – not done and no corporate framework.</p> <p>Major project / partnership risks assessments – not done at a Directorate level.</p> <p>Registers of staff interests – directorate procedures need to be updated once corporate guidance issued.</p> <p>Gifts and hospitality register – consistent procedures required to report gifts/hospitality, and raise awareness.</p>

## Statement of Internal Control – Review of Directorate Control Weaknesses

<b>Directorate</b>	<b>Progress made during 2006/07 to rectify Directorate control weaknesses</b>	<b>Control weaknesses remaining as identified by each Directorate (categorised as Poor/No Control)</b>
		Business Continuity – service area business continuity plans still need to be prepared.
Resources	Continuing progress has been made to address identified weaknesses.	<p>Delegated authority scheme – the proposed Directorate scheme still needs to be approved.</p> <p>Multi year financial planning – awaiting corporate guidance.</p> <p>Whistleblowing Policy – directorate procedures need to be updated once corporate guidance issued. Staff awareness also needs to be improved.</p> <p>Registers of staff interests / gifts and hospitality – directorate procedures need to be updated once corporate guidance issued.</p>
Corporate	OGG action plan developed and good progress made to address identified weaknesses.	Local Code of Corporate Governance (CIPFA/SOLACE) – the Council has not yet adopted a local Code. However, overall governance arrangements considered to be adequate. The CIPFA/SOLACE guidance is also due to be updated in 2007/08.

## **Statement of Internal Control – Review of Directorate Control Weaknesses**

<b>Directorate</b>	<b>Progress made during 2006/07 to rectify Directorate control weaknesses</b>	<b>Control weaknesses remaining as identified by each Directorate (categorised as Poor/No Control)</b>
		<p>Performance management – action to address poor performance is inconsistent across services.</p> <p>Whistleblowing Policy – the corporate policy requires updating. Staff awareness issues also need to be addressed.</p> <p>Corporate Procurement Strategy – work on this is still progressing.</p>



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## Audit and Governance Committee

3 April 2007

Report of the Assistant Director (Audit and Risk Management)

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### Annual Audit and Fraud Plan for 2007/08

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#### Summary

- 1 The purpose of this report is to seek Members' approval for:
  - a) the planned programme of audit and fraud work to be undertaken during 2007/08;
  - b) new terms of reference for the Internal Audit Service.

#### Background

- 2 Under the Constitution, the Audit and Governance Committee has delegated authority to approve the annual Audit Plan. As reported to this Committee on 4 October 2006, the Audit Plan is based on a detailed risk assessment process, where each 'auditable' area is scored using a series of criteria, including materiality, system complexity, an assessment of the control environment and the risk of fraud and corruption. The results of previous audit work or external inspections together with issues identified through the corporate risk management process are used to inform the audit risk assessment.
- 3 Each 'auditable' area within the risk assessment is prioritised as high, medium or low risk. This assessment is used to help prioritise the allocation of audit resources in the context of an overall five year strategic Audit Plan, to ensure:
  - a) high risk areas are reviewed on an annual basis;
  - b) medium risk areas are reviewed every two or three years;
  - c) low risk areas are reviewed once every five years (subject to resourcing constraints).
- 4 The 2007/08 Internal Audit Plan is intended to address the known key strategic risks and challenges facing the Council over the coming financial year. A Counter Fraud Activity Plan has also been prepared showing the main areas of work planned for 2007/08. The Plan details available resources, proposed anti-fraud activities, and expected outcomes.

## 2007/08 Internal Audit Plan

- 5 A copy of the draft 2007/08 Internal Audit Plan is attached as Annex 1. The Plan reflects our understanding of the risks currently facing the Council, together with the Council's key challenges and priorities.
- 6 An analysis of the time available to complete the Audit Plan has been completed, based on existing staffing and resources within the Internal Audit team. The total number of planned days for 2007/08 is 1340. However, current staffing levels do not allow all the identified systems and other auditable areas within the Strategic Plan to be reviewed in accordance with the required frequency. The shortfall is approximately 500 days per annum. As with previous annual audit plans, priority has therefore been given to 'high' and 'medium' risk areas. The scope for choice is however also restricted because;
  - a) the Audit Commission place reliance on the work of internal audit to minimise their 'opinion' work, and hence reduce the cost to the Council of discharging their external audit responsibilities. As a consequence of this, Internal Audit will generally review each of the main financial systems on an annual basis;
  - b) specific audit work is required to support the preparation of the annual Statement of Internal Control (which is published as part of the Statement of Accounts) and the Breaches and Waivers report;
  - c) time must be allocated to investigate possible fraud and corruption, and participate in the Audit Commission's National Fraud Initiative;
  - d) contingency time has to be set aside to undertake urgent or unplanned work which may arise during the year.
- 7 The Plan includes specific systems audits and establishment audits identified through the risk assessment exercise. In addition, time has been allocated to undertake six monthly follow up reviews. These reviews are intended to provide assurance that agreed recommendations have been implemented by management. Details of the progress made by managers to implement recommendations is reported to the S151 Officer, relevant Directors and the Audit and Governance Committee.
- 8 Time has also been allocated to provide ongoing support and advice to managers in respect of the design, implementation and operation of appropriate controls. The Plan also includes provision for undertaking special investigations (90 days) in addition to a general contingency of 90 days.
- 9 It is recognised that changes may need to be made to the Audit Plan through the year as a result of new or changed priorities and/or as risks are identified. All variations to the Audit Plan are reviewed and approved by the AD (Resources) ARM who is then responsible for reporting any

approved changes to the S151 Officer and the Audit and Governance Committee for information. It is also important to note that the particular scope and focus of any individual audit may change to reflect any further weaknesses and risks identified during the planning process for that audit. Once the Plan is approved, the timings of the individual audits will be agreed with the relevant chief officers and service departments.

- 10 The Audit and Governance Committee and Corporate Management team will be consulted in the autumn as part of the annual review process for updating the audit risk assessment and 5 year Strategic Plan. This review will ensure that proper account continues to be taken of the key strategic risks and priorities facing the Council.

### **Value For Money / Special Projects**

- 11 Internal Audit are currently preparing a programme of value for money reviews, and other associated specialist audit projects. This work will include complex systems and process reviews designed to identify savings, efficiencies and improvements in performance. The programme will support the achievement of the Council's priorities, particularly that of 'improving efficiency and reducing waste'. The work will also support the Corporate Efficiency Programme and help demonstrate that the Council delivers good value for money (as necessary evidence for CPA – the Use of Resources KLOE). The review programme is expected to examine services and activities across the Council, including those requested by Directorates themselves and any identified through the Corporate Efficiency Programme.

### **2007/08 Counter Fraud Activity Plan**

- 12 A copy of the draft 2007/08 Counter Fraud Activity Plan is attached as Annex 2. The Plan is based on the resources currently available to the Fraud Team, and includes details of;
  - a) planned activities, including joint working;
  - b) proactive work;
  - c) resource allocation.
- 13 Much of the work undertaken by the Fraud team continues to involve the identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. However, the team also works closely with Internal Audit on internal fraud investigations and conducts investigations into a variety of other external types of fraud, for example the misuse of blue badges. Procedures are currently being developed to enable the team to undertake financial investigations in accordance with the provisions of the Proceeds of Crime Act 2002. This will provide the Council with enhanced powers to recover benefits paid fraudulently and/or other financial losses from criminal acts. The current workload for the team however remains above the caseload levels recommended by the Benefit Fraud Inspectorate (BFI), due to the high number of fraud referrals received. The resulting workload issues are however being

managed so as to ensure that resources are concentrated on those cases where the evidence of possible fraud is strongest.

## **Internal Audit Service – Terms of Reference**

- 14 CIPFA has recently updated the Code of Practice for Internal Audit in Local Government. As a result of changes in the Code it has been necessary to review Internal Audit's terms of reference (formerly known as the Audit Charter). New terms of reference have been prepared which define how the internal audit function will be discharged within the context of the wider legal, regulatory and policy framework. It also sets out Internal Audit's responsibilities and objectives, reporting arrangements, relationships and rights of access. A copy of the new draft terms of reference is attached at annex 3.

## **Consultation**

- 15 The Chief Finance Officer (the S151 Officer), and Directors have been consulted as part of the process for preparing the 2007/08 Audit Plan. This consultation process has:
  - a) helped to confirm that the risk assessment on which the plan is based is reasonable and comprehensive;
  - b) enabled the scope and coverage of individual audits to be refined;
- 16 The Audit Commission has also been consulted on the Audit and Counter Fraud Plans to:
  - c) avoid any possible duplication of work, and,
  - d) ensure that the Council continues to retain its 'managed audit' status.
- 17 Corporate Management Team considered and agreed the draft programme of audit and fraud work on 21 March 2007, for Members' approval.

## **Options**

- 18 Not relevant for the purpose of the report.

## **Analysis**

- 19 Not relevant for the purpose of the report.

## **Corporate Priorities**

- 20 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## Implications

21 The implications are;

- **Financial** – there are no financial implications to this report.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** – there are no legal implications to this report.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

## Risk Management Assessment

22 The Council will not comply with the CIPFA Code of Practice for Internal Audit in Local Government if the Audit and Fraud plans are not approved. The Council will also be failing to comply with Code if it does not formally adopt terms of reference which define Internal Audit's purpose, authority and responsibilities. Any failure to comply with the Code might in turn adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

## Recommendation

23 Members are asked to;

- Consider and approve the 2007/08 Internal Audit and Counter Fraud Activity Plans;

### Reason

*To enable the Audit and Fraud plans to be delivered effectively.*

- Consider and approve the new terms of reference for the Internal Audit Service.

### Reason

*To ensure that the role and responsibility of Internal Audit within the Council is properly defined.*

## Contact Details

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Report Approved

Date 20 March 2007

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

All

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

## Background Papers

- Audit risk assessment and Strategic Audit Plan

## Annexes

Annex 1 – 2007/08 Internal Audit Plan  
Annex 2 – 2007/08 Counter Fraud Activity Plan  
Annex 3 – Internal Audit Service - Terms of Reference

**CITY OF YORK COUNCIL**  
**INTERNAL AUDIT PLAN 2007/08**

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
<b><u>Chief Executive's</u></b>		
1030	<u>Recruitment and Selection Processes</u>	20
	A further review of recruitment and selection processes throughout the Council. The audit will review compliance with the Council's revised policy (issued in June 2006), in particular the arrangements for verifying employment details, undertaking Criminal Records Bureau CRB disclosure checks and ensuring compliance with the Asylum and Immigration Act.	
1040	<u>Performance Indicators</u>	30
	Verification of a sample of BVPIs (the work is undertaken in collaboration with the external auditors) and provision to review specific systems for the collection of performance data.	
1070	<u>Local Performance Indicators / Public Service Agreements</u>	15
	Verification of a sample of local indicators and provision to review specific systems for the collection of performance data. The work will be undertaken in conjunction with audit 1040.	
9160	<u>Sickness Management</u>	20
	A follow up review to assess the effectiveness of the updated sickness management arrangements throughout the Council. The audit will examine compliance with the Attendance at Work policy and the Sickness Absence Management procedures. The controls and procedures for recording and reporting sickness absence will also be reviewed.	
0960	<u>Chief Executives' - Support and Advice</u>	4
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	
<b>Total</b>		<b>89</b>

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
<b><u>Adult Social Services and Housing</u></b>		
1470	<u>Homecare Expenditure</u>	25
	An audit of financial processes and controls associated with provision of the homecare service. The audit will review both the arrangements for in-house home care support and the contracted services for long-term care.	
1490	<u>Discretionary Charging</u>	4
	A follow up review to ensure that the control issues identified during the previous audit (2005/06) have been addressed.	
1610	<u>Disabilities (Physical and Learning Disabilities)</u>	20
	A review of controls and procedures associated with the management of the service. The audit will include an examination of the systems for paying grants for disabled facilities and the operation of the blue badge scheme.	
1620	<u>Community Equipment Store</u>	15
	A review of controls and procedures at the joint equipment store. The audit will include an examination of the systems operated by the loans service for recording the issue, return, maintenance and safe storage of equipment. The audit will also review the arrangements for recharging the PCT and other local authorities for provision of the service.	
1710	<u>Housing Rents</u>	20
	A review of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.	
1750	<u>EPH Amenity Funds</u>	3
	Provision to provide support in the audit of Amenity Funds.	
1450	<u>Adult Social Services and Housing - Support and Advice</u>	4
	Provision to provide advice and support on the design, implementation and operation of appropriate controls.	
<b>Total</b>		<b>91</b>

Code	Description	Planned Days
<b><u>City Strategy</u></b>		
0460	<u>Development Control</u>	15
	A review of controls and procedures for processing planning applications and appeals. The audit will also examine the arrangements for recording and banking planning fees. The review will be undertaken in conjunction with the audit of the building control function (audit 0470).	
0470	<u>Building Control</u>	15
	A review of controls and procedures associated with the provision of building control services. The audit will review the arrangements for setting charges. The audit will also include an examination of the systems for recording and banking fees and charges.	
0590	<u>Capital Programme (including the Local Transport Plan)</u>	20
	A review of financial management arrangements, including decision making, resource allocation, monitoring and reporting systems. The audit will include a review of the arrangements for delivering the 5 year Local Transport Plan. This audit was deferred from 2006/07.	
0610	<u>On Street Parking and Car Parks</u>	20
	A review of controls and administrative procedures operating within the Parking Service, including those associated with;	
	<ul style="list-style-type: none"> <li>• income collection and banking;</li> <li>• enforcement activities;</li> <li>• the recovery of unpaid penalty charges, and;</li> <li>• the issuing of residents parking and other permits;</li> </ul>	
	The audit will also review the controls over income security and performance management arrangements.	
0650	<u>Public Transport</u>	20
	A review of the arrangements for arranging contracts and making payments in respect of subsidised bus services. Contract monitoring procedures will also be reviewed to ensure that areas of poor performance and non-compliance are addressed	

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
0790	<u>Partnership Arrangements</u>	25
	A review of the governance arrangements associated with partnerships to ensure that appropriate safeguards are in place to protect the interests of the Council. The review will examine the processes for identifying significant partnerships and the following aspects of partnership working;	
	<ul style="list-style-type: none"> <li>• contractual agreements;</li> <li>• legal and financial responsibilities;</li> <li>• financial systems, policies and procedures;</li> <li>• payment processes and authorisation arrangements;</li> <li>• monitoring arrangements and service delivery, and;</li> <li>• budgetary and accounting arrangements.</li> </ul>	
	The audit will review the systems and processes operating within both the City Strategy and Resources Directorates.	
0800	<u>York Training Centre</u>	18
	A review of financial management arrangements and administrative processes including the systems for costing training courses, income collection and budgetary control. This audit was deferred from 2006/07.	
9515	<u>Waste PFI</u>	10
	Provision to provide advice and support in respect of this project.	
0450	<u>City Strategy - Support and Advice</u>	4
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	
	<b>Total</b>	<b>147</b>

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
<b><u>Learning, Culture and Childrens' Services</u></b>		
1100	<u>Youth Services</u>	15
	A review of all aspects of financial control and management associated with the service.	
1140	<u>Nursery Education Grants</u>	20
	A review of the arrangements for checking and authorising payments to private nursery providers.	
1210	<u>Leisure Facilities</u>	15
	A review of financial controls and procedures at the Council's swimming pools. The audit will also review the new devolved management arrangements at Oaklands Sports Centre.	
1240	<u>Music Tuition Fees</u>	20
	A review of the arrangements for setting charges and raising fees. The audit will also examine the recovery of arrears.	
1260	<u>Standards Fund</u>	20
	A review of the arrangements for administering the Standards Fund grant. The audit will include an examination of the controls and procedures which exist to ensure that;	
	<ul style="list-style-type: none"> <li>• the funds allocated to schools are based on DfES requirements and guidelines;</li> <li>• expenditure is monitored effectively;</li> <li>• appropriate action is taken where the grant remains unspent, and;</li> <li>• the aims and objectives of the grant are being achieved and reported.</li> </ul>	
1300	<u>Capital Programme</u>	20
	A review of financial management arrangements, including decision making, resource allocation, monitoring and reporting systems. This audit was deferred from 2006/07.	
1310	<u>Private Finance Initiative</u>	10

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
	A review of the contract monitoring arrangements and the systems for checking and authorising payments to the PFI contractor.	
5698	<u>Financial Management Standard in Schools (FMSiS)</u>	20
	Provision to undertake the FMSiS risk assessment and make recommendations to the S151 Officer as to whether the relevant schools have appropriate financial management arrangements in place.	
5699	<u>Schools / Adult and Community Education</u>	100
	A programme of visits to schools and adult education areas. The audits are undertaken in accordance with a detailed risk assessment.	
1090	<u>Learning, Culture and Childrens' Services - Support and Advice</u>	4
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	
<b>Total</b>		<b>244</b>

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
<b><u>Neighbourhood Services</u></b>		
0690	<u>Crematorium / Cemeteries</u>  A review of all aspects of financial control and management at the crematorium.	20
0730	<u>Waste Operations – Disposal</u>  A review of controls and procedures associated with the management of the waste disposal service. The audit will include a review of the arrangements for monitoring performance of the new waste disposal and recycling contracts. The audit will be undertaken in conjunction with the audit of refuse collection and recycling (audit 0880).	15
0870	<u>Fleet Maintenance</u>  A review of the arrangements for monitoring performance of the new fleet maintenance contractor. The audit will also examine the controls for ordering work and for checking and authorising payments.	15
0880	<u>Waste Operations – Refuse Collection and Recycling</u>  A review of the controls and procedures associated with the management of waste collection and recycling operations. The audit will be undertaken in conjunction with the review of waste disposal (audit 0730).	15
0910	<u>Finance and Administration</u>  A review of financial systems and controls within the Directorate, including those associated with job costing and budgetary control.	25
0940	<u>Stores and Purchasing</u>  A review of the systems and controls for ordering and handling materials for use by the Building Repairs and Maintenance, and Civil Engineering departments, within Construction Services. The audit will include a review of the new contract arrangements which are due to commence in April 2007. The procedures for checking, recording and paying for materials used will also be examined.	20

Code	Description	Planned Days
0830	<u>Neighbourhood Services - Support and Advice</u>  Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4
<b>Total</b>		<b><u>114</u></b>

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
<b><u>Resources</u></b>		
0120	<u>Main Accounting Systems</u>	25
	A review of the arrangements for managing and maintaining the financial ledger. The audit will include an examination of the controls over; <ul style="list-style-type: none"> <li>• access and back up arrangements;</li> <li>• the integrity and timeliness of data;</li> <li>• the processing of journals and virements;</li> <li>• reconciling control and suspense accounts;</li> <li>• the creation and maintenance of the coding structure;</li> <li>• feeder systems;</li> <li>• year end processes.</li> </ul>	
0150	<u>Treasury Management and Prudential Code</u>	8
	A ‘healthcheck’ review of the key controls associated with treasury management. The review will also examine the arrangements for borrowing within the Prudential Code framework.	
0180	<u>Creditors</u>	30
	A review of the systems for checking, authorising and processing creditor invoices.	
0190	<u>Customer Accounts (Debtors)</u>	30
	A review of the systems for raising debtor invoices and collecting income. The audit will also review credit control and debt recovery arrangements.	
0200	<u>Payroll</u>	30
	A review of the systems and controls associated with payroll processing.	
0310	<u>Council Tax and NNDR</u>	30
	A review of the systems for calculating Council Tax and NNDR liabilities, and the collection recording and processing of payments. The audit will also examine debt recovery arrangements.	

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
0320	<u>Council Tax Benefits and Housing Benefits</u>  A review of the systems and processes for paying Council Tax and Housing Benefits. The audit will examine specific elements of the service in accordance with a rolling three year programme of work.	30
0330	<u>Cashiers</u>  A review of financial and administrative processes and controls. The audit will examine the arrangements for receiving and processing payments, cash handling controls and overall security.	12
0400	<u>Asset Management</u>  A review of the arrangements for maintaining the Council's fixed asset register and property terrier. The audit will include an examination of the role of the Corporate Landlord and the processes for undertaking land and property revaluations, the purchase and disposal of assets and the application of depreciation policies.	20
0110	<u>Resources Support and Advice</u>  Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4
<b>Total</b>		<b><u>219</u></b>

Code	Description	Planned Days
<b>Corporate and Cross Cutting Audits</b>		
0240	<u>IT Advice and Support</u>	20
<p>Provision to provide ongoing advice in respect of IT related controls. The allocation also includes time to support the replacement of key financial and management information systems, including FMS and ISIS.</p>		
0270	<u>IT Asset Management</u>	10
<p>A review of physical and environmental controls relating to the use of IT equipment, including those associated with the;</p> <ul style="list-style-type: none"> <li>• prevention of theft or damage;</li> <li>• transfer or disposal of equipment;</li> <li>• security of servers and the network, and;</li> <li>• maintenance of inventory records.</li> </ul>		
9010	<u>easy@york</u>	10
<p>Provision to provide advice and support in respect of the project.</p>		
9080	<u>Contract Procedures – City Strategy</u>	30
<p>A review of specific revenue and capital contracts together with the controls for;</p> <ul style="list-style-type: none"> <li>• preparing and letting contracts;</li> <li>• the receipt and evaluation of tenders and quotations;</li> <li>• contract award;</li> <li>• contract monitoring.</li> </ul>		
<p>The audit will also review compliance with the Council's Financial Regulations.</p>		
9080	<u>Contract Procedures – Property</u>	25
<p>A review of specific revenue and capital contracts together with the controls for;</p> <ul style="list-style-type: none"> <li>• preparing and letting contracts;</li> <li>• the receipt and evaluation of tenders and quotations;</li> <li>• contract award;</li> </ul>		

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
	<ul style="list-style-type: none"> <li>• contract monitoring.</li> </ul> <p>The audit will also review compliance with the Council's Financial Regulations.</p>	
9080	<u>Contract Procedures – Neighbourhood Services</u>	5
	<p>A limited review of controls for;</p> <ul style="list-style-type: none"> <li>• preparing and letting contracts;</li> <li>• the receipt and evaluation of tenders and quotations;</li> <li>• contract award;</li> <li>• contract monitoring.</li> </ul> <p>The audit will also review compliance with the Council's Financial Regulations.</p>	
9090	<u>Budgetary Control</u>	25
	<p>A review of the arrangements for setting and monitoring the budget. The audit will review arrangements operating in each Directorate.</p>	
9100	<u>Corporate Governance</u>	20
	<p>Provision to examine corporate governance arrangements throughout the Council. The allocation includes time to review progress made in addressing significant control weaknesses identified in the previous year's Statement of Internal Control.</p>	
9110	<u>Statement of Internal Control</u>	20
	<p>Provision to prepare the annual Statement of Internal Control for publication with the Statement of accounts.</p>	
9200	<u>Breaches and Waivers</u>	30
	<p>Preparation of the annual Breaches and Waivers report for Members.</p>	
	<b>Total</b>	<b><u>195</u></b>

<b>Code</b>	<b>Description</b>	<b>Planned Days</b>
<b>Other Chargeable Audit Work</b>		
7030	<u>External Audit Liaison</u>  Provision for regular liaison and information sharing with the Audit Commission.	3
9000	<u>Contingency Audits</u>  Provision to undertake additional work in response to: <ul style="list-style-type: none"><li>• specific requests from the Chief Finance Officer (S151 Officer), Audit and Governance Committee and/or the Chief Internal Auditor;</li><li>• new or previously unidentified risks which impact on Strategic Audit Plan priorities;</li><li>• significant changes in legislation, systems or service delivery arrangements;</li><li>• requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management;</li><li>• urgent or otherwise unplanned work arising from fraud investigations which identify potential control risks.</li></ul>	90
9060	<u>Follow Up Audits</u>  Provision to follow up previously agreed audit recommendations.	50
9070	<u>Fraud Investigations</u>  Provision to undertake investigations into suspected fraud, corruption or other wrongdoing.	90
9240	<u>Audit and Governance Committee</u>  Provision to prepare reports for the Audit and Governance Committee and attend meetings.	8
<b>Total</b>		<b>241</b>
<b>TOTAL</b>		<b>1340</b>

**CITY OF YORK COUNCIL  
COUNTER FRAUD ACTIVITY PLAN 2007/08**

<b>Activity</b>	<b>Planned Days</b>
<b><u>Fraud Awareness</u></b>	
<u>Training</u>	10
A programme of fraud awareness training for staff in Housing Benefits and Housing. The training will be designed to raise fraud awareness particularly for new starters, help identify common types of fraud and provide advice to staff on making referrals to the Fraud team. The provision of time will also enable the further roll out of the Fraud Awareness e-learning package.	
<u>General Fraud Awareness</u>	10
Work to promote general fraud awareness within the Council. Activities will include publicising the existence of the Fraud and Corruption Response Plan, preparation of payroll notices, leaflets and posters, and articles in relevant staff newsletters and publications (including Benefits News, News and Jobs and In Depth). Guidance will also be provided on referral mechanisms for suspected fraud, corruption and other wrongdoing.	
<u>Advice and Guidance</u>	10
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls within the Council, to prevent and detect fraud (this work will be undertaken in collaboration with internal audit).	
<u>Public Awareness</u>	10
Ongoing work to publicise the arrangements for reporting suspected fraud, corruption and other wrongdoing, particularly fraud of the benefit system. Planned work will include the production of leaflets, posters and newspaper articles. In addition the press office will be informed of all successful prosecution cases.	
<b><u>Fraud Detection and Investigation</u></b>	
<u>The Investigation of Suspected Frauds</u>	530
Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. The majority of the work will relate to benefit related fraud but investigations of other categories	

**CITY OF YORK COUNCIL  
COUNTER FRAUD ACTIVITY PLAN 2007/08**

<b>Activity</b>	<b>Planned Days</b>
of internal and external fraud will also be undertaken. Where appropriate joint investigations will be conducted with the internal audit team, the DWP and other counter fraud agencies.	
<u>Financial Investigations</u>	145
Provision to undertake financial investigations and recover benefits paid fraudulently and/or any other financial losses arising from criminal acts. The work will be undertaken by an accredited Financial Investigator and in accordance with the provisions of the Proceeds of Crime Act 2002.	
<u>Returned Post</u>	10
Provision to investigate and monitor referrals in respect of returned post under the 'Do Not Re-direct' arrangement with the Post Office.	
<u>Data Matching</u>	180
Provision to check data validity and investigate potential frauds identified through bulk data matching exercises, including;	
<ul style="list-style-type: none"> <li>• the monthly Housing Benefit Matching Service (HBMS);</li> <li>• the National Fraud Initiative;</li> <li>• local data matching exercises.</li> </ul>	
<u>Prosecutions and Sanctions</u>	80
Provision to prosecute or apply sanctions against claimants found to have committed fraud.	
<b><u>Proactive Investigations</u></b>	
<u>Unannounced Visits</u>	30
A programme of unannounced visits to claimants to identify residency and other similar frauds. The visits will be targeted to high risk categories of claimants.	
<u>Targeted Investigations</u>	30
A programme of work targeted at high risk categories of claimants to confirm their entitlement to benefit. This work will be undertaken in collaboration with the Interventions Team.	

**CITY OF YORK COUNCIL  
COUNTER FRAUD ACTIVITY PLAN 2007/08**

<b>Activity</b>	<b>Planned Days</b>
<b><u>Reporting and Feedback</u></b>	
<u>General</u>	10
Provision to report on the results of fraud prevention and investigations to the S151 Officer, appropriate Chief Officers and Members. Feedback will also be provided to staff making referrals, where appropriate. Where fraud has occurred as a result of weaknesses in systems and procedures then the relevant managers will be informed urgently so as to prevent similar problems in the future.	
<b><u>Other</u></b>	
Review of the Fraud and Corruption Response Plan and the Council's Prosecution Policy	10
Ongoing maintenance, review and update of the Fraud Case Management System and related investigation procedures.	20
Liaison with the DWP Counter Fraud Investigation Service (CFIS), the National Investigation Service, Police, Inland Revenue, other Local Authority Fraud Investigators, and other stakeholders.	15
<b>TOTAL</b>	<b><u>1100</u></b>

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# Audit & Risk Management Division (Resources)

## Internal Audit Service - Terms of Reference

### Introduction

- 1 There is a statutory duty on the Council to maintain an adequate and effective system of internal audit, in accordance with proper practices. Currently, proper practice is represented by the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (The Code).
- 2 The Code defines internal audit as:

*"an assurance function that provides an independent and objective opinion to the organisation on the control environment<sup>1</sup>, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources"*
- 3 These terms of reference define how the Internal Audit Service at City of York Council will be provided further to the requirements of The Code. The terms of reference will be reviewed on an annual basis by the Chief Internal Auditor. Any recommendations for change will be made to the Audit and Governance Committee, who are responsible for considering reports dealing with the management of Internal Audit.
- 4 These terms of reference should be read in the context of the wider legal and policy framework setting out the requirements for the Council to maintain an effective system of internal audit, including The Accounts and Audit Regulations 2003 (as amended), The Code, and the Council's Constitution and Financial Regulations.

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<sup>1</sup> The control environment comprises the systems of governance, risk management, and internal control.

## **Responsibilities and Objectives**

- 5 The overall objective of the Internal Audit Service is to provide an independent and objective opinion on the control environment operating at the Council. In doing this, its responsibilities include (though are not limited to):
- (i) providing assurance to Members, Chief Officers and the general public on the effective operation of governance arrangements and the internal control environment operating at the Council
  - (ii) objectively examining, evaluating and reporting on the probity, legality and Value for Money of Council arrangements for managing all items of income, expenditure, and safe-guarding assets
  - (iii) reviewing the arrangements for ensuring proper accounting controls, systems and administration are maintained and making recommendations for action and improvement
  - (iv) helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrong doing
  - (v) acting as a means of deterring all fraudulent activity, corruption and other wrong doing including money laundering, conducting investigations into any matter referred to it for investigation by management or officers and members of the public and reporting its findings to directors and Members as appropriate for action
  - (vi) reporting all known breaches of Council Financial Regulations and Council Standing Orders and any other action leading to expenditure incurred ultra vires, identifying any areas of poor financial probity and stewardship problems for action by Chief Officers and Members as appropriate.
- 6 The service will be provided in accordance with proper practice, and to appropriate standards, as defined by The Code, Council policy, and any other relevant legal or professional standards or guidance.

## **Organisational Independence**

- 7 It is the responsibility of directors and service managers to maintain effective systems of internal control and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

- 8 Audit advice and recommendations will be given without prejudice to the rights of the service to review and make further recommendations on relevant policies, procedures, and controls and operations at a later date.

### **Accountability, Reporting Lines, and Relationships**

- 9 Internal Audit is part of the Resources Directorate. The Head of Audit and Risk Management is designated as the Chief Internal Auditor (CIA) in accordance with the proper officer designations set out in Article 13 of the Council's Constitution. The CIA reports to the Director of Resources who is designated as the Council's Chief Finance Officer (CFO)<sup>2</sup>, and who forms part of the Council's Corporate Management Team. In relation to audit matters the Chief Internal Auditor reports directly to the appropriate director or assistant director. The CIA may also report directly and independently to Members, the CFO, the Monitoring Officer, and/or the head of Paid Service on any matter that in his/her professional judgement must be reported outside normal line management and decision making arrangements. The powers of the CIA are specified in Article 13 of the Constitution.
- 10 The Chief Internal Auditor will report independently to the Audit and Governance Committee<sup>3</sup> on proposed allocations of audit resources, any significant risks and control issues identified through audit work, and will provide their opinion on the Council's control environment to the committee on an annual basis. In discharging their responsibilities, the Chief Internal Auditor and the Audit and Governance Committee may meet privately, as necessary, in accordance with the terms of the Privacy and Confidentiality Policy.
- 11 The Audit and Governance Committee will oversee (but not direct) the work of Internal Audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The committee will also protect and promote the independence and rights of Internal Audit to enable it to conduct its work and report on its findings without fear or favour<sup>4</sup>.

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<sup>2</sup> Further to Article 13 of the Constitution, the Chief Finance Officer is responsible for the proper administration of the financial affairs of the Council in accordance with section 151 of the Local Government Act 1972. The CFO has a statutory responsibility for ensuring that the Council has in place an effective system of internal audit. In recognition of this, a formal protocol has been drawn up setting out the relationship between Internal Audit and the CFO as s151 officer. A copy of the protocol is attached to these terms of reference at Appendix 1.

<sup>3</sup> The committee is charged with overall responsibility for governance for the Council.

<sup>4</sup> The relationship between Internal Audit and the Audit and Governance Committee is set out in more detail in Appendix 2.

### **Scope**

- 12 The scope of internal audit work will encompass the Council's entire control environment, comprising its systems of governance, risk management, and control.
- 13 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Chief Internal Auditor, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the Council's Internal Audit Service, and what reliance may be placed on the work of other auditors, to inform his/her overall opinion on the Council's control environment.

### **Annual Report**

- 14 On an annual basis the Chief Internal Auditor will provide a written report to the Audit and Governance Committee. The report will contribute to the Council's overall review of the effectiveness of its systems of internal control and the preparation of the Statement on Internal Control produced as a result of this process. The annual report will set out the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's control environment, along with:
  - (i) any qualifications to their opinion, together with the reasons for those qualifications
  - (ii) a summary of audit work from which their opinion is derived, including any reliance placed on work by other assurance bodies
  - (iii) any particular judged to be relevant to the preparation of the Statement on Internal Control
  - (iv) an overall summary of Internal Audit performance
  - (v) a comment on compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom.

### **Fraud and Consultancy Services**

- 15 The primary role of Internal Audit is to independently report on the Council's control environment. However, the service is also required to undertake fraud investigation and other consultancy work as a contribution to the opinion that Internal Audit provides on the control environment, and to best utilise the professional skills of auditors who are able to carry out such reviews in a systematic and disciplined way.

- 16 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption must be notified to the Chief Internal Auditor, who will decide on the course of action to be taken in conjunction with the relevant service managers and Chief Finance Officer. Where appropriate, cases of suspected fraud or corruption will be investigated by Internal Audit.
- 17 Where appropriate, Internal Audit may carry out other consultancy related work for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Internal Audit and where the work to be done does not compromise the assurance role or the independence of the service.

### **Resourcing**

- 18 As part of the annual planning process, the Chief Internal Auditor will review the resources available to Internal Audit, to ensure that they are sufficient to meet the requirements on the service to provide an opinion on the Council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Chief Finance Officer and to the Audit and Governance Committee.

### **Rights of Access**

- 19 Where it is judged to be necessary to fulfil its responsibilities (at the discretion of the Chief Internal Auditor), Internal Audit shall:
  - (i) have access to all Council premises and property, at any time
  - (ii) have access to all data, records, documents, correspondence, or other information - in whatever form - relating to activities of the Council
  - (iii) have access to any assets of the Council
  - (iv) be able to require from any employee or Member of the Council any necessary information or explanation.
- 20 Directors and service managers are responsible for ensuring that the rights of Internal Audit to access premises, records, and personnel are preserved, where services are provided through partnership arrangements.

**Appendix 1 - City of York Council - Protocol for the Relationship Between the Chief Finance Officer (the s151 Officer) and Internal Audit**

- 1 In recognition of the statutory duties of the Council's Chief Finance Officer (CFO) and guidance from CIPFA, the following protocol has been adopted at York to form the basis for a sound and effective working relationship between the CFO and Internal Audit.
  - (i) The Chief Internal Auditor (CIA) will seek to maintain a positive and effective working relationship with the Council's designated CFO.
  - (ii) Internal Audit will review the effectiveness of the Council's systems of control, governance, and risk management and report to the CFO on whether they operate effectively in practice.
  - (iii) The CFO will be asked to comment on those elements of Internal Audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the CIA will give full regard to the comments of the CFO.
  - (iv) The CIA will regularly monitor the performance of Internal Audit against the audit plan and will notify the CFO if there are any major deviations.
  - (v) The CIA will notify the CFO of any matter that in the CIA's professional judgement may have implications for the CFO in discharging their section 151 responsibilities.
  - (vi) The CFO will notify the CIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and which require Internal Audit investigation or review.
  - (vii) The CIA will be responsible for ensuring that Internal Audit is provided in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
  - (viii) If the CIA identifies any shortfall in resources which will jeopardise their ability to provide an opinion on the Council's control environment, recommendations to address the shortfall will be made to the Chief Finance Officer.
  - (ix) The CFO will protect and promote the independence and rights of Internal Audit to enable it to conduct its work and report on its findings without fear or favour.

**Appendix 2 - City of York Council - Protocol for the Relationship Between the Audit and Governance Committee and Internal Audit**

- 1 Because of the shared interests of the Audit and Governance Committee and Internal Audit it is essential that there be an effective working relationship between them. In view of this, this protocol sets out the responsibilities of the Committee in relation to Internal Audit, and the responsibilities of the Internal Audit Service.
- 2 In accordance with Article 9 of the Council's Constitution, the Audit and Governance Committee seek to:
  - (i) help raise awareness of key aspects of good governance across the organisation, including the role of audit, risk management and effective procurement
  - (ii) ensure the Council has sufficiently invested in the internal audit function in accordance with legislative requirements on the Council to do so
  - (iii) protect and promote the independence and rights of the internal audit function to conduct their work and report on its findings without fear or favour.
- 3 Specific responsibilities in respect of Internal Audit include the following.
  - (i) Consideration of the annual report and opinion of the Chief Internal Auditor (CIA) on the control environment.
  - (ii) Consideration of any issues referred to it by the CIA further to Article 13 of the Constitution.
  - (iii) Consideration of summaries of specific internal audit reports scheduled for the Committee to review or otherwise requested by Members.
  - (iv) Consideration of reports dealing with the management and performance of Internal Audit.
  - (v) Consideration of reports from Internal Audit on agreed recommendations not implemented within agreed timescales, and escalated in accordance with the approved Escalation Policy.
  - (vi) Approval (but not direction) of the annual Internal Audit Plan.
- 4 In relation to the Audit and Governance Committee, the CIA will:
  - (i) attend its meetings and contribute to the agenda

- (ii) ensure that overall Internal Audit objectives, workplans, and performance are communicated to, and understood by, the Committee
  - (iii) provide an annual summary of Internal Audit work, and an opinion on the control environment, including details of unmitigated risks or other issues that need to be considered by the Committee
  - (iv) establish whether anything arising from the work of the Committee requires consideration for changing the audit plan or vice versa
  - (v) highlight any shortfall in the resources available to Internal Audit and make recommendations to address these to the Committee
  - (vi) report any significant risks or control issues identified through audit work which the CIA feels necessary to report, in accordance with Article 13 of the Constitution.
- 5 The Chief Internal Auditor will have direct access to the chair of the Audit and Governance Committee and may meet privately with the chair or the Committee as necessary, in accordance with the terms of the Privacy and Confidentiality Policy.



## Audit & Governance Committee

3 April 2007

Report of the Assistant Director (Audit and Risk Management)

## Risk Management Outturn Report 2006/07

### Summary

1. The purpose of this paper is to inform Members of the progress made during 2006/07 in managing and embedding risk management arrangements at City of York Council and in particular:
  - a) progress against the risk management development agenda
  - b) progress against the CPA Key Lines of Enquiry
  - c) the key deliverables of 2007/08 work plan

### Background

2. Risk management is a business discipline that public and private sector organisations use to better manage potential opportunities and threats to the achievement of corporate objectives. Risk management forms a key part of the Council's corporate governance arrangements, strategic management and performance management process.
3. Effective risk management should act as an enabler – supporting well-informed decision making and facilitating sustainable improvements in service delivery. It is fundamental to good management practice and should not be viewed as a separate discipline or token paper exercise to be carried out in isolation
4. The Audit & Governance Committee asked to receive mid-term monitoring and outturn reports at its meeting on 3 October in relation to progress against CPA criteria and the risk management development agenda as recommended in the paper 'The Role of Audit & Governance Committee in Managing and Monitoring the Implementation of Risk Management'.

## Development Agenda

5. The three key deliverables of the development agenda are training, recording of consistent and good quality data into the risk management database (Magique) and use of the information to better manage risk including informing the decision making process.
6. One of the key building blocks to embedding risk management into the culture and processes of the organisation is ensuring that officers and Members have a good understanding of the subject and their role in the process. The risk management team supported by external providers (Marsh) put together and delivered training to 75 Council officers on 16/17 January 2007. This was provided in four discreet half-day workshops with delegates invited from all Council directorates as shown in Exhibit 1 below:

### **Exhibit 1**

Directorate	Places available	Total attended
LCCS	15	15
HASS	10	12
Resources	20	17
Chief Executives	10	7
City Strategy	15	9
Neighbourhood Services	20	15

7. The feedback from the training was generally good with 98% of the delegates who responded to the evaluation form indicating they were satisfied with the training provided. Since the four sessions were delivered a further 27 officers have come forward to request formal training. To satisfy this and continue the objectives of the development agenda the risk management team will deliver two further formal training sessions during 2007/08 as part of their work plan.
8. Since the Member risk management awareness training session on 29 June 2006 no further training has been delivered to Members. However inviting Members to the planned training sessions to be delivered during 2007/08 is being considered as well as a separate session specifically for Members. Building on Member awareness has seen risk management added to the formal induction for new Members and two sessions will be delivered on 10/15 May 2007.
9. Work to develop and improve the risk register is ongoing with more detailed information around the impact of risks, details of risk controls and action planning added to the Magique database. This work has included quality checking of risks currently in the register as well as addition of new risks identified through directorate based workshops and service planning.

10. At a strategic level a visioning session has been undertaken with Council Management Team (CMT) to try and identify what they believe are the key risks to the Council (The risks identified during this session are attached at Annex 1). These risks will now be presented to Corporate Leadership Group (CLG) on 27 April to:
  - ensure discussion with a wider audience for validation
  - plan and discuss key controls and mitigations around the risks for inclusion in the risk register
  - showcase the new risk management system (Magique) to encourage broader corporate use as an effective management tool

11. The new report writing format introduced last year following the review of the constitution includes a risk management section to help inform the decision making process. Compliance with the protocols has been monitored during the year the details of which are shown in Exhibit 2 below:

## **Exhibit 2**

**Analysis of Risk Management Paragraphs in Committee and Executive Reports**

Directorate	Corporate Services	Leisure & Culture	Neighbourhood Services	Childrens Services	City Strategy	Housing and Adult Social Services	Executive
"Risk Identified" Paragraph complies with the Risk Management Policy for Committee Reports	40%	0%	0%	0%	14%	0%	10%
"Risk Identified" Paragraph gives some detail information in relation to the risks, however does not comply with the Risk Management Policy	60%	50%	50%	33%	43%	67%	80%
"Risk Identified" Paragraph not included or does not detail the risks	0%	50%	50%	67%	43%	33%	10%
Total Number of Reports Reviewed	5	4	6	6	7	6	10

12. This audit was undertaken during November 2006 and the results reviewed by Officer Governance Group (OGG) on 4 December. Following this review the Director of Resources wrote to all members of Corporate Leadership Group to encourage compliance and set directorates a minimum target of achieving the first two criteria.
13. The risk management team are continuing to provide advice and support in relation to the completion of this element of committee reports and will monitor compliance with the Directors of Resources minimum target during 2007/08.

14. There is good evidence in the form of risk registers, committee papers and project board minutes that risk is been considered in formal decision making processes especially with regard to major projects including the Accommodation Review and easy@york.

## CPA Key Line of Enquiry

15. Risk management forms one of the key strands (Internal Control) of the CPA inspection process. The Council's score for this criteria has consistently been 2 (Fair) and much work has been undertaken over the past twelve months to ensure that risk management meets the minimum requirements to score at least a 3 (Good) in this years CPA refresh.
16. The development plan while acting a road map to the embedding of effective risk management at the Council also aligns itself to the additional criteria required to increase the Councils CPA score specifically:
  - the development and delivery of a training programme for relevant officers
  - development of the risk register specifically considering risk in relation to significant partnerships
  - the delivery of risk management awareness training to Members
  - providing regular reports to Members to ensure that corporate business risks are being actively managed
17. The aspiration of the team is to raise the CPA score to level 4 (Excellent). This involves a considerable amount of work and is underpinned by the work plan currently being developed for 2007/08, which will contribute to achieving this goal.

## Work plan 2007/08

18. At the core of the work plan is the necessity to embed risk management into Council processes, continue to raise awareness through further training and aligning the revised risk register to the corporate priorities. Achieving this ambitious agenda should result in the Council being exposed to lower risk while enabling it to develop robust and enabled services more prepared to take advantage of opportunities by having better understanding and control of their risk.
19. The final plan is not yet complete and approved but the key deliverables include:
  - ensuring risks are linked to the Corporate Strategy

- development of the Member and Officer Risk Champion roles
  - a more detailed review of Partnership risk
  - development of risk consideration in the budget process including growth bids
  - further risk management training for Members and Officers
  - a more formal consideration of opportunities as well as risks
20. The resources for risk management are quite small in comparison to the risk management agenda both at York and nationally. However the appointment of a full time risk management officer during 2006 has helped in being able to support and deliver the aspirations of the Council's risk management strategy.

## Summary

21. This paper acknowledges that there has been considerable progress made in embedding risk management during 2006/07. This should positively assist the Council in raising its CPA score for risk management at the next inspection. While progress has been good there is still much work to be carried out in fully embedding and integrating risk seamlessly into the organisations culture and processes. Where risk is already being used as a tool for effective management the benefits are starting to be seen especially in regard to projects such as [easy@york](mailto:easy@york).

## Options

22. Not applicable.

## Corporate Priorities

23. Risk management relates directly to the Council's priority to '*improve leadership at all levels to provide clear, consistent direction to the organisation*' clear and consistent leadership and direction requires a thorough understanding of all the risks and challenges to the organisation. As risk management should be integrated into all the Council's processes and routines it should help contribute to the effective delivery of all 13 corporate priorities. The key development issues raised in this paper support the actions required to improve the Councils CPA score of 2 for Risk Management to 3 as a minimum prior to the next inspection.

## Implications

24. There are no financial, legal, HR or other implications arising from this report.

## Risk Management

25. In compliance with the Council's Risk Management strategy. There are no risks associated with the recommendations of this report

## Recommendations

26. Audit and Governance Committee are asked to:

- a) note the contents of this report;

### Reason

*To raise awareness of the progress made to date in respect of the risk management framework at the Council and advise Members of the 2007/08 work programme.*

## Contact Details

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**Chief Officer Responsible for the report:**

Liz Ackroyd  
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**Report Approved** Yes**Date** 21 March 2007**Specialist Implications Officer(s)** Not applicable**Wards Affected** Not applicableAll **For further information please contact the author of the report**

## Background Papers

The Role of Audit & Governance Committee in Managing and Monitoring the Implementation of Risk Management.

## Annexes

Annex 1 CMT Corporate risks list

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City of York Council  
Corporate Management Team

Key Corporate Risks

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Brainstorming Exercise 29 November 2006

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Risk	Risk Detail	Associated Considerations
<b>Completion of the Pay and Grading review (Job Evaluation)</b>	<p>Job Evaluation presents a whole raft of potential risks to the Council. These range from lawfulness issues (eg meeting statutory deadlines) and financial considerations (ie affordability) to employee relations problems (eg industrial action, demoralised workforce, recruitment and retention issues etc). A list of all identified risks, management controls and mitigation actions have been incorporated into the Council Risk Register.</p>	<p>Communications with staff &amp; unions Low profile of pay agenda amongst key stakeholders. Long-term strategic and financial impact to the Council. Impact on staff relations and Council reputation Impact on Equal Pay settlements and increased risk of legal actions against the Council through delayed JE solution</p>
<b>Failure to achieve agreed capital receipts within planned time scales and/or at all</b>	<p>The affordability of the Capital Programme is underpinned by the delivery of agreed capital receipts within planned time frames. The key risks associated with this issue are whether all earmarked sales and projected income streams are realistic and/or whether sales can be achieved within the time scales necessary to fund other capital investments as set out in the Programme.</p>	<p>Budget and service implications of not achieving planned receipts. Potential future borrowing against unachieved capital receipts and any associated impact on Prudential Indicators/MTFF strategy</p>
<b>Unsuccessful delivery and/or outcome of the Administration Accommodation Review</b>	<p>Efficiencies and facilitation of cultural change through rationalisation to one-site operations. The project relies and has interdependencies with other programmes of work such as FMS replacement and <a href="#">Easy@york</a>. A project risk register is being used for management control and planned mitigation purposes.</p>	<p>Failure to achieve the efficiency savings identified within the financial model Effective management of multi-project interdependencies and constraints Failure to plan and manage overall cultural change issues by the body corporate Failure to secure the Hungate site by April 2008 (Ambulance service re-location, archaeological dig, unforeseen contingencies/delays etc)</p>

Risk	Risk Detail	Associated Considerations
<b>Failure of Waste Management Strategy/Partnership</b>	<p>Financial penalties of failing to manage satisfactory partnership solution to waste agenda. Partnership solution with NYCC introduces risks to the programme from CYC perspective (control, breakdown of effective working, governance etc). Project risks of the partnership have been identified and are being managed by NYCC as the lead body.</p>	<p>Failure to secure sufficient credits to fund the PFI solution</p> <p>Political and service implications of partnership and project failure</p>
<b>Implications of the forecast budget funding gap (MTFF projections)</b>	<p>Failure to set a balanced budget</p> <p>Issues and risks associated with future funding pressures (failure to deliver statutory services, staff relations problems, on-going political pressures to cut Council infrastructure to reduce impact on front line delivery etc etc). All risks, controls and mitigation need to be fully documented and incorporated into the Risk Register for management review and control.</p>	<p>Increased requirement for/reliance upon supplementary funding solutions and additional risks that may result (ie PFI, increased fees &amp; charges, service innovations etc)</p> <p>Political pressures in lead up to and post May elections re 2007/08 budget and beyond</p>
<b>Failure of project &amp; programme management</b>	<p>The Council is still embedding the necessary systems and approach for ensuring successful project and programme management. Whilst Prince II and MSP methodologies have been adopted as a general standard, deployment and compliance remain matters of concern.</p>	<p>Poor project and programme management increase the risks of project creep, non-delivery of key outcomes, budget overspend and failing to fully realise project benefits</p> <p>Lack of organisational commitment to achievement through application of inappropriate or insufficient resources</p> <p>Governance and CPA implications of poorly conceived and embedded management and control infrastructure</p>

Risk	Risk Detail	Associated Considerations
<b>Failure to achieve Council priorities</b>	<p>Public failure to achieve stated priorities, associated risks range from reputation issues, political embarrassment and CPA implications to lost opportunities to improve organisational performance across a coherent cultural and management change programme.</p>	<p>Adequacy and consistency of planning and project/programme management framework</p> <p>Organisational commitment to the investment and resources necessary to successfully deliver complex development and improvement plans across a large number of core statements.</p> <p>Changing political priorities pre/post election</p> <p>Adequacy of the strategic planning framework and partnering implications</p>
<b>Failure of a strategic procurement exercise/SPP initiative</b>	<p>There will be about 15 key strategic procurements set out in the new Strategic Procurement Programme (to be reported in January 2007). The overall risk is that the programme will not ensure the effective corporate management of strategic procurement at the Council. There are also a whole range of risks associated with the failure of departments to deliver any individual project. The risks associated with each individual project will need to be identified and documented within the Risk Register for management control and mitigation purposes.</p>	<p>The financial, reputational and service delivery implications of a strategic procurement exercise failing to deliver its objectives.</p> <p>Failure of Strategic Procurement Programme to properly support the effective management of strategic procurement activity across the organisation in future years.</p>
<b>Effective management of the election process</b>	<p>Risk arises due to over-reliance upon a key individual in Civic Services who may not be available to manage the election process in May 2008.</p>	<p>Issues illustrated by this instance include risks arising from capacity management/resilience problems in Council infrastructure services exacerbated by failures to succession plan effectively and plan for business continuity purposes.</p>

Risk	Risk Detail	Associated Considerations
<b>Turnover in key personnel and Members after May 2007</b>	<p>Known loss of CEX, Director of LCC, 2 ADs LCC, others? New Director CEX and new CEX</p> <p>Potential change in political administration following the May 2007 elections</p>	<p>Issues arounds succession planning, continuity of services, lost intellectuall assets, knowledge, networks etc as well as lead times for new personnel/members to get up to speed with their briefs, communicate their objectives and implement plans/managed change</p>
<b>Failure to deliver Local Area Agreement</b>	<p>Increasing adverse risks associated with failure further to the expectations set out in the White Paper. Felt to be higher risk issue also due to lack of commitment/investment in LSP and other partnerships by the organisation in the past.</p>	<p>Future role of the LAA to drive improvement and joined up service solutions</p> <p>LAA as a vehicle for arms-length performance management of LAs by central government departments in future years</p>
<b>Failure to maintain or improve Council CPA score in January 2008</b>	<p>Reputational and possible future funding risks of scoring less then 'good' but an increased likelihood of such an outcome due to 'the harder test', re-inspection of key blocks in 2007 that may not be sustained at 2002 level and failure to make sufficient improvements in organisational infrastructure/other issues marked down in previous years</p>	<p>Last year of the current CPA process as system set to change after 2008/09. Imminent introduction of new regime may impact on national publicity around results. Possible lost opportunity to improve in a coherent and planned way over time if the temptation is to shift improvement focus to match the changing expectations of the external inspection regime.</p>
<b>Failure to deliver Transformational Government</b>	<p>The Council has to respond to keep up with the hopes and aspirations of citizens and business, to remain efficient and trustworthy. The key risk is around the vision to deliver public services, using the power of new technologies as this comes back to project &amp; programme management areas of high risk within the Council</p>	<p>Risks include scarce resource and skills to deliver change programmes (along with management risks associated with project/programme management at CYC set out previouslyabove.</p>

Risk	Risk Detail	Associated Considerations
<b>Failure to deliver LCC capital projects</b> Lowfields/Oaklands, Manor, Joseph Rowntrees (£70m)	The Building Schools for the Future and the ECM agenda are high value high risk programmes of work	Risks include budget overspend, delays in delivery, partnership working.
<b>Failure of Social Care Review</b> to address service issues within prescribed financial limits – ie increasing needs of an aging population, complex demands, supply demands, cost and procurement	This is a key change management area, which requires us to work in partnership with external organisations in the delivery of a sensitive service against a background of ever increasing demands for service and significant budget constraints and the need for greater rationing and restriction over the levels of service provided in future years.	Failure of the external provider to deliver required service. Planning to meet the increasing and changing needs of customers. Budget pressures
<b>Partnering</b> – Regulation & Governance	Governance issues around the proper management of partnerships is not robust and leaves the Council open to a variety of potential problems and threats to the organisation.  Implications for CPA UOR in 2006 and 2007 refresh exercises and knock on effect on the corporate CPA in 2008	CPA UOR bold criterion failure (ie whole KLOE fails as a result of poor partnership governance arrangements as judged by the District Auditor in 2006 refresh). Key actions required by the lead department (City Strategy) if weaknesses are to be addressed before January 2008 CPA.  Poor governance risks include lack of documented agreements/MOUs, lack of indemnity, lack of compliance with equalities, H&S risks, financial, contracting and other procedural regulations, ethics, standards, data sharing, security of information etc etc