Notice of meeting of

Audit & Governance Committee

To:	Councillors Pierce (Chair), Brooks, Crisp, Holvey, Moore, B Watson and R Watson
Date:	Tuesday, 15 January 2008
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

> **Note:**
> **As agreed at previous meetings, the Chief Internal Auditor and District Auditor (Audit Commission) 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. **Minutes** (Pages 3 - 10)

   To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 24 September 2007.

3. **Public Participation**

   At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the 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, 14 January 2008, at 5:00 pm.**

4.   Prioritisation - Inspection Follow Up (Pages 11 - 32)

This report invites Members to note and comment upon progress made in relation to recommendations arising from the Audit Commission follow-up inspection in August 2007, which assessed the Council's arrangements for embedding its priorities.

Note: the agenda for this meeting was re-published on-line on 9 January 2008 to include a revised version of Annex B to the above item.

5.   The Annual Audit & Inspection Plan 2007/08 -   Mid-term monitoring report (Pages 33 - 44)

This report provides an update on the progress made so far this year in completing the work set out in the annual external audit & inspection plan for 2007/08, as approved by Members in June 2007.

6.   Audit and Fraud Mid-Term Monitor (Pages 45 - 66)

This report provides details of the progress made in delivering the internal audit and fraud work plan for 2007/08.

7.   Strategic Audit Plan – Consultation (Pages 67 - 82)

This report invites Members to note and contribute to the annual review and update of the internal audit risk assessment and five year strategic audit plan

8.   Audit and Fraud Shared Service – Progress Report (Pages 83 - 88)

This report advises Members of the progress made in developing City of York Council's shared audit and fraud service with North Yorkshire County Council.

9.   Follow Up Audit of Car Parking (Pages 89 - 94)

This report advises Members of the findings of follow up testing undertaken by Internal Audit on the Council's car parking arrangements and associated controls, together with the actions taken by management to address the outstanding issues.

10.   Annual Governance Statement (Pages 95 - 114)

This report introduces the Annual Governance Statement (AGS), which replaces the Statement on Internal Control (SIC), advises of the changes resulting from this new statutory requirement and seeks approval for a proposed process and timetable for completion of the 2007/08 AGS.

11.   Risk Management User Guide and Key Risk Monitoring Report (Pages 115 - 134)

This report asks Members to consider and comment upon a draft risk management User Guide, draft key risk monitor and draft detailed risk register report, including controls and actions used in managing corporate risks.

Note: Annex A to this item has been made available on-line and copied separately, to Committee Members only. Copies may be obtained on request from Democratic Services, if required (contact details are at the foot of this agenda).

12.   Information Management Strategy (Pages 135 - 154)

This report asks Members to note and comment upon a medium term strategy to improve information governance in response to certain external imperatives and internal pressures.

13.   Urgent Business

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

Democracy Officer:

Name: Fiona Young
Contact details:
   • Telephone – (01904) 551027
   • E-mail – fiona.young@york.gov.uk

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

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

Contact details are set out above.

Agenda Annex

About City of York Council Meetings

Would you like to speak at this meeting?
If you would, you will need to:
- register by contacting the Democracy Officer (whose name and contact details can be found on the agenda for the meeting) **no later than** 5.00 pm on the last working day before the meeting;
- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

A leaflet on public participation is available on the Council's website or from Democratic Services by telephoning York (01904) 551088

Further information about what's being discussed at this meeting
All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

Access Arrangements
We will make every effort to make the meeting accessible to you. The meeting will usually be held in a wheelchair accessible venue with an induction hearing loop. We can provide the agenda or reports in large print, electronically (computer disk or by email), in Braille or on audio tape. Some formats will take longer than others so please give as much notice as possible (at least 48 hours for Braille or audio tape).

If you have any further access requirements such as parking close-by or a sign language interpreter then please let us know. Contact the Democracy Officer whose name and contact details are given on the order of business for the meeting.

Every effort will also be made to make information available in another language, either by providing translated information or an interpreter providing sufficient advance notice is given. Telephone York (01904) 551550 for this service.

যদি যথেষ্ট আগে থেকে জানানো হয় তাহলে অন্য কোন ভাষাতে তথ্য জানানোর জন্য সব ধরণের চেষ্টা করা হবে, এর জন্য দরকার হলে তথ্য অনুবাদ করে দেয়া হবে অথবা একজন দোভাষী সরবরাহ করা হবে। টেলিফোন নম্বর (01904) 551 550।

Yeteri kadar önceden haber verilmesi koşuluyla, bilgilerin terümesini hazırlatmak ya da bir tercüman bulmak için mümkün olan herşey yapılacaktır. Tel: (01904) 551 550

我們竭力使提供的資訊備有不同語言版本，在有充足時間提前通知的情況下會安排筆譯或口譯服務。電話 (01904) 551 550。

اگر مناسب وقت سے اطلاع دی جاتی ہے تو ہم معلومات کا ترجمہ مہیا کرنے کی پوری کوشش کریں گے ۔ ٹیلی فون (01904) 551 550

Informacja może być dostępna w tłumaczeniu, jeśli dostaniemy zapotrzebowanie z wystarczającym wyprzedzeniem. Tel: (01904) 551 550

Holding the Executive to Account

The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:
- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

Who Gets Agenda and Reports for our Meetings?
- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
- Relevant Council Officers get copies of relevant agenda and reports for the committees which they report to;
- Public libraries get copies of **all** public agenda/reports.

Agenda Item 2

City of York Council	Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	24 SEPTEMBER 2007
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS, CRISP, HOLVEY, B WATSON AND R WATSON (FOR AGENDA ITEMS 1-8)
APOLOGIES	COUNCILLOR MOORE

9. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda.

Councillor Brooks declared a personal non-prejudicial interest in agenda item 5 (Statement of Accounts 2006/07) as a member of the Teachers' Pension Agency.

Councillor Pierce declared a personal non-prejudicial interest in agenda item 5 (Statement of Accounts 2006/07) as a member of the North Yorkshire Pension Fund.

Councillor Richard Watson declared a personal prejudicial interest in agenda item 5 (Statement of Accounts 2006/07), regarding the related parties section of the statement of accounts, as one of the parties listed. As this section of the statement of accounts was not discussed, he did not withdraw from the room.

10. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of the following:

> Annexes 1-3 to Agenda Item 8 (Annual Monitoring Report: Breaches and Waivers of Financial Regulations 2006/07) (minute 16 refers) on the grounds that they contained information relating to the financial or business affairs of any particular person (including the authority holding that information). This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

11. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee held on 25 June 2007 be approved and signed by the Chair as a correct record.

12. PUBLIC PARTICIPATION

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

13. STATEMENT OF ACCOUNTS 2006/07

Members received a report which set out the changes that had been made to the Statement of Accounts since their approval at Council on 28 June 2007, explained the reasons for the changes and sought recommendation for the revised Statement of Accounts to be referred to Urgency Committee for approval.

Annex 1 of the report provided details of all the changes made to the Statement of Accounts and copies of the revised Statement of Accounts had also been circulated to Members for consideration.

The report was being brought to the Audit and Governance Committee so that there could be a review of the changes prior to submitting the revised Accounts to Urgency Committee for approval. There was a statutory requirement that the representative of the Audit Commission, the District Auditor, gave his opinion on the latest set of Accounts that had been approved by Members, and the District Auditor had to give his opinion before 30 September 2007.

Officers reported a correction to paragraph 18 of the report, with the revaluation of sheltered housing and the Hob Moor site representing 0.76% of the total value of fixed assets, rather than 0.076% as stated.

RESOLVED: (i) That the amendments set out in Annex 1 of the report be noted and Urgency Committee be recommended to approve the revised Statement of Accounts for the financial year 2006/07;

(ii) That the reliance on a small number of key staff in preparing the Statement of Accounts be noted and a report be brought back to a future meeting on this issue.

REASON: (i) The revised Accounts have to be formally approved by Members before the District Auditor can give his opinion on them;

(ii) To inform Members on the staffing issues relating to preparation of the Statement of Accounts.

14. ANNUAL GOVERNANCE REPORT OF THE DISTRICT AUDITOR

Members received a report which summarised the key messages, findings and conclusions set out in the Annual Governance Report of the District Auditor in respect of the 2006/07 audit year and advised them of the action plan arising from the report for forward monitoring and reporting purposes.

The Audit Manager drew Members' attention to the main issues in the Report.

The Annual Governance Report was generally positive and importantly concluded that the Council's arrangements for the Statement of Internal Control (SIC) and for securing Value for Money (VFM) were satisfactory and that the District Auditor anticipated issuing an unqualified opinion on the accounts. These matters were crucial to the Council scoring well in the annual Use of Resources Comprehensive Performance Assessment (CPA) refresh exercise for 2007. The specific matters raised by the District Auditor at paragraphs 12-31 in relation to the final accounts audit were of immediate concern and Members sought the necessary assurances from the relevant officers that all due remedial work had been and/or would be undertaken in accordance with the action plan set out in Appendix 1 of the District Auditor's report.

Members discussed the control weaknesses identified relating to the car parking system and officers confirmed that these had also been raised following a review of the service by Internal Audit. Members requested that a written explanation of the current situation be circulated to them and that a report be brought to the next meeting setting out the Internal Audit recommendations and progress made in implementing them. They also requested that the appropriate Assistant Director be invited to attend this meeting.

Officers clarified that the presence of an auditorium on the Barbican site was not subject to negotiations, as implied in the report on the Statement of Accounts 2006/07, but that the mode of delivery was. Members requested a written explanation to further clarify the position in respect of this issue.

RESOLVED: (i)   That the matters set out in the Annual Governance Report presented for discussion by the District Auditor be noted, in particular:
- The matters raised in the report before the amended Statement of Accounts is approved;
- The letter of representation to be signed by the Chair of the Committee on behalf of the Council and those charged with its governance;

(ii)   That the action plan arising from the report, as set out in Appendix 1 to the District Auditor's report, be noted and a report back on progress be brought to the April 2008 meeting of the Committee;

(iii)   That the letter of representation be approved for signature by the Chair of the Committee, having confirmed that it sufficiently reflects the views and beliefs of the Committee as those charged with governance at the Council.

REASON: (i)   To ensure the proper consideration of the opinion and conclusions of the District Auditor in respect of the

annual audit of accounts and review of the Council's arrangements for ensuring Value for Money (VFM);

(ii)   To ensure appropriate action is being taken by officers to address any matters raised by the District Auditor further to his report;

(iii)   To ensure compliance with International Auditing Standards and relevant legislative requirements.

15.   REVIEW OF INTERNAL AUDIT

Members received a report which informed them of the results of the recent Audit Commission review of Internal Audit.

The Audit Commission had concluded that Internal Audit had met the requirements of all eleven standards set out in the Code of Practice for Internal Audit in Local Government 2006. As a consequence, the Audit Commission had also confirmed that it could continue to rely on the work carried out by Internal Audit. The Audit Commission had highlighted the process followed by Internal Audit to follow up on previous audit recommendations as an example of good practice. The report had also identified a few changes and/or developments in working practices which should enhance existing audit arrangements.

The Assistant Director (Audit & Risk Management) and Members recorded their thanks to officers in Internal Audit for their excellent work and on the result achieved in the review.

RESOLVED: That the results of the Audit Commission's review of Internal Audit be noted.

REASON: To enable Members to consider the adequacy and effectiveness of the Council's internal audit arrangements.

16.   ANNUAL MONITORING REPORT: BREACHES AND WAIVERS OF FINANCIAL REGULATIONS 2006/07

Members received a report which informed them about unauthorised breaches of the Council's Financial Regulations during the 2006/07 financial year and any waivers of Financial Regulations approved by the S151 Officer during the year. The report also included a summary of progress made in addressing breaches of Financial Regulations identified and reported in earlier years.

The number of new breaches of Financial Regulations had continued to fall in 2006/07. In addition, departments had made good progress in addressing outstanding breaches from previous years. There had also been an increase in the number of waiver requests in 2006/07. The figures confirmed that overall awareness of Financial Regulations, and EU procurement rules was increasing, and that departments were taking action to address any issues that arose.

Members welcomed the improvements outlined in the report, in terms of the reduced numbers of breaches and increased numbers of waivers.

The Assistant Director (Audit & Risk Management) provided an update to Members on issues relating to aggregation under European Union procurement rules.

Members requested that the relevant Assistant Director be invited to attend the next meeting to discuss financial controls relating to the "New Town Hall" project.

RESOLVED: (i)　　That the breaches of Financial Regulations identified or otherwise notified to the S151 Officer during 2006/07, as set out in paragraph 7 and Annex 1 of the report, be noted;

(ii)　　That the actions taken to address outstanding breaches of Financial Regulations, as set out in paragraphs 8-10 and Annex 2 of the report, be noted and endorsed;

(iii)　　That the waivers of Financial Regulations approved by the S151 Officer under the Council's scheme of delegation, as set out in paragraphs 11-12 and Annex 3 of the report, be noted.

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

17.　FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS

Members received a report which set out the progress made by departments in implementing those agreed audit recommendations which were due to have been implemented by 31 July 2007. It also included a summary of the progress made in addressing the implementation of recommendations which had been escalated previously.

The follow up testing undertaken by Internal Audit confirmed that in general, good progress had been made by directorates to rectify the weaknesses in control identified by Internal Audit. However, there were a number of areas where work was still required to address the recommendations made. This was an ongoing process and therefore progress in implementing these recommendations would continue to be monitored, and reported as required through the escalation procedure. There were no specific issues that needed to be brought to the attention of the Audit and Governance Committee at this time.

Officers advised that the first sentence of paragraph 9 of the report should refer to April 2007, rather than January 2007 as stated.

RESOLVED: That the progress made in implementing audit recommendations, as set out in paragraphs 7-10 of the report, be noted.

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

18. RISK MANAGEMENT MID-TERM REPORT 2007/08

Members received a report which informed them of the progress made by the Risk Management Team during 2007/08. It considered the achievements in relation to developing and embedding the risk management agenda and framework, and in particular the key deliverables of the 2007/08 work plan, progress against the Comprehensive Performance Assessment (CPA) Key Lines of Enquiry, risk in committee reports and development of a corporate risk management policy.

Members welcomed advances in the area of risk management and thanked officers for their hard work.

RESOLVED: (i) That the contents of the report and progress made during 2007/08 be noted;

(ii) That the draft Risk Management Policy be noted and endorsed.

REASON: (i) To raise awareness of the progress made to date in respect of the risk management agenda and framework at the Council;

(ii) To achieve Audit & Governance Committee's endorsement prior to submission to Corporate Management Team and the Executive.

19. TRAINING PLAN PROPOSALS FOR AUDIT & GOVERNANCE COMMITTEE MEMBERS

Members received a verbal briefing from the Assistant Director (Audit & Risk Management) on training plan proposals for Audit & Governance Committee Members.

She advised that she would be canvassing Members about their training needs over the next few weeks and would then follow this up by producing and circulating a proposed training plan.

RESOLVED: That the verbal briefing be noted.

REASON: To inform the Committee of the training that will be provided.

20.   **2006/07 NATIONAL FRAUD INITIATIVE - UPDATE**

Members received a report which informed them of the work completed to date in respect of the Audit Commission's National Fraud Initiative (NFI) 2006/07.

The report explained that every two years the Audit Commission organised a national data matching exercise, where data from local authorities was matched against data provided by central government and other organisations, to detect fraud and error. Paragraphs 5-11 of the report set out the results of this exercise in 2006/07 and paragraphs 12-13 outlined future developments in the scope of data matching.

Members expressed some concern regarding the amount of effort required to participate in the exercise, for the results that it produced, and questioned if it provided value for money. They suggested that officers make representations to the Local Government Association on this matter.

RESOLVED: That the results of the 2006/07 NFI exercise to date, and future developments in the scope of data matching be noted.

REASON: To enable Members to consider the results of data matching work undertaken by Internal Audit.

21.   **THE LOCAL CODE OF CORPORATE GOVERNANCE**

Members received a report which presented a draft Local Code of Corporate Governance for their consideration. The report also provided them with details of the new requirement to prepare an Annual Governance Statement, to be published as part of the Statement of Accounts.

In June 2007, the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a revised Framework on Corporate Governance, which recommended that local authorities develop and maintain a local code of governance and report publicly on the extent to which the code had been complied with. A draft Local Code of Corporate Governance (attached at Annex 1 of the report) had therefore been prepared, detailing the arrangements which the Council currently had in place, and an action plan would be developed to address any weaknesses identified in the existing arrangements.

Members supported the draft Code in principle but supported the production of an action plan to make it a more workable document.

RESOLVED: That the draft Local Code of Corporate Governance, as presented at Annex 1 of the report, be endorsed in principle, subject to the Officer Governance Group (OGG) preparing a fully comprehensive action plan to address any identified weaknesses in the Council's existing governance arrangements, with reference to a group of Audit & Governance Committee members, consisting of Councillors

Pierce, Brooks and Holvey, for comments and advice on its content, prior to reporting back to the full Committee.

REASON: To enable the Council to comply with best practice in respect of corporate governance.

R Pierce, Chair
[The meeting started at 5.30 pm and finished at 7.30 pm].

Agenda Item 4

Audit & Governance Committee   **15th January 2008**

Report of the Director of People and Improvement

Prioritisation – Inspection Follow Up

Purpose and background

1. This report relates to an Audit Commission follow-up inspection in August 2007 which assessed the council's arrangements for embedding its priorities and provides an update on the progress we have made in respect of their recommendations.

2. The inspection visit was a follow-up to work undertaken in 2006 in which our prioritisation plans were first assessed during development of the Corporate Strategy. The purpose of the subsequent assessment was to consider our progress against the initial recommendations and judge the impact of the strategy's launch.

3. The Audit Commission's updated recommendations are attached as Annex A. This also includes our initial comments in response (considered by CMT in August 2007) and details of progress made to date.

Inspection recommendations

4. Against the initial set of recommendations made by the Audit Commission in 2006, their follow-up work concluded that whilst we have made progress in a number of areas, this had been slower than planned and key areas for improvement remain. Many of the recommendations which emerged from the follow-up work reflect similar themes to those made after their first visit. The subsequent list, shown below, was accordingly developed by The Audit Commission to consolidate all previous recommendations.

R 1. Clarify responsibilities for the delivery of the new corporate strategy including the championing arrangements and build this into personal targets to drive and embed the required actions

R 2. Revise the performance management arrangements by:

- integrating targets for all priorities, values and imperatives. This should also include annual tracking of the direction of travel of the Council against its own direction statements; and

- strengthening the service planning framework and guidance to include improved measures and target setting.

R 3. Develop and embed decision-making and reporting mechanisms to ensure that the corporate strategy drives the actions of the Council.

R 4. Develop medium term, internal and external communication strategies in tandem to communicate the corporate strategy refresh effectively

Progress

5. A significant amount of progress has been made towards fulfilling the recommendations above, key improvements include

- Clear responsibility and accountability for elements of the council's refreshed Corporate Strategy have been defined.

- Action plans for priorities have been updated and agreed

- A small number of measures to track progress have been agreed and will be embedded into the corporate performance management arrangements

- Core processes, such as decision-making, service planning, directorate planning and resource allocation have been further developed to ensure that the Corporate Strategy and the priorities within it drive the actions of the council.

6. Further improvements are planned to take place n the next few months which will ensure that the Corporate Strategy is still further embedded in-line with the Audit Commission's recommendations

7. In overall terms, detailed responses to all of these recommendations have been incorporated into our core improvement planning, especially within the Organisational Effectiveness Programme. Account of this work has also been taken in improvement work commissioned in advance of the authority's forthcoming CPA Corporate Inspection. The above recommendations should accordingly be viewed in the context of this assessment and as part of its evidence portfolio.

Options

8. As this paper is for information to update members on progress against audit recommendations, no options have been presented with this paper.

Implications

9. **Financial:** Whilst there are no specific financial implications arising from this report, improving the way that the Council embeds and delivers its priorities potentially impacts on the way that the Council allocates its financial (as well as its other) resources. Whilst financial management is not mentioned specifically within the range of recommendations, it clearly has strong links to those related to performance management and decision making

10. **Human Resources:** There are no specific HR implications arising from this report

11. **Equalities:** There are no specific implications arising from this report – however equalities runs through each of the council's priorities and is a key cross-cutting theme within the CPA corporate assessment process.

12. **Legal**: There are no specific legal implications arising from this report

13. **Crime and Disorder:** There are no specific implications arising directly from this report aside for any implications for the corporate priority concerned with reducing the impact of violent, aggressive and nuisance behaviour.

14. **Information Technology:** There are no specific IT implications arising from this report

Risk Management:

15. Failure to implement the recommendations made by the Audit Commission could jeopardise the successful embedding of our Corporate Strategy and impact in-turn on subsequent inspection and audit judgements. Measured in terms of impact and likelihood, the risk score has been assessed at less than 16, This means that at this point the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of this report".

Recommendations

16. Members of this committee are asked to note the progress we have made against each of these recommendations as set out in Annex A and comment accordingly.

Author:

Simon Hornsby
Chief Executive Support Officer
Policy, Improvements & Equalities Team
Telephone 01904 551075

Chief Officer Responsible for the report:

Heather Rice
Director of People & Improvement

Report Approved | ✔ | **Date** 27/12/07

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable   **All** | ✔

For further information please contact the author of the report

Annex A – Prioritisation recommendations action plan

Annex B- Audit Commission Prioritisation follow-up report, August 2007

This page is intentionally left blank

Recommendation	Priority	Responsibility	Comments	Date	Progress to January 08
R1 *Clarify responsibilities for the delivery of the new corporate strategy including the championing arrangements and build this into personal targets to drive and embed the required actions. The expected benefits of this recommendation are:* • Clearer accountability for delivery of the revised priorities, the new imperatives and progress against the direction statements **The implementation of this recommendation will have high impact with low costs**	High	Chief Exec Lead Policy & Improvement team deliverer	CMT (15th August) agreed an overall framework for embedding the corporate strategy, including building in links to Chief Officer appraisals. The overall CS will be owned by CMT and the Executive, and individual parts of it owned by the OEP board, Champions and/or Project Boards. Detailed time-lines for this will be considered/approved by CMT in early September. Revised championing arrangements will be finalised during the early part of September, alongside updating of all DIPs to reflect year 2 and year 3 actions, and identify high level measures for each priority. Monitoring of these actions and/or the measures will form part of Director/Chief Officer appraisals and will in turn be cascaded into those of relevant officers . These monitoring arrangements will also be at the heart of future corporate performance monitoring arrangements (starting with EMAPs in November and the joint CMT/executive monitor 2 session in December)	Sept 2007 Dec 2007	Clear arrangements for ownership and responsibilities approved. DIPs for each priority for improvement refreshed and signed-off. Each identifying a small number of key measures by which to monitor progress with these incorporated into chief officer appraisals. CMT have recently considered proposals for improving corporate performance management arrangements, including more timely reporting of strategic information than presently at corporate monitor sessions.

Recommendation	Priority	Responsibility	Comments	Date	Progress to January 08
R2 *Revise the performance management arrangements by:* • integrating targets for all priorities, values and imperatives. This should also include annual tracking of the direction of travel of the Council against its own direction statements; and • strengthening the service planning framework and guidance to include improved measures and target setting. *The expected benefits of this recommendation are:* • Clearer understanding of what outcomes are expected; and • improved focus and reporting of progress against targeted outcomes *The implementation of this recommendation will have high impact with low costs.*	high	Director of People & Improvement lead Policy & Improvement team deliverer	We are committed to ensuring that the corporate strategy is at the heart of our corporate performance management framework. Work is nearly complete to refine our indicator set so that we have a small number of key measures for each of the existing priorities. These will focus around the outcome we are hoping to achieve and will be clearer about how we quantify success. More extensive work is required on the changed/new priorities, but this should be completed quickly once revised championing arrangements have been finalised. We will also identify a series of milestone events to track/report on performance on the corporate imperatives. Improvement targets will be set for each of the priorities. These targets, and target setting guidance to be included as part of service planning guidance, will be developed in a way which is complementary to the ongoing work with CMT on improving the Council's overall performance management arrangements. Progress against these targets and milestones will be tracked at an officer level as part of the CMT, OEP board and All Champions mechanisms; and at member level through Executive and EMAP reporting. (see 2nd point on R1) A baseline position in relation to each of the 7 direction statements will be established as soon as possible (and by end October at the latest). "Direction of Travel" statements will be drawn up annually for each of the direction statements which will be integrated into the corporate performance framework. It is envisaged that these will form a key part of the Joint CMT/Executive year end monitor session and year-end reporting processes.	Oct 2007 Dec 2007 End Oct	Key measures to support priorities for improvement have been identified. Their systematic monitoring at a corporate level is being progressed with plans to provide CMT with a monthly dashboard of strategic data. Ongoing improvement targets for these measures will be agreed by March 2008. We have established a baseline position in respect of our Direction Statements. Further evidence and 'direction of travel' statements to be developed by March 2008.

Recommendation	Priority	Responsibility	Comments	Date	Progress to January 08

R3 *Develop and embed decision-making and reporting mechanisms to ensure that the corporate strategy drives the actions of the Council. The expected benefits of this recommendation are:*
 	
• Increased focus on the things that matter most to the Council, its users and key partners
 	
The implementation of this recommendation will have high impact with low costs.
	High	Chief Exec Lead
		
		Head of Legal, Democratic & Civic deliverer
			We recognise that the success of the corporate strategy depends entirely on it influencing action on the ground. The process of developing the refreshed corporate strategy has had significant involvement of senior officers (CMT, CLG, OEP board, All Champions) and of members (group leaders, Executive, Shadow Executive), so good foundations are in place, but we recognised that much more work will be required. We will therefore be taking a number of steps to ensure that this is the case. These will include:
			
			   o Taking steps to ensure that the focus of the Council's corporate agenda (e.g. CMT, executive) is on delivery of the corporate strategy.
			
			   o Ensuring that the direction statements are embedded in all core processes (performance management, decision making, service planning, resources allocation), so that they start to influence the key decisions made by the Council
			
			Updating the Council's decision making and reporting writing protocols to specifically link to the Corporate Strategy
				Immediate and then ongoing	Work is ongoing to ensure CMT have dedicated support in the shaping of agendas and to ensure that forward plans are appropriately and primarily focused on the Corporate Strategy
					
					Direction statements have been embedded into core processes associated with performance, decision-making, service-planning and resource allocation with the development of an annual scorecard, embedding within arrangements to support the 2008/09 budget and in the development of the strategic compass.
					
					Decision-making and report writing protocols and templates have been updated also to reflect the new elements of the refreshed Corporate Strategy.

Recommendation	Priority	Responsibility	Comments	Date	Progress to January 08
R4 Develop medium term, internal and external communication strategies in tandem to communicate the corporate strategy refresh effectively. The expected benefits of this recommendation are: • A clear articulation of the various components of the corporate strategy and how the key messages from these will be plainly communicated to appropriate internal and external audiences; • Staff and partners will gain a better understanding of what the Council is trying to achieve and how their role contributes to this; and • Better contribution to delivering desired outcomes for residents and users. ***The implementation of this recommendation will have high impact with low costs***	High	Director of People & Improvement lead Head of Marketing & Comms lead	We acknowledge the importance of ensuring that our refreshed Corporate Strategy is widely understood and owned throughout the council and the city. We also recognise the need to ensure that it is communicated more widely than previously and that the engagement of the public and partners are important to the strategy's success. We are presently developing a communication strategy which will work to fulfil these requirements and which better tailor its messages according to each stakeholder group, making the Corporate Strategy's components real, applicable and linked to the day to day business. We will stress the central and unchanging elements of much of the refreshed strategy and the continued relevance of our priorities. It will also articulate the new elements which have been added and demonstrate their importance to providing overall strategic direction. These elements will also have significant implications for our city partners and accordingly these need to be drawn out for this audience and links to the Community Strategy made more explicit.	Sept mid Oct/ Ongoing	There have been strong examples recently of improved communication work related to the Corporate Strategy. This has included the engagement of partners and stakeholders and via directorate owned communication plans intended to improve corporate ownership and understanding of the council's long term direction. Whilst much of this is still tactical, evidence suggests it is reaching to right audience and is proving effective. It also goes to inform the development of a wider communication strategy for the authority.

audit
commission

Deciding and Delivering Council Priorities

City of York Council

Audit 2007/08

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

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

- Auditors are appointed independently from the bodies being audited.

- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.

- Auditors may report aspects of their work widely to the public and other key stakeholders.

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

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

Status of our reports

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

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

- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Summary report

Introduction

1   Community leadership is key to the CPA 2005 approach. The Achievement theme is assessed by examining how well councils are delivering local priorities and outcomes across five sub-themes. These are based on the 'shared priorities' which were agreed by the then Office of the Deputy Prime Minister's central and local government partnership. The five sub-themes are:

- Sustainable communities and transport;
- Safer and stronger communities;
- Healthier communities;
- Older people; and
- Children and young people.

2   The community strategy is the natural vehicle for tackling these agendas in their local contexts and in the light of local priorities. The community leadership role of the council is vital to promote effective delivery against these local priorities.

3   The way that local priorities are determined and how they are balanced with other sometimes competing priorities is crucial to successful delivery. The Audit Commission research on performance breakthrough revealed three actions that successful public sector organisations do:

- focus on what the organisation is about, prioritise and do something. This means considering competing priorities and making difficult judgments about which should come first;
- get the right people involved in deciding what matters; and
- put resources behind what matters.

Background

4   The City of York Council has transformed some important aspects of the way it carries out its community leadership responsibilities. These included a revision of the council plan priorities to make it more closely aligned to the objectives of the community plan. These changes were made within the context of increased cost pressures - which made the need for prioritisation more acute.

5   In July 2006, we reviewed the Council's corporate planning and prioritisation arrangements (Phase 1) to establish how the Council had previously allocated resources and managed performance. We also tested how the new performance and financial planning arrangements had been applied in practice, to identify areas of good practice and to identify any areas that required improvement. Two probe areas were used: the previous priority of "York – the safer city"; and the new improvement statement "Health and Lifestyle".

6   The review found that the Council was at an early stage in implementing its new priorities - which were formally agreed by the Council in June 2006. It had significant work to do to ensure that these priorities were embedded within its service and financial planning systems in time for the budget allocation process, which began in autumn 2006.

7   Recommendations resulting from this review were to:

- strengthen the service planning framework and guidance to include the new priorities, better target-setting and increased user focus;

- integrate the improvement statements into the performance management framework;

- clarify the way in which resources will be allocated to priorities and reflect this in all relevant plans and strategies;

- introduce arrangements which promote systematic exchange of information about previous successes and failures in improving outcomes; and

- make the reasons for focusing on the new priorities more explicit in Council communications and develop an internal communications strategy, which should be implemented as soon as possible.

Updated background

8   Since the July 2006 review, there have been a number of changes to the Council's corporate strategy framework and the Council is currently in the process of refreshing this.

9   It has introduced a set of direction statements which underpin the vision. These are intended to drive the Council's current activity and address future challenges such as those emerging from the Strong and Prosperous Communities Government White Paper. This will provide a more detailed long-term vision of what the Council wants to look like and will contain milestones that the Council can measure its direction of travel against.

10 It has revised the 13 improvement statements (now called priorities) by:

- creating a set of four values from the previous internally focused internal improvement statements, these will be monitored and managed by an organisational effectiveness programme board;

- updating the Science City priority to take account of recent economic developments and focus on narrowing income gaps; and

- adding a new priority relating to climate change.

Each of these will continue to be championed by a senior officer in the Council.

11 The Council has identified seven corporate 'imperatives' where work is required straight away and will be progressed through individual project boards. These relate to six existing major corporate projects such as the implementation of job evaluation and the schools modernisation strategy. Work on the seventh 'imperative' has not yet begun and relates to shaping the Council's services to address the city's changing demographic profile.

Audit approach

12 This follow-up review focused on the recommendations from phase 1 and assessed the Council's progress against them. Two probe areas were used to test progress. These were taken from the 13 priorities and cover both external service delivery and internal arrangements and are:

- improve the actual and perceived condition and appearance of the city's streets, housing estates and publicly accessible spaces; and

- delivering what our customers want.

Main conclusions

13 The Council has made progress against some of the recommendations from the July 2006 review, but progress in some areas has been slow. Until the Council has addressed the issues raised previously and those raised within this follow-up review, and embedded its new corporate planning and prioritisation arrangements throughout the organisation, it will not be able to optimise its effectiveness or its achievements.

14 The following section identifies progress against each of the recommendations.

Strengthen the service planning framework and guidance to include the new priorities, better target-setting and increased user focus

Integrate the improvement statements into the performance management framework

15 The Council has made good progress to strengthen its service planning framework which includes key actions from relevant delivery and innovation plans (DIPs).They also include a clearer focus on residents and users of services. Service planning guidance has been strengthened and provides a good basis for helping service managers to develop robust plans. The guidance includes corporate-wide minimum standards to ensure individual plans are of a consistent quality. However, there is no guidance on determining outcome measures and target setting and as a result the targets within service plans are still underdeveloped. This means that there is no clear understanding of what the improvements for local people will look like and the Council cannot monitor and manage performance within its priority areas.

Clarify the way in which resources will be allocated to priorities and reflect this in all relevant plans and strategies

16 The Council's financial plans and strategies set out how some of the Council's priorities will be resourced. The Council's Information Technology Development Bids, Capital Programme Resource Allocation Model and revenue growth budget allocation consider the Council's priorities and rank each bid for funding against them. The draft medium term financial strategy (MTFS) does include details of how some of the major projects within the Council's priorities will be funded. However, it does not clearly articulate the proposals for each priority area and how they will be resourced within the three-year timescale of the strategy. The Council is now exploring ways to redesign the MTFS to clarify the links between each priority and the resourcing arrangements outlined within the medium term strategy.

17 There are some clear examples of shifting resources to priority areas such as extra resources to fund the Council's plans for reducing landfill and the Council's access project easy@york. The Council's tight financial position is projected to be even more challenging in 2008/09; this rules out the possibility of introducing additional funds. Consequently, the Council's emphasis is on improvement through service redesign and refocus. As a result, most prioritisation of resources takes place within individual service budgets such as Neighbourhood Services, where reallocation of funding from trading standards to priority front-line services has resulted in improved performance in street cleaning. The process for reallocating available resources is less clear for cross-cutting service improvement priorities such as customer focus and health. For these priorities, the champions are not in direct control of individual service budgets that may need to be reprioritised to deliver the desired outcomes.

18 The Council is improving its budget preparation arrangements and is trying to help councillors and managers gain a clearer understanding of the impact on performance of cost savings or growth bids. It now includes the use of 'strategic compass' models, recently developed by managers to demonstrate the additional value for money being achieved. However, these changes are not yet implemented and so their impact cannot be assessed

8 Deciding and Delivering Counc.. .... , ... mmary report

Introduce arrangements which promote systematic exchange of information about previous successes and failures in improving outcomes

19 The Council established two champions groups to monitor progress and promote shared learning. The first group involves all 13 champions - one for each improvement priority. The second group comprises the four organisational development champions. Both groups have reviewed overall progress over the last year. They have identified barriers and successes which have been shared and learned from. Meetings of the top 200 managers group, which was formed for the launch of the Corporate Strategy in November 2006, is used to cascade information, feedback on progress and generate ideas to improve delivery of the priorities.

20 The champions interviewed show a high level of awareness, competence and enthusiasm for the improvement areas that they are responsible for. They can demonstrate success in the planned improvements for year one of the DIPs. However the arrangements for personal appraisal and accountability of the champions is not systematic and there are no personal targets to ensure that progress can be tracked.

Make the reasons for focusing on the new priorities more explicit in Council communications and develop an internal communications strategy which should be implemented as soon as possible

21 Progress on communicating the Council's priorities internally and with residents and users is still underdeveloped. There is no overarching medium to long term internal or external communications strategy. The Council developed and implemented some tactical plans to communicate the 13 improvement priorities, launched in November 2006, to limited internal and external audiences. Although these initiatives have made the reasons for focusing on new priorities clearer, they have been primarily targeted at staff, partners and key stakeholders. Plans to communicate the refreshed priorities are similarly of a one-off nature. However, the Council has recently approved plans to re-launch its residents' newspaper which will be produced monthly rather than quarterly of a better quality with targeted communication of the Council's priorities and key messages.

Other relevant progress

22 Changes in political control and some key managers have delayed implementation of the revised corporate strategy framework. This was intended to be in place by July 2007 but will not now be formally approved until September 2007 and launched by the Leader and new Chief Executive in October 2007. This means that the Council again has a significant challenge to implement these new arrangements in time to feed budget and service planning processes effectively.

23 The corporate and staff culture is changing positively but is still at an early stage of development. Staff interviewed demonstrate a real enthusiasm for the new leadership and emerging direction, and suggest that a more corporate approach is developing across the directorates. The Corporate Management Team has agreed in principle to a proposed set of improvements to its approach to performance management and monitoring priorities. However a significant amount of work remains to be done to move from a set of design principles to an embedded culture of continual focus on priorities.

The way forward

24 These findings have been discussed with the senior officers in the Council and an action plan to address the recommendations has been agreed with appropriate responsibilities for implementation.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R1 Clarify responsibilities for the delivery of the new corporate strategy including the championing arrangements and build this into personal targets to drive and embed the required actions. The expected benefit of this recommendation is: • clearer accountability for delivery of the revised priorities, the new imperatives and progress against the direction statements The implementation of this recommendation will have high impact with low costs.	3	Chief Exec Lead Policy & Improvement team deliverer		CMT (15 August) agreed an overall framework for embedding the corporate strategy, including building in links to Chief Officer appraisals. The overall CS will be owned by CMT and the Executive, and individual parts of it owned by the OEP board, Champions and/or Project Boards. Detailed time-lines for this will be considered/ approved by CMT in early September (see attached). Revised championing arrangements will be finalised during the early part of September, alongside updating of all DIPs to reflect year 2 and year 3 actions, and identify high level measures for each priority. Monitoring of these actions and/or the measures will form part of Director/Chief Officer appraisals and will in turn be cascaded into those of relevant officers. These monitoring arrangements will also be at the heart of future corporate performance monitoring arrangements (starting with EMAPs in November and the joint CMT/executive monitor 2 session in December).	September 2007 December 2007

City of York Council

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R2 Revise the performance management arrangements by: • integrating targets for all priorities, values and imperatives. This should also include annual tracking of the direction of travel of the Council against its own direction statements; and • strengthening the service planning framework and guidance to include improved measures and target setting. The expected benefits of this recommendation are: • clearer understanding of what outcomes are expected; and • improved focus and reporting of progress against targeted outcomes The implementation of this recommendation will have high impact with low costs.	3	Director of People & Improvement lead Policy & Improvement team deliverer		We are committed to ensuring that the corporate strategy is at the heart of our corporate performance management framework. Work is nearly complete to refine our indicator set so that we have a small number of key measures for each of the existing priorities. These will focus around the outcome we are hoping to achieve and will be clearer about how we quantify success. More extensive work is required on the changed/new priorities, but this should be completed quickly once revised championing arrangements have been finalised. We will also identify a series of milestone events to track/report on performance on the corporate imperatives. Improvement targets will be set for each of the priorities. These targets, and target setting guidance to be included as part of service planning guidance, will be developed in a way which is complementary to the ongoing work with CMT on improving the Council's overall performance management arrangements. Progress against these targets and milestones will be tracked at an officer level as part of the CMT, OEP board and All Champions mechanisms; and at member level through Executive and EMAP reporting. (see 2nd point on R1)	October 2007 December 2007

Page 29

City of York Council

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R3 Develop and embed decision-making and reporting mechanisms to ensure that the corporate strategy drives the actions of the Council. The expected benefit of this recommendation is: • increased focus on the things that matter most to the Council, its users and key partners The implementation of this recommendation will have high impact with low costs.	3	Chief Exec Lead Head of Legal, Democratic & Civic deliverer		A baseline position in relation to each of the seven direction statements will be established as soon as possible (and by end October at the latest). 'Direction of Travel' statements will be drawn up annually for each of the direction statements which will be integrated into the corporate performance framework. It is envisaged that these will form a key part of the Joint CMT/Executive year end monitor session and year-end reporting processes. We recognise that the success of the corporate strategy depends entirely on it influencing action on the ground. The process of developing the refreshed corporate strategy has had significant involvement of senior officers (CMT, CLG, OEP board, All Champions) and of members (group leaders, Executive, Shadow Executive), so good foundations are in place, but we recognised that much more work will be required. We will therefore be taking a number of steps to ensure that this is the case. These will include: • taking steps to ensure that the focus of the Council's corporate agenda (eg CMT, executive) is on delivery of the corporate strategy; and • ensuring that the direction statements are embedded in all core processes (performance management, decision making, service planning, resources allocation), so that they start to influence the key decisions made by the Council.	End October Immediate and then ongoing

City of York Council

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					Updating the Council's decision making and reporting writing protocols to specifically link to the Corporate Strategy.	
	R4 Develop medium term, internal and external communication strategies in tandem to communicate the corporate strategy refresh effectively. The expected benefits of this recommendation are: • a clear articulation of the various components of the corporate strategy and how the key messages from these will be plainly communicated to appropriate internal and external audiences; • staff and partners will gain a better understanding of what the Council is trying to achieve and how their role contributes to this; and • better contribution to delivering desired outcomes for residents and users. The implementation of this recommendation will have high impact with low costs.	3	Director of People & Improvement lead Head of Marketing & Comms lead		We acknowledge the importance of ensuring that our refreshed Corporate Strategy is widely understood and owned throughout the council and the city. We also recognise the need to ensure that it is communicated more widely than previously and that the engagement of the public and partners are important to the strategy's success. We are presently developing a communication strategy which will work to fulfil these requirements and which better tailor its messages according to each stakeholder group, making the Corporate Strategy's components real, applicable and linked to the day to day business. We will stress the central and unchanging elements of much of the refreshed strategy and the continued relevance of our priorities. It will also articulate the new elements which have been added and demonstrate their importance to providing overall strategic direction. These elements will also have significant implications for our city partners and accordingly these need to be drawn out for this audience and links to the Community Strategy made more explicit i.e. commitment to partnership working and commissioning.	September Mid October/ongoing

Page 31

City of York Council

This page is intentionally left blank

CITY OF
YORK
COUNCIL

Management team   15 Jan 2008

The Annual Audit & Inspection Plan 2007/08
Mid-term monitoring report

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

Summary

1   This paper updates Members of the progress made so far this year in
        completing the work set out in the annual external audit & inspection plan
        for 2007/08, as approved previously by Members in June 2007.

Background

2   The Annual Audit Plan sets out the audit and inspection work to be
        conducted by the District Auditor in discharging his statutory duties to:

   • give an opinion on financial statements of the audited body;

   • draw conclusions as to the arrangements put in place by the
     audited body to secure value for money (ie the extent to which
     there are satisfactory arrangements in place for securing economy,
     efficiency and effectiveness in the use of resources).

3   In preparing the plan for 2007/08, the Audit Commission took into account:

   • the outcomes of the 2006 CPA Use of Resources work;

   • the quality and coverage of the work conducted by Internal Audit,
     placing reliance on the Internal Audit Annual Plan to make best use
     of scarce audit resources and reduce costs wherever possible;

   • an understanding of the key issues facing the organisation in the
     coming year based on a series of individual interviews conducted
     with key officers and leading Members over the last few months;

   • their assessment of the inherent audit risks arising;

   • the requirements of the Code of Audit Practice in discharging their
     statutory responsibilities in the conduct of the audit;

   • the planned corporate CPA assessment of the authority scheduled
     for Jan/Feb 2008.

4   The corporate client for the overall management of the annual audit &
        inspection service at the Council is the Assistant Director of Resources ,
        Audit & Risk Management (AD ARM). The AD ARM meets with the Audit
        Manager (Audit Commission) on a monthly basis to monitor progress
        against the plan and discusses any issues arising from the audit with the
        Chief Executive and the S151 Officer as necessary throughout the year.
        The AD ARM and the Audit Manager also meet with the Chief Executive
        on a quarterly basis to discuss any significant matters arising during the
        conduct of the annual audit. Any serious matters of consequence to the
        good management and governance of the Council arising from the audit
        will always be reported to the Audit & Governance Committee for
        Members consideration. So far this year, there have been no serious
        matters of consequence requiring separate report to Members.

Progress monitor

5   Annex A (as provided by the Audit Commission) sets out a schedule of the
        principal areas of review and key products due to be delivered in 2007/08.
        These relate to both outstanding items still for completion in the current
        financial year further to the 2006/07 audit plan and to new work scheduled
        further to Members approval of the 2007/08 audit plan earlier this year.
        The key matters to note from this so far this year include:

-       an unqualified opinion has been given on the financial statements;

-       an unqualified VFM conclusion has been given;

-       a score of 3 (Good) was given for the CPA Use of Resources
        assessment (an improvement on the 2 awarded in 2006/07);

-       an unqualified opinion has been issued in relation to the Council's
        Best Value Performance Plan;

-       all other work in respect of 2006/07 is now complete with the
        exception of:

        -   the review of governance and performance management
            arrangements for the Local Area Agreement – the audit has
            been pended awaiting Council update of its LAA arrangements
            further to new directions from Government;

        -   the annual audit letter – the annual reporting cycle for the AAL
            has now shifted from January to March as advised previously.
            The draft letter will be discussed with officers in February with a
            view to the final letter being taken to the Executive in March. It
            will then be reported to A&G Members in April along with an
            action plan to address any matters arising from the letter during
            the forthcoming year.

-       all other work in respect of 2007/08 is underway and is expected to
        be completed in accordance with planned dates for completion.

Fees & budget monitor

6   The fees for the audit in 2007/08 as notified by the District Auditor in his annual audit plan were specified as:

- core audit costs **£197k**;

- inspection costs (including this year's corporate assessment) **£126k**. Inspection costs in 2007/08 are considerably higher than in previous years due to the exceptional costs of the Corporate CPA inspection in early 2008. The total cost of the inspection is £208k, half of which is paid for by Government and the other half paid for by the Council;

- grant claims **£50k**. The Audit Manager has subsequently advised that grant claims work is likely to exceed £50k in total this year.

7   There are no significant variations on budget to report to Members at this time, although it should be noted that:

- the corporate grant claim budget may overspend at year end if costs cannot be contained in year and/or previously unplanned and/or un-notified additional grant claim work cannot be recharged to the relevant service Directorate. It is difficult to forecast the final outturn for this budget currently given that the budget for grants can only ever be indicative as work is done on a 'needs must' basis at the discretion of the District Auditor;

- the fees for audit will increase significantly for 2008/09 onwards to reflect additional work arising from a change in the audit & inspection regime following the introduction of the Comprehensive Area Assessments process and a new, extended, Use of Resources CPA regime from 2009 onwards. Full details of future fee proposals from the Audit Commission will be reported to A&G Members in April as part of the year end report setting out the final outturn on the 2007/08 audit and 2008/09 audit plan paper.

Consultation

8   Not relevant for the purposes of this report.

Options

9   Not relevant for the purpose of the report.

Analysis

10   Not relevant for the purpose of the report.

Corporate Objectives

11   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

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

Risk Management Assessment

13   The Council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful and adversely impact on the Council's CPA score for the Use of Resources (and therefore the corporate CPA score for the in 2007/08).

Recommendations

14   Members are asked to:

    a)   note the contents of the report.

        <u>Reason</u>

        To ensure the effective client management of the external audit & inspection service

Author:	**Chief Officer Responsible for the report:**
Liz Ackroyd	Liz Ackroyd
Assistant Director of Resources (Audit & Risk Management)	Assistant Director of Resources (ARM)
Resources	**Report Approved** *Yes* **Date** *27 December 2007*
Ext 1706	

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable   **All**

For further information please contact the author of the report

Background Papers
The Annual Audit & Inspection Plan (Audit Commission)

Annexes
Annex A   Progress update commentary from the Audit Commission

This page is intentionally left blank

Annex A

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

This page is intentionally left blank

Audit Commission
Monitoring the delivery of the 2006-07 and 2007-08 audit plans

Table 1:
Work included in the 2006-07 audit plan

Audit Work	Progress
Audit of the 2006-07 financial statements	Completed. Unqualified audit opinion given on 28th September 2007. Issues reported to Audit & Governance Committee in our Annual Governance Report on 24th September 2007. A more detailed report to officers is being discussed and finalised.
Certification of Whole of Government Accounts consolidation schedule	Completed. Certificate sent to DCLG on 28th September 2007.
Conclude on the value for money in the Council's use of its resources	Completed. Unqualified conclusion given on 28th September 2007.
Carry out 'Use of Resources' assessment	Completed. Score reported to Council on 10th December 2007. Audit Report issued 17th December 2007.
Review the Council's 'Direction of Travel'	Fieldwork completed. Draft wording being discussed and agreed with officers. Wording and 'score' will be included in overall CPA score as reported in the Annual Audit & Inspection Letter
Certification of 2006-07 grant claims and returns	Most claims/returns now certified. Work continues on one remaining claim.
Audit of data quality	Completed. Report issued in November 2006.
Audit of the 2006-07 Best Value Performance Plan	Completed. Unqualified opinion issued in December 2006
Waste management follow up inspection	Completed. Report issued in August 2007
Review of the governance performance management arrangements for the LAA	**Not complete** Council's LAA arrangements are being updated to respond to central government direction. Audit review has been delayed accordingly and will be delivered alongside the Council's implementation of its revised arrangements.
Follow up review of people management arrangements	Completed. Report being finalised – to be issued in January 2008.

Audit Commission
Monitoring the delivery of the 2006-07 and 2007-08 audit plans

Audit Work	Progress
Review of project management arrangements for easy@york and the admin accommodation project	Completed. Reports issued in stages, final one being issued in September 2007.
Review of IT data security arrangements	Completed. Report issued in September 2007.
Review of Internal Audit – compliance with standards	Completed. Report issued in August 2007.
Produce an Annual Audit & Inspection Letter	**Not complete** Letter being drafted. Will be discussed with officers and presented to Executive and Full Council in March 2008.

Audit Commission
Monitoring the delivery of the 2006-07 and 2007-08 audit plans

Table 2:
Work included in the 2007-08 audit plan

Audit Work	Progress
Audit of the 2006-07 financial statements	Work has begun on the financial systems audit. Work on the financial statements will begin in July 2008.
Certification of Whole of Government Accounts consolidation schedule	Work will begin in September 2008.
Conclude on the value for money in the Council's use of its resources	Work will begin in April/May 2008.
Carry out 'Use of Resources' assessment	Work will begin in April/May 2008.
Review the Council's 'Direction of Travel'	Work will begin in November 2008.
Certification of 2006-07 grant claims and returns	Work will begin in July 2008
Audit of data quality	Completed. Report being finalised and will be issued in January 2008.
Audit of the 2006-07 Best Value Performance Plan	Completed. Unqualified opinion issued in December 2007.
Corporate Assessment	On site visit commences 28th January 2008. Final report due to published 3 June 2008.
Follow up the Councils progress in delivering the agreed actions from our 2006/07 review of prioritisation.	Completed. Report being finalised – to be issued in January 2008.
Follow up the Councils progress in delivering the agreed actions from our 2006/07 review of service improvement planning.	Work will begin in February 2008.
Follow up the Council's progress in delivering the agree actions from our 2005/06 review of the debt recovery arrangements.	Work will begin in February 2008.
Produce an Annual Audit & Inspection Letter	Letter will be drafted in early 2009.

This page is intentionally left blank

Agenda Item 6

Audit and Governance Committee   15 January 2008

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

Audit and Fraud Mid-Term Monitor

Summary

1   This report provides details of the progress made in delivering the internal audit and fraud work plan for 2007/08.

Background

2   The work of Internal Audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government. In accordance with the Code of Practice, the 2007/08 Audit and Fraud Plan was approved by the Audit and Governance Committee on 3 April 2007. The Plan included a programme of audit reviews and details of planned counter fraud activities. The total number of planned audit days was 1,340. However, there were still insufficient resources in the Audit team to allow all the systems or areas identified through the 5 year Strategic Audit planning process to be audited. As with previous year's Audit Plans, priority was therefore given to 'high' and 'medium' risk areas. The counter fraud activity plan was based on the resources available to the Fraud Team. The total number of days allocated to counter fraud activities in 2007/08 was 1,100.

3   It was also 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 new risks were identified. Any variations to the Audit Plan would be approved by the AD (Resources) ARM and then reported to the S151 Officer and the Audit and Governance Committee.

4   The Counter Fraud Activity Plan included details of;

- planned activities, including fraud detection and investigation;
- fraud awareness and training;
- proactive fraud work;
- joint working with other counter fraud agencies;
- resource allocation.

2007/08 Internal Audit Plan – Progress to Date

5 Two of the priorities for the service are to deliver at least 90% of the Audit Plan and to ensure that Internal Audit continues to retain its 'managed audit' status with the Audit Commission. These are the minimum requirements necessary to achieve a good score for internal control as part of the Use of Resources CPA assessment process.

6 Internal Audit successfully delivered 92% of the 2006/07 Audit Plan (compared to 91.3% in 2005/06 and 90% in 2004/05). Whilst only 36% of the 2007/08 Audit Plan has been completed to date it is still anticipated that the 90% target will be achieved this year. This is because the current figures do not take into account a further 33% of audit fieldwork which is either complete or in progress. Details of the audits completed and the reports issued are given in Annex 1.

7 As noted in paragraphs 3 and 4 above, it has been necessary to make a number of variations to the Audit Plan to accommodate a shortfall in resources and to take account of changes in priorities. Details of the Audit Plan variations approved by the AD (Resources) ARM to date, are given in Annex 2.

2006/07 Counter Fraud Activity Plan – Progress to Date

8 Counter fraud work has been undertaken in accordance with the approved Plan. Annex 3 provides a summary of the work completed. The majority of the work undertaken by the Fraud team during the year has continued to relate to the identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. However, the team has also worked closely with Internal Audit on internal fraud investigations. In addition, a number of other external fraud investigations have been conducted, including the identification of fraudulent blue badge use. Details of the investigations undertaken and, prosecutions and sanctions achieved in the year are given in Annex 4.

Consultation

9 Not relevant for the purpose of the report.

Options

10 Not relevant for the purpose of the report.

Analysis

11 Not relevant for the purpose of the report.

Corporate Priorities

12   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

13   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** – the report includes details of prosecutions carried out during the year in accordance with the Council's Fraud and Corruption Prosecution Policy.

- **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

14   The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

Recommendation

15   Members are asked to:

- Note the results of the audit and fraud work undertaken to date in 2007/08.

    Reason

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

- Note the variations to the 2007/08 Audit Plan, approved to date by the AD (Resources) ARM.

<u>Reason</u>

To enable Members to consider the delivery of the Internal Audit Plan.

Contact Details

Author:
Max Thomas
Audit and Fraud Manager
Audit and Risk Management
Telephone: 01904 552940

Richard Smith
Deputy Audit and Fraud Manager
Audit and Risk Management
Telephone: 01904 552936

Chief Officer Responsible for the report:
Liz Ackroyd
Assistant Director (Audit and Risk Management)
Telephone: 01904 551706

Report Approved ✔ **Date** 28 December 2007

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable   **All** ✔

For further information please contact the author of the report

Background Papers

- 2007/08 Internal Audit Plan
- 2007/08 Counter Fraud Activity Plan

Annexes

Annex 1 – Audits Completed and Reports Issued
Annex 2 – Variations to the Audit Plan
Annex 3 – Counter Fraud Activity
Annex 4 – Investigations, Prosecutions and Sanctions (Housing and Council Tax Benefits)

2007/08 Audits Completed and Reports Issued

Systems/establishment audits

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

Opinion	Assessment of internal control
"High standard"	Few or no weaknesses
"Good"	Some weaknesses, but mostly insignificant
"Acceptable"	A number of weaknesses
"Weak"	A number of weaknesses, some significant
"Not acceptable"	Major control weaknesses

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

Definition of Priority

1 (High)	Action considered necessary to ensure that the Council is not exposed to high or catastrophic risks. For example significant financial loss, death or injury of Council staff or customers, damage to reputation, disruption to a service or continuity of operations.

Actions may be considered a high priority if the impact of a potential risk is high, even though its likelihood may be low.

Recommendations that address breaches of legislation or Council policies and procedures may also be rated as a high priority.

2 (Medium)   Action considered necessary to avoid exposure or reduce exposure to significant risks. For example financial or other loss.

This will include areas where there are no controls to mitigate significant risks or where amendments are required to ensure that controls are effective and mitigate the risks to an acceptable level.

3 (Low)   Action considered necessary to improve controls that are already in place and reasonably effective, although further improvements are required in order to mitigate risks to an acceptable level.

Recommendations that may result in efficiencies or better value for money will also be included in this category.

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

Opinion	Number
"High standard"	0
"Good"	0
"Acceptable"	7
"Weak"	1
"Not acceptable"	0
"Not given"	2

29 reports have been finalised. Of these, 17 relate to 2006/07 and 12 to 2007/08. In all cases the recommendations made have been accepted by management, and will be subject to follow up by Internal Audit. Details of the finalised reports are summarised below;

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
Creditors 2006/07	10/10/07	High Standard	1	0	No significant weaknesses identified.
Debtors 2006/07	4/10/07	Weak	8	0	Procedures for recovering overdue debts needed to be improved.
Payroll 2006/07	10/10/07	Good	4	0	Additional fidelity guarantee insurance was required to cover IT staff processing BACS transactions.
Housing and Council Tax Benefits 2006/07	23/10/07	Good	2	0	No significant weaknesses identified.
Cashiers 2006/07	9/7/07	High Standard	2	0	No significant weaknesses identified.
National Land and Property Gazetteer 2006/07	18/10/07	High Standard	2	0	A review of controls over the operation of the database. No significant weaknesses were found.
Member support, Members allowances,	22/8/07	Good	5	0	No significant weaknesses were found.

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	**Number of 'high' priority**	
Members interests 2006/07					
Business Continuity 2006/07	5/12/07	Weak	4	0	Although the overall framework for business continuity planning was good, the lack of progress made by departments in developing continuity plans led us to conclude that the Council's overall controls in relation to business continuity were weak.
Education Development Service 2006/07	26/7/07	High Standard	1	0	No significant weaknesses identified.
Education Contracts 2006/07	23/7/07	High Standard	0	0	No significant weaknesses identified.
Housing Repairs and Maintenance 2006/07	26/6/07	Good	5	0	No significant weaknesses identified.
Clifton Without Junior School 2006/07	13/7/07	Acceptable	8	0	The school needed to adopt a policy and procedure for recording gifts and hospitality. Other recommendations were made in relation to income, the school fund, and formalising financial

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	**Number of 'high' priority**	
					delegations.
Skelton Primary School 2006/07	19/7/07	Weak	10	3	The school needed to set up a register of governors' business interests as required by law. The school also needed to maintain accounts for the school fund and register the fund with the Charity Commission. **High Priority Recommendations:** • Accounts must be maintained for the school fund and these should be subject to an annual external audit. Audited accounts should also be presented annually to the Governors. • As income through the school fund is in excess of £1K the Governors need to agree a constitution and register the fund with the Charity Commission (chapter 11.2 of the school's BAFS Finance Manual). • A register of business interests should be compiled and maintained for both the governors and the Headteacher (chapter 6.4.3 of the school's BAFS

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	**Number of 'high' priority**	
					Finance Manual)
Burnholme Community College 2006/07	5/6/07	Acceptable	5	0	No significant weaknesses identified.
Oaklands Secondary School 2006/07	9/7/07	Weak	9	1	Payments to a part time member of staff were made through petty cash. Although the amounts were not significant, proper payroll procedures were not followed. **High Priority Recommendations:** • All people working in the school must be paid through the payroll or (if they meet the required criteria) on a self employed basis.
Budgetary Control 2006/07	11/10/07	Good	2	0	No significant weaknesses identified.
Petty Cash 2006/07	25/9/07	Weak	5	0	An additional unplanned review which looked at petty cash payments across the Council. This was in response to problems highlighted during a number of other audits. Systems were found to be generally poor.

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	**Number of 'high' priority**	
Youth Services 2007/08	12/10/07	Weak	13	1	Not all staff employed to work with young people had received a Criminal Records Bureau (CRB) check. There were also a number of weaknesses in relation to budgetary control, petty cash, ordering, and income. **High Priority Recommendations:** • A CRB check should be carried out for all Youth Service staff currently without one. In future, staff recruited to posts within the Youth Service should not be allowed to start employment until the disclosure has been received.
Best Value Performance Indicators / Public Service Agreements 2007/08	11/9/06	Not given	5	0	The review was undertaken in conjunction with the Audit Commission. 19 BVPI and local indicators were tested by Internal Audit and it was found that one indicator could not be verified to the underlying data. Recommendations were made to improve data quality for the future.
Edmund Wilson	23/8/07	Acceptable	9	0	Controls over vending stock and income

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number of 'high' priority	
Swimming Pool 2007/08					needed to be improved.
Standards Fund 2007/08	23/11/07	High Standard	0	0	No significant weaknesses identified.
Blue Badge Scheme 2007/08	10/12/07	Acceptable	7	0	Recommendations were made to improve controls in relation to record keeping and the issue of badges.
Badger Hill Primary School 2007/08	5/7/07	Good	3	0	Banking arrangements for the school fund required amending to ensure that two signatories were required to sign cheque
Carr Infant School 2007/08	18/9/07	Acceptable	7	0	The school needed to adopt a policy and procedure for recording gifts and hospitality. In addition, quorums for Governors' committee meetings needed establishing.
Clifton Green Primary School 2007/08	15/8/07	Good	5	0	The school needed to adopt a policy and procedure for recording gifts and hospitality.
St Paul's Nursery School 2007/08	13/9/07	Good	6	0	The school needed to adopt a policy and procedure for recording gifts and

Description	Date Final Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	**Number of 'high' priority**	
					hospitality and register the school fund with the Charity Commission.
St Wilfrid's RC Primary School 2007/08	21/11/07	Acceptable	7	0	The school needed to adopt a policy and procedure for recording gifts and hospitality and improve controls in relation to lettings.
Follow up report on the implementation of Internal Audit recommendations.	24/9/07	Not given	N/A	N/A	A review of the progress made by management to implement previously agreed audit recommendations. A copy of the report was presented to A&G on 24 September 2007.
Breaches and Waivers	24/9/07	Not given	N/A	N/A	A review of non compliance with Financial Regulations and EU Procurement legislation. A copy of the report was presented to A&G on 24 September 2007.

Other Work Completed

- Statement on Internal Control for 2006/07, prepared and published as part of the annual Statement of Accounts
- Report of the Chief Internal Auditor for 2006/07, prepared and presented to A&G on 26 June 2007.
- Support and advice to the Resources Directorate regarding problems connected with petty cash payments and the introduction of new guidance.

- Further development of procedures (in conjunction with staff from LCCS) for assessing schools' performance in relation to the Financial Management Standard in Schools including a report prepared for the Schools Forum setting out the process to be followed for 2007/08 and presentation to headteachers and school governors.
- Preparation of the Local Code of Corporate Governance reported to A&G on 24 September 2007.
- Data collected and submitted to the Audit Commission as part of the NFI exercise and report prepared for A&G setting out work completed in relation to the National Fraud Initiative data matches (presented to A&G on 24 September 2007).
- Report prepared for A&G setting out the results of the Audit Commission review of Internal Audit (presented to A&G on 24 September 2007).
- Shared Service Initiative – completion of work as part of the ongoing project (see separate item on agenda)
- DTI grant claim audited – chargeable work.
- 1 school fund audit completed – chargeable work.
- Audit of SSCF grant claim – chargeable work.

Annex 2
Variations to the Audit Plan

Additions to the Plan are considered where;

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

Additions to the Audit Plan are only be made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been reviewed and approved by the AD (Resources) Audit and Risk Management.

Audits are deleted from the Plan or delayed until later years where;

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable
- the initial reason for inclusion in the Audit Plan no longer exists.

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

2007/08 Audit Plan Variations

The following variations to the Plan have been approved by AD (Resources) ARM in 2007/08.

Audit	Days	Justification For Change
<u>Additional Work</u>		
Grant Audits	+14 days	Systems review/certification work required to be carried out by Internal Audit in relation to various grants including supporting people, safer cities and DTI grant claims.
Galileo Upgrade	+10 days	Provision required to cover additional resources needed to oversee and implement a major upgrade of the audit software.
Preparation of 2007/08 Annual Governance Statement	+10 days	Additional provision required to implement the new Annual Governance Statement, and to carry out follow up work on actions identified as a result of the 2006/07 Statement on Internal Control.
Disabilities	+20 days	Additional provision required as insufficient time was allocated to this area within the original plan.
Public Transport	+8 days	The identification of significant control weaknesses in this area meant that the audit could not be completed within the original time allocation.
Breaches and Waivers	+10 days	Additional provision required as insufficient time was allocated to this area within the original plan.

Administration Accommodation	+20 days	Work required to provide ongoing audit input in relation to the administration accommodation project.
Local Area Agreement	+5 days	Provision required to research and put in place appropriate audit process, and to provide support and advice on control issues, in relation to the local area agreement.
National Fraud Initiative (NFI)	+10 days	Work required in relation to an additional NFI data match of council tax and electoral registration records in 2007/08.
Derwent Infant School	+5 days	Additional audit requested by the school.
Petty Cash	+15 days	Additional support and advice required to be provided in relation to problems connected with petty cash payments and the introduction of new guidance.
Total additional work	+127 days	

Audit	Days	Justification For Change
Deletions from the Audit Plan		
Contingency Audits	-37 days	To resource additional work (see above). Balance remaining – 55 days.
Homecare Expenditure and Discretionary Charges	-29 days	To defer to 2008/09 as implementation of the financial elements of the new social care IT system (Frameworki) will not now be complete until the end of 2008.

Audit	Days	Justification For Change
Stores and Purchasing	-16 days	Audit to be deferred until 2008/09 to allow systems put in place to manage the new contract with Jewsons to become embedded.
Fleet Maintenance	-15 days	To defer until 2008/09, in order to balance the audit plan to available resources.
Development Control	-15 days	To defer until 2008/09, in order to balance the audit plan to available resources.
Building Control	-15 days	To defer until 2008/09, in order to balance the audit plan to available resources.
Total deletions	-127 days	

Annex 3
Counter Fraud Activity

Activity	Work Completed or in Progress
Training	Fraud awareness training has been provided for new benefits and housing staff during the course of the year. In addition, annual fraud awareness training sessions are currently being arranged for all other Housing and Council Tax Benefit staff – these will be delivered in January and February 2008.
Public and Internal Fraud Awareness	As in previous years there will be a targeted fraud awareness publicity campaign in February and March. This will include material directed at both the staff and the public and will include for example, radio and press advertisements, articles in staff newsletters and publications.
Advice and Guidance	Ongoing advice and guidance is provided on the design and implementation of measures to prevent and detect fraud and other financial irregularities. For example changes to the design of benefit claim forms and the implementation of security measures in Council establishments and offices. Feedback is now given to relevant staff on all cases investigated. This feedback is intended to encourage more referrals but, where necessary, will include recommendations to change or improve systems and procedures so as to prevent or detect fraud in the future.
Data Matching	The Fraud Team is currently finalising work on 2006/07 Audit Commission National Fraud Initiative (NFI) data matches. The Commission have commended the work carried out to investigate these matches in a recent report.

Work is also underway to coordinate the collection of data for an additional 2007/08 NFI data match using council tax and electoral registration records. Details of any matches are expected to be received in early 2008. |

	The Fraud Team has continued to investigate potential benefit fraud cases identified each month by the DWP through the HBMS data match process. In total, 457 HBMS matches have been referred to the Council in 2007/08 of which 110 have been referred for further investigation. Total benefit overpayments identified through the investigation of HBMS matches this year is £123k of which £63k is fraudulent.
Joint Working with Other Agencies	The Fraud Partnership Agreement (FPA) with the DWP which encourages and facilitates joint working on relevant cases is now fully operational and is proving to be very successful. Both agencies are cooperating on individual investigations and sharing information to identify further possible fraud. In 2007/08 the Fraud team has been involved in 65 joint working cases with the DWP. Where appropriate the Fraud team has also continued taken part in specific joint exercises with other agencies and other Council departments. For example, the Fraud team are currently taking part in joint exercises with Housing, Trading Standards, and are involved in a major investigation involving the police and DWP.
Financial Investigations	All investigations are monitored on an ongoing basis to assess their suitability for financial investigation and asset recovery. A small number of cases are currently being considered for further action.
Proactive Work	A programme of targeted investigation work is planned for early 2008. This will be based on analysis of benefits and related data using data interrogation software.
Other	A review of the Council's Fraud and Corruption Response Plan is currently underway.

Annex 4

Investigations, Prosecutions and Sanctions (Housing and Council Tax Benefits)

771 fraud referrals have been received in the first 9 months of the year, of which 319 have been accepted for investigation (41.4%) (1,131 referrals were received in total during 2006/07, of which 704 were accepted for investigation). The following table summarises performance to date;

	2007/08 Actual (to 31/12/07)	2007/08 Target	2006/07 Actual
Number of fraud investigations completed	397	540	539
Prosecutions	19	19	22
Administrative Penalties	11	20	15
Cautions	8	20	14
Cases Currently in the Process of Prosecution	14		

In addition to the above, the Fraud team has investigated 20 cases of suspected blue badge fraud. The investigations have led to badges being surrendered in five cases.

Although the number of prosecutions to date has already exceeded the target for the year, the number of sanctions achieved (cautions and administrative penalties) is below the level expected at this point. This is in part due to the Fraud Team Leader post being vacant for several months, which has led to a backlog of cases awaiting decision on action to be taken. A recruitment exercise is currently underway and it is expected that the new Team Leader will be in post before the end of the Financial Year. It is anticipated that this will enable the backlog to be reduced, and the target level of sanctions achieved.

Performance of the fraud team is also measured and reported through three statutory Best Value Performance Indicators. The projected outturn for 2007/08 (based on the performance of the team to 31 December 2007) is as follows.

	2007/08 Projected	2007/08 Target	2006/07 Actual	Comments
BVPI 76b – Number of investigators per 1000 caseload	0.49	0.50	0.51	There has been a slight decrease in this indicator due to a rise in the benefits caseload (up by approximately 1.5% on 2006/07).
BVPI 76c – Number of investigations completed per 1000 caseload	43.15	45	44.59	This indicator is slightly lower than expected (0.5%) due to the increase in benefits caseload. However, the number of investigations completed has also been affected by the vacancy within the team. It is hoped that this will be addressed by the appointment of a new Fraud Team Leader in early 2008.
BVPI 76d – Number of sanctions/prosecutions per 1000 caseload	4.13	5	4.22	As noted above, there is currently a backlog of cases awaiting decision. It is anticipated that this will be addressed following the appointment of a new Fraud Team Leader.

Agenda Item 7

Agenda Item

Audit and Governance Committee

15 January 2008

Report of the Assistant Director (Audit and Risk Management)

Strategic Audit Plan – Consultation

Summary

1   The purpose of the report is to give Members the opportunity to contribute to the annual review and update of the internal audit risk assessment and five year strategic audit plan.

Background

2   The 2007/08 Audit and Fraud Plan was approved by this Committee on 3 April 2007. In accordance with the CIPFA Code of Practice for Internal Audit the audit plan was prepared on the basis of a risk assessment process. The risk assessment methodology is designed to ensure that the limited audit resources available are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of the Council's corporate priorities and objectives.

Risk Assessment Methodology

3   The risk assessment methodology assesses the overall level of inherent risk associated with each 'auditable' area. Seven risk factors are used in the risk model with each one given a weighting of between 1 and 3 to reflect the likely impact of individual risks on the overall risk score. The overall score can also be supplemented by any specific risks identified through the corporate risk management process. The individual risk factor scores are formally reviewed and updated on an annual basis as part of the process for preparing the following year's audit plan. The individual risk scores are however kept under constant review and will be amended to reflect any new or emerging risk issues. The risk factors used in the model are as set out in figure 1 below.

Figure 1: Risk Factors

Risk Factor	Weighting
Materiality	3
Complexity	3
Fraud and Corruption	1
Stability	2
Management Arrangements	1
Control Environment	3
Inspection Regime	2
Plus – any significant risks identified through the corporate Risk Management process	3

Each risk factor is given a score of between 0 and 5 (with 5 being classed as the highest risk). Annex 1 provides details of the guidance used to assess each risk factor. The total risk score for any area can vary between 0 and 90.

4　Each 'auditable' area is then categorised as 'high', 'medium' or 'low' risk depending on the overall risk score as follows;

Overall Risk Score	Risk Category
0 - 27	Low
28 - 53	Medium
> 53	High

Strategic Audit Plan

5　The five year strategic audit plan is updated with the risk score for each 'auditable' area. The aim is to ensure that audit resources are prioritised so as to ensure that:

　　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).

6　A copy of the latest Strategic Audit Plan is attached as Annex 2 for information. The time allocated to each audit is based on previous audit experience and an understanding of the likely resource requirements for that type of assignment.

7　Current staffing levels within Internal Audit 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. The scope for choice is also restricted because:

a) the Audit Commission expect that all the main financial systems will be audited annually irrespective of the identified risk

b) specific audit work is required to support the preparation of the Annual Governance Statement (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 also has to be set aside to undertake urgent or unplanned work which may arise during the year.

8   The current shortfall in audit resources has resulted each year in some of the planned audit work having to be deferred to later years. As a consequence many of the audit areas, particularly those classified as medium or low risk are not being reviewed as frequently as required.

9   The annual review of the risk assessment and strategic plan is currently underway as the starting point for preparing the 2008/09 Audit Plan. As part of this process, this report seeks Members views on whether:

a) the outcome of the risk assessment process appears to be accurate and whether it reflect Members understanding of the risks facing the Council (ie are the high medium and low risk categories associated with each area appropriate)

b) the strategic audit plan is complete or whether there are other areas which Members consider should be subject to audit review.

Consultation

10   Not relevant for the purpose of the report.

Options

11   Not relevant for the purpose of the report.

Analysis

12   Not relevant for the purpose of the report.

Corporate Priorities

13   Ensuring that the work carried out by Internal Audit is based on robust risk assessment and planning processes contributes towards the overall achievement of Council priorities.

Implications

14   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

15   The Council may fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if audit plans are not based on an appropriate assessment of the likely risks. 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.

Recommendation

16   Members are asked to;

-    note the existing audit risk assessment and strategic plan and identify suggested changes for inclusion in the 2008/09 Audit Plan.

     Reason

     To ensure that scare audit resources are used effectively.

Contact Details

Author:	**Chief Officer Responsible for the report:**
Max Thomas	Liz Ackroyd
Audit and Fraud Manager	Assistant Director (Audit and Risk Management
Audit and Risk Management	Telephone: 01904 551706
Telephone: 01904 552940	

Report Approved ☑ **Date** 27 December 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 – risk assessment criteria.
Annex 2 – five year strategic audit plan.

This page is intentionally left blank

CITY OF YORK COUNCIL
INTERNAL AUDIT RISK ASSESSMENT CRITERIA

5 is high / 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
Materiality	3	• Financial transactions	Annual income/ expenditure over £2M		Annual income/expenditure over £500k but less than £2m		Annual income /expenditure less than £500k
		• Volume of transactions	Volume of transactions over 10,000 per annum		Volume of transactions between 1,000 and 9,999		Volume of transactions less than 1,000 per annum
		• Quality of budgetary control arrangements	Very poor. Non-existent or inadequate budget monitoring systems and arrangements. Little or no regular monitoring and frequent material budget variances.	Poor. Budget monitoring systems exist but often ineffective. Limited budget monitoring and performance often outside acceptable limits.	Satisfactory. Budget monitoring systems exist but not always effective. Actual performance often within acceptable limits	Good. Budget monitoring systems exist and generally effective. Actual performance normally within acceptable limits	Excellent. Fully developed and effective budget monitoring systems and arrangements. Actual performance always within acceptable limits.
		• Pupil Numbers	500+	250-500	200-250	150-200	0-150
		• Turnover (Income plus expenditure)	£2M+	£1.5M-£2M	£1m-£1.5M	£500k-£1M	£0-£500K
Complexity	3	• Processing Routines	Highly complex and requiring detailed technical knowledge to operate. Likely to involve more than one IT application and many staff. Significant scope for error.	Complex. Likely to involve one or more IT applications. Detailed technical knowledge required to operate. Errors likely to occur.	Some complexity. Likely to be based on one IT application. Some detailed technical knowledge required to operate. Errors may occur but unlikely to be significant.	Relatively simple. Likely to be based on manual process or one IT application. Limited knowledge required to operate. Errors may occur but unlikely to be significant.	Simple. Manual process requiring only a limited number of staff. No detailed knowledge required to operate.

CITY OF YORK COUNCIL
INTERNAL AUDIT RISK ASSESSMENT CRITERIA

5 is high / 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
		• Number of staff employed	Over 200	Between 100 and 200	Between 50 and 100	Between 10 and 50	Less than 10
		• Type of establishment	Secondary		Primary Special		Adult Learning
Fraud and Corruption	1	• Significant cash handling operation, • Previous history of problems (fraud investigations, and/or thefts) • Existence of valuable assets • Asset security • High staff turnover • Low staff morale	High inherent risk. Fraud investigation conducted and/or financial irregularities found within the last five years. High staff turnover and/or low morale.		Medium inherent risk. Some minor financial irregularities discovered or suspected. Normal levels of staff turnover.		Low inherent risk. No actual or suspected fraud or financial irregularity.
Stability	2	• System stability • New service area • Changes in key staff	Major system change and / or new service area. Changed management arrangements or service reorganisation. Very high staff turnover.	Changes to systems and / or service responsibilities. High staff turnover.	Some changes to systems and / or service responsibilities. Normal levels of staff turnover.	Some limited changes to systems and / or service responsibilities. Lower than normal levels of staff turnover.	Highly stable. No changes to systems or management arrangements.
		• Reserves/Deficit	Reserves £150+ or Deficit £100k+	Reserves £100k - £150k or Deficit £50k-£100k	Reserves £50k-£100k or Deficit £0-£50k	Reserves £20k-£50k	Reserves £0-£20K

CITY OF YORK COUNCIL
INTERNAL AUDIT RISK ASSESSMENT CRITERIA

5 is high / 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
Management Arrangements	1	• Reporting arrangements • Local systems	Very poor. Non-existent or inadequate management, service planning and performance monitoring systems and arrangements. Performance targets not set.	Poor. Management arrangements considered to be ineffective. Performance targets set but generally not achieved.	Satisfactory. Service planning and performance management arrangements exist but not always effective. Actual performance often within acceptable limits	Good. Service planning and performance management arrangements exist and generally effective. Actual performance normally within acceptable limits	Excellent. Fully developed and effective service planning and performance monitoring systems in place. Actual performance always within acceptable limits.
		• External bodies control assessment	No opinion available or Unsatisfactory	Poor	Satisfactory	Good	Very Good
Control Environment	3	• Recent audit findings • Senior Manager opinion • Existence of adequate strategies, policies and procedures • Quality of direct supervision and management • History of under/over spends • Existence and adequacy of written procedures	Very poor. Non-existent or inadequate control framework. No written procedures and history of significant errors, under performance and/or system failures.	Poor. Control framework ineffective. Written procedures may exist but inadequate. Errors, under performance and/or system failures often occur.	Satisfactory. Control framework exists but not always effective. Actual performance often within acceptable limits.	Good. Control framework exists and generally effective. Actual performance normally within acceptable limits	Excellent. Fully developed and effective control framework. Actual performance always within acceptable limits.
		• Audit Opinion	Not Acceptable Or No Assessment	Weak	Acceptable	/////////	High Standard
		• Time Since Last Audit	36+ mths	30-36 mths	18-30 mths	12-18 mths	0-12 mths
Risk Management Assessment (Magique)	3	• Assessment of risks identified, quality of control framework and/or action plan	See Magique				

CITY OF YORK COUNCIL
INTERNAL AUDIT RISK ASSESSMENT CRITERIA

5 is high 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
Inspection Regime	2	• Views of Audit Commission (and, or other review agencies)	No opinion available or Unsatisfactory	Poor	Satisfactory	Good	Very Good
		• Time since last OFSTED visit	36+ mths	30-36 mths	18-30 mths	12-18 mths	0-12 mths

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2007/08	2008/09	2009/10	2010/11	2011/12
110	Support and Advice (Resources)	0	0	N/A	4	4	4	4	4
120	Main Accounting Systems	50	12	December 2007	25	30	30	30	30
130	Mortgages	16	36	April 2002	0	0	0	0	0
140	VAT Accounting	36	24		0	20	0	0	20
150	Treasury Management & Prudential Code	48	12	November 2006	8	8	8	20	8
160	Car Loans	20	36		0	0	0	0	6
170	Venture Fund	30	24		0	0	0	10	0
180	Creditors	52	12	November 2007	30	30	30	30	30
190	Debtors	52	12	November 2007	30	30	30	30	30
200	Payroll	52	12	January 2007	30	30	30	30	30
210	Construction Industry Scheme	32	24		0	0	0	15	0
220	IS-IT Strategy	44	24	December 2005	0	0	8	0	0
240	IT Advice and Support (incl systems development)	0	0	N/A	20	20	20	20	20
250	IT Business Continuity	41	12	May 2005	0	0	0	12	0
260	Information Security	54	12	April 2006	0	12	12	12	12
270	IT Asset Management	44	24	October 2007	10	0	0	10	0
280	Electronic Communications	44	24		0	15	0	15	0
290	System Development and Maintenance	38	24		0	0	0	0	0
300	Internal Recharging	34	24		0	0	0	10	10
310	Council Tax & NNDR	63	12	December 2006	30	25	25	25	25
320	Council Tax Benefits & Housing Benefits	63	12	March 2007	30	30	30	30	30
330	Cashiers	46	12	February 2007	12	12	12	12	12
350	HB Performance Standards	0	0		0	0	0	0	0
360	Registrars	30	24	September 2003	0	0	0	12	0
380	Data Protection	30	24		0	0	20	0	0
390	Freedom of Information	44	24		0	20	0	0	20
400	Asset Management	54	12	July 2006	20	20	20	20	20
410	Lease Management	30	24		0	12	0	12	0
420	Property Services (RFMD)	46	24	September 2003	0	0	0	20	0
430	Risk Management & Insurance	54	12	June 2005	0	10	10	10	10
435	Insurance	25	36	June 2005	0	0	0	0	10
450	Support and Advice (City Strategy)	0	0	N/A	4	4	4	4	4
460	Development Control	32	24	September 2003	15	15	0	0	15
470	Building Control	32	24	September 2003	15	15	0	0	15
480	National Land and Property Gazetteer	44	24	March 2007	0	0	0	10	0

04/01/08 Annex2StrategicAuditPlan0.xls

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2007/08	2008/09	2009/10	2010/11	2011/12
490	Local Land Charges	30	24	August 2006	0	0	0	15	0
510	Section 106 agreements	30	24	March 2007	0	0	20	0	0
520	Heritage Properties	22	36		0	0	10	0	0
530	Environment and Conservation	16	36	March 2003	0	0	0	0	12
540	Engineering Consultancy	32	24	November 2005	0	12	0	12	0
550	City Development	28	24		0	0	0	10	0
560	Highways Maintenance	41	24		0	20	0	20	0
570	Section 38 Highways agreements	30	24		0	0	15	0	15
580	Highways Regulation	34	24	March 2003	0	10	0	15	0
590	Capital Programme (incl Local Transport Plan)	28	24	September 2007	20	0	0	20	0
600	Emergency Planning	26	36		0	0	0	0	15
610	On street Parking & Car Parks	44	24	December 2007	20	0	20	0	20
620	Traffic Management	38	24		0	0	0	15	0
640	Staff Park and Ride - Staff Parking	22	36	August 2004	0	0	0	15	0
650	Public Transport	49	24	August 2007	20	15	0	15	0
670	Concessionary Travel	30	24	February 2005	0	0	0	20	0
680	Food Safety, environmental health, trading standards and other regulatory services	36	24	September 2003	0	0	20	0	20
690	Crematoria and Cemeteries	22	36		20	0	0	20	0
700	Licensing	40	24		0	18	0	18	0
710	Street Environment Service	30	24		0	0	0	12	0
730	Waste Disposal - Strategy	46	24	March 2005	15	0	20	0	0
740	Pool Cars	17	36	September 2005	0	0	0	10	0
750	York-England.com	0	0		0	0	0	0	0
760	Economic Development Unit	48	24	September 2005	0	15	0	0	15
770	First Stop York Partnership	0	0		0	0	0	0	0
771	Local Area Agreement				0	10	10	10	10
790	City Centre Partnership	24	36		0	0	0	12	0
800	York Training Centre	38	24		18	0	0	18	0
830	Support and Advice (Neighbourhood Services)	0	0	N/A	4	4	4	4	4
840	External Trading	40	24		0	0	0	15	0
850	Building Cleaning	34	24		0	0	15	0	0
860	Commercial Waste	38	24	May 2005	0	20	0	20	0
870	Motor Fitters & Fleet Maintenance	44	24		15	15	0	15	0

Page 78

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2007/08	2008/09	2009/10	2010/11	2011/12
880	Refuse Collection	44	24		15	0	15	0	15
900	Street Scene	28	24		0	0	0	0	0
910	Finance, Administration & Management	44	24	October 2007	25	0	0	20	0
920	Civil Engineering	36	24		0	0	20	0	0
930	Building Repairs and Maintenance	55	12	April 2006	0	15	15	15	15
940	Stores and Purchasing	46	24	January 2004	20	20	0	20	0
960	Support and Advice (Chief Executives)	0	0	N/A	4	4	4	4	4
970	Legal Services and Coroner	28	24	August 2004	0	0	0	10	0
980	Electoral Services, Member support, Democracy support, Members allowances, Members interests	32	24	November 2006	0	0	15	0	0
990	Lord Mayoralty	16	36		0	0	0	0	8
1000	Marketing & Communications	32	24		0	0	10	0	10
1010	Partnerships	56	12	April 2006	25	20	20	20	20
1020	Human Resources	46	24		0	0	0	0	0
1030	Recruitment & Selection	57	12	April 2006	20	12	12	12	12
1040	Performance Indicators	61	12	April 2007	30	30	30	30	30
1050	Performance Management	61	12		0	25	25	25	25
1060	Business Continuity	54	24	October 2006	0	18	18	18	18
1070	Public Service Agreements	52	24	April 2007	15	15	15	15	15
1090	Support and Advice (LCCS)	0	0	N/A	4	4	4	4	4
1100	Youth Services, Training and Development	39	24	June 2007	15	0	0	15	0
1110	Pupil Support Centre	24	36		0	15	0	0	0
1120	Special Educational Needs	52	24		0	0	18	0	18
1130	Early Years and Childcare Service	50	24	April 2006	0	0	15	0	0
1140	Nursery Education Grants	52	24	March 2007	20	20	20	20	20
1150	Sure Start York	42	24		0	0	12	0	12
1170	Adult and Community Education	42	24	June 2006	0	0	12	0	0
1180	Discretionary rate relief	18	36		0	0	12	0	0
1190	Libraries	42	24	August 2004	0	18	0	18	0
1200	Open spaces, park and play areas, pitches, courts & bowls	26	36		0	0	12	0	0
1210	Leisure Facilities	53	24	June 2007	15	12	12	12	12
1220	Arts and Entertainment	22	36	October 2003	0	0	0	15	0
1230	Performance Arts	26	36		0	0	0	12	0
1240	Music Tuition Fees	47	24	November 2003	20	0	20	0	20

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2007/08	2008/09	2009/10	2010/11	2011/12
1250	Individual School Budgets	48	24	May 2005	0	0	15	0	15
1260	Standards Fund	50	24	September 2007	20	0	0	20	20
1270	Recoupment	22	36	August 2006	0	0	0	10	0
1280	Home to School Transport	48	24	November 2005	0	15	0	15	0
1290	Students Awards	32	24	May 2004	0	0	15	0	0
1300	LCCS Capital programme	55	24	August 2007	20	20	20	20	20
1310	Private Finance Initiatives	50	24	December 2007	10	0	10	0	10
1320	Education Development Service	38	24	March 2007	0	0	12	0	0
1330	Management Information	28	24		0	12	0	0	12
1340	Education Contracts	32	24	April 2007	0	0	15	0	0
1350	Children's Services Administration Sites (Ashbank-Holycroft)	20	36	March 2007	0	0	0	0	15
1360	Children Leaving Care	16	36		0	15	0	0	0
1370	Exclusions	16	36		0	15	0	0	0
1380	Family Support	28	24	August 2005	0	0	15	0	0
1390	Out of City Placements	37	24	March 2006	0	15	0	0	15
1400	Specialist Child Placements	22	36		0	0	0	0	20
1410	Children with Disabilities	22	36		0	0	15	0	0
1420	Foster Carers and Adoption	34	24	April 2005	0	25	0	25	0
1430	Children's Residential and Respite Accommodation	32	24	November 2005	0	0	8	0	8
1450	Support and Advice (Adult Social Services and Housing)	0	0	N/A	4	4	4	4	4
1470	Homecare Expenditure	46	24	April 2006	25	25	0	25	0
1480	Adults Independent Living	43	24		0	0	20	0	20
1490	Discretionary Charging	40	24	December 2005	4	4	15	0	0
1500	Delayed Discharges	51	24		0	10	0	0	10
1510	Residential and Nursing Home Costs	42	24	December 2005	0	20	0	0	20
1520	Meals on Wheels	20	36	July 2003	0	20	0	0	0
1530	Homelessness - Travellers	29	24		0	10	0	0	10
1540	Pooled Budgets	42	24		0	0	12	0	0
1550	York Craft	32	24		0	0	15	0	0
1560	Community Services Transport	28	24	September 2003	0	0	25	0	0
1570	EPH's, Special Sheltered Housing and Sheltered Housing.	45	24	September 2006	0	25	0	0	25
1590	Mental Health Services	36	24		0	20	0	0	20

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2007/08	2008/09	2009/10	2010/11	2011/12
1600	Referrals and Care Assessments	38	24	March 2006	0	0	0	20	0
1610	Health and Disabilities (Physical and Learning Disabilities)	33	24	May 2007	20	0	15	0	0
1620	Community Equipment and Loans Store	28	24	June 2007	15	0	0	15	0
1630	Supporting People	48	24	September 2006	0	0	25	0	25
1650	Commissioning & Bought in Services	34	24		0	0	20	0	0
1660	Adult Social services and Housing Capital Programme	54	24	April 2006	0	0	15	0	15
1670	Housing Revenue Account	44	24		0	8	0	0	8
1690	Right to Buy	38	24	April 2005	0	0	20	0	0
1700	Housing Allocations	38	24	August 2005	0	18	0	0	18
1710	Housing Rents	52	12	May 2007	20	25	25	25	25
1720	Private Sector Housing Renewal	20	36		0	15	0	0	0
1730	Housing Repairs and Maintenance	44	24		0	0	15	0	0
1740	Tenants Choice	33	24	April 2006	0	0	20	0	0
1750	EPH Amenity Fund Audit	0	0	N/A	3	3	3	3	3
9000	Contingency Audits	0	0	N/A	90	90	90	90	90
9010	Easy@york	54	24	N/A	10	20	10	0	0
9020	Administration and Accommodation Review	55	12		0	20	20	20	20
9030	Replacement ISIS System	0	0	N/A	0	0	0	0	0
9040	Replacement FMS System	0	0	N/A	0	0	0	0	0
9050	National fraud Initiative	0	0	N/A	0	15	15	15	15
9060	Follow Up Audits	0	0	N/A	50	40	40	40	40
9070	Fraud Investigations	0	0	N/A	90	90	90	90	90
9080	Contract Procedures	63	12	N/A	60	50	50	50	50
9090	Budgetary Control	48	24	November 2007	25	25	25	25	25
9100	Corporate Governance	56	12	February 2006	20	25	25	25	25
9110	Statement of Internal Control	N/A	N/A	N/A	20	20	20	20	20
9120	Project Management	59	12		0	20	20	20	20
9130	Training and Development	32	24		0	0	15	0	0
9140	Agency Staff	45	24		0	0	20	0	0
9150	RIPA	30	24		0	15	0	0	15
9160	Sickness Monitoring	55	12	February 2006	20	12	12	12	12
9170	Telecommunications	44	24		0	0	0	25	0
9180	Travel and Subsistence	36	24	January 2006	0	20	0	0	20
9190	New Depot Project	0	0	N/A	0	0	0	0	0

04/01/08 Annex2StrategicAuditPlan0.xls

CITY OF YORK COUNCIL
STRATEGIC AUDIT PLAN

Ref	Name	Risk Rate	Audit Frequency	Last Audit Date	2007/08	2008/09	2009/10	2010/11	2011/12
9200	Breaches and Waivers	0	0	N/A	30	50	50	50	50
815	Future Prospects	33	24	March 2007	0	8	0	0	8
9511	Disciplinary Procedures	29	24		0	15	0	0	15
9513	Referrals and Assessments (Children's Servi	38	24		0	20	0	0	20
9514	Case Management (Children's Services)	38	24		0	0	15	0	15
9515	Waste PFI	57	12		10	10	10	10	10
9517	Records Management	43	24		0	15	0	0	15
9518	Access Services (LCCS)	39	24		0	0	10	0	0
9519	Health and Safety	59	12		0	15	15	15	15
9520	Equalities	42	24		0	15	0	15	0
9521	Competition & Procurement	37	24		0	12	0	0	12
230	CAATS/data interrogation	N/A	N/A	April 2007	0	8	8	8	8
-	External Audit Liaison	N/A	N/A	N/A	3	3	3	3	3
-	Audit & Governance Committee	N/A	N/A	N/A	8	8	8	8	8
-	Chargeable work / VFM / special projects	N/A	N/A	N/A	0	200	200	200	200
-	Financial Management Standard in Schools	N/A	N/A	April 2007	20	20	20	20	20
-	Schools	N/A	N/A	N/A	100	100	100	100	100
	TOTAL				**1340**	**2014**	**2028**	**2042**	**2009**

Agenda Item 8

Audit and Governance Committee   15 January 2008

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

Audit and Fraud Shared Service – Progress Report

Summary

1   The purpose of this report is to advise Members of the progress made in developing the shared audit and fraud service with North Yorkshire County Council.

Background

2   A report was presented to Corporate Services EMAP on 11 September 2007, setting out the benefits of developing a shared service solution for the future provision of internal audit and fraud services. Preliminary discussions between CYC and North Yorkshire County Council (NYCC) had shown that there was a mutual desire to identify suitable options for joint working and a clear commitment to deliver greater efficiencies across both authorities. Audit and fraud services had been identified as suitable areas for early consideration. The intention was to treat this as a pilot exercise so as to enable the benefits of such an approach to be properly assessed in a discrete, low risk service area for both authorities. The experience gained would then inform consideration of future collaboration in other service areas.

3   Members approved a three phase strategic approach as follows;

   Phase I – short term management arrangement and development of business options (to commence from 1 October 2007);

   Phase II – implementation of the agreed service vehicle and benefits realisation;

   Phase III – review, evaluation and appraisal of other shared service opportunities.

Benefits of Collaboration

4   The key benefits of this collaboration with NYCC are;

   a)   Greater resilience and capacity in audit and counter fraud provision. The combined team is better placed to manage

           resource pressures, including staff vacancies and/or unexpected service demands;

b) Greater flexibility in responding to changing priorities, initiatives and/or new working methods;

c) The ability to deliver efficiencies through sharing best practice, integrating processes and reducing duplication of effort;

d) Demonstrating a positive response to the government's efficiency and service transformation agenda;

e) Achieving economies of scale by sharing overheads and reducing unproductive time whilst maintaining or improving current levels of performance;

f) Enhancing the focus on service delivery, professionalism and quality;

g) Increasing the opportunities for staff to specialise and enhancing career opportunities, resulting in greater staff satisfaction and retention;

h) Greater opportunity to develop audit specialisms and reduce the reliance on bought-in services;

i) Providing a robust shared service model which offers greater opportunity for future collaboration with other Councils in the region, particularly the North Yorkshire districts, and which helps to develop the existing market place;

j) The opportunity for both authorities to evaluate the benefits of sharing back office functions before considering more high profile transactional and/or public facing services

Progress to Date

5   Phase I of the shared service with NYCC commenced on 1 October 2007. The interim shared management arrangements are in place with the CYC Audit and Fraud Manager assuming overall management responsibility across both teams. NYCC is providing £32k to CYC to fund this management support and to provide appropriate backfill.

6   A Project Board, comprising the Assistant Director Resources (ARM), the Assistant Director (Central Finance – NYCC) and the Audit and Fraud Manager has been established to direct and coordinate the development and delivery of the shared service. During phase I of the process, the two staff groups are continuing to operate from their existing office locations. The staff have also remained on their current terms and conditions. A minor restructure has however been undertaken to reflect the changed management responsibilities and to establish a local 'site' manager to support the Audit and Fraud Manager in the operational delivery of the service.   NYCC has also made an appointment to a new post of Audit and Information Assurance Manager (the NYCC equivalent local 'site' manager).

7   Work is ongoing to evaluate the detailed business options for the long term organisational structure of the service. Baseline financial and benchmarking information has been collected, and is currently being analysed. The local government project delivery specialists, 4ps have agreed to provide technical advice and support to the project. NYCC has also secured funding of £21.5k from the Yorkshire and Humber Centre of Excellence to help fund external legal, HR and procurement advice, and integration costs.

8   Progress has also been made to integrate working practices and systems across both teams. Although both teams use the Galileo IT application to manage and record audit work, the version operated by NYCC uses a different operating system. It is therefore anticipated that NYCC will migrate to the CYC version of the system. Work is ongoing to identify the necessary system modifications, data transfer and security implications and access requirements. A standard audit procedure manual is being prepared and audit programmes consolidated.

9   Staff and key stakeholders are being kept updated on progress with the project, at regular intervals. A Communications Strategy has been agreed and two joint staff workshops held. Local and regional representatives from Unison are also being kept informed of developments.

10   Details of the options appraisal together with the business case for the preferred option will be reported to Members by March 2008. Implementation of the new arrangements is then expected to take place in early 2008/09 with full implementation expected by March 2009.

Consultation

11   Not relevant for the purpose of the report.

Options

12   Not relevant for the purpose of the report.

Analysis

13   Not relevant for the purpose of the report.

Corporate Priorities

14   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

15   The implications are;

- **Financial** – there are no financial implications.

- **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

16   The shared service with NYCC offers an opportunity to deliver efficiencies and economies of scale. The financial, HR and legal risks of collaborating with NYCC to deliver audit and counter fraud services through a shared management arrangement (phase I) were assessed and judged to be low. A full options appraisal including a detailed risk assessment is being undertaken as part of the process to identify the most suitable long term delivery vehicle for the service.

Recommendation

21   Members are asked to:

-    note the progress made in developing the shared service initiative with North Yorkshire County Council for the provision of audit and fraud services.

Reason

To enable Members to consider the progress made with the shared service project.

Author:	**Chief Officer Responsible for the report:**
Max Thomas Audit and Fraud Manager Audit and Risk Management Telephone: 01904 552940	Liz Ackroyd Assistant Director (Audit and Risk Management Telephone: 01904 551706

Report Approved ✔ **Date** 27/12/07

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable   **All** ✔

For further information please contact the author of the report

Background Papers

- Report to CS EMAP(11/9/07) – Shared Service Initiative for Audit and Fraud Services in the North Yorkshire Region.

Annexes

None

This page is intentionally left blank

Audit and Governance Committee 15 January 2008

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

Follow Up Audit of Car Parking

Summary

1 The purpose of this report is to advise Members of the findings of follow up testing undertaken by Internal Audit on the Council's car parking arrangement and associated controls, and also the actions taken by management to address the outstanding issues.

Background

2 The Council receives approximately £6 million income from car parks across the city each year. This is collected through 111 machines in York, at both on-street and car park locations. The Council also operates a further 7 machines on behalf of the University of York.

3 As part of the 2004/05 internal audit plan, a review of car parking services and operations was undertaken by Internal Audit. The audit identified a number of significant control weaknesses. The overall opinion of the audit of Parking Services at that time was 'not acceptable'. The final report and findings were accepted by management and an action plan was agreed to address the identified control issues. Most of the issues identified in the report have been addressed, as described in the Review of Parking Services report which was considered by the Executive in September 2007.

4 In September 2007, the Audit Commission presented their Annual Governance report for 2006/07, to this Committee. The report included details of significant governance related matters identified by the external auditors during the course of their work to complete the 2006/07 audit. In respect of the car parking system, the external auditors noted that:

- there was no formal reconciliation between the income recorded by each car park machine and the income that is counted by the cashiers and which is banked, and

- there was no control to ensure that all the boxes collected from the car park machines are delivered to the cashiers, as the cashiers have no record of which boxes to expect.

These control issues remained unresolved by City Strategy following the 2004/05 audit.

5   Members asked that a further report be bought to this meeting to identify the progress made by City Strategy to address the specific control weaknesses included by the Audit Commission in the Annual Governance report. As part of the 2007/08 Audit Plan, Internal Audit was also due to verify the progress made to resolve the other control weaknesses identified during the 2004/05 audit.

Results of Follow Up Audit

6   The initial follow up work has focused on the income collection systems within the car parking service. Further work is ongoing in respect of the system for processing Penalty Charge Notices. Once this work is complete a draft audit report will be issued to management.

7   The Council introduced the new Parkeon car parking system at the end of November. The system controls and monitors the issue of car park tickets, the receipt of income and the collection of cash boxes from machines. It also reports when the machines are full and any faults. As this system had only recently been installed it has not been possible to fully test its operation at this stage.

8   In respect of the two control weaknesses identified by the external auditors, it has been found that although these issues had not been fully resolved at the time of the follow up work, management actions are now being taken to resolve them. The findings of Internal Audit are as follows;

Income Reconciliation Arrangements

9   Although a cash income reconciliation is completed for the University car parks (for which the Council collects income under contract), prior to October 2007 a full daily reconciliation of the other cash income collected was not being completed, due to resource constraints within the department. As a result there was a risk to the Council that accounting records were inaccurate and that money which was lost or stolen, could not be easily and promptly identified.

10   To address the concerns raised by Internal Audit following the 2004/05 audit, the City Strategy Finance Team have for the past two years checked a single week's income in total and compared this to the record on the Council's ledger. Small discrepancies have been identified as a result of this exercise, i.e. £10-20, but these are considered to be acceptable when compared to the average weekly budget of approximately £120k.

11   The Finance Team also maintain spreadsheets detailing income received and other related information produced from the parking system. This information is used for analytical review purposes and helps to identify significant variances compared with prior year figures

and current year budgets. Any significant variances identified are then investigated.

12   Since the beginning of November 2007, when more resources became available, the City Strategy Finance Team have been trialling a reconciliation of the daily car park machine reports against the income on the ledger. The reconciliation was backdated to October 2007. It is proposed that this reconciliation will continue to be carried out in the future, supported by the information provided by Parkeon. The reconciliation process will include the establishment of procedures to report and investigate any material variances.

Cash Box Numbers

13   Similarly, at the time of the follow up audit, there were no controls in place to ensure all the cash boxes collected had been delivered to Cashiers. As a result, the Council was exposed to the risk that cash boxes, which were removed from car park machines might be lost or stolen, rather than being deposited at the City Finance Centre. Any missing cash boxes would not immediately be identified. This control weakness was compounded by the lack of a daily cash income reconciliation, prior to October.

14   The auditors confirmed that the Parking Patrol Supervisor (at the parking office at Foss Bank Car Park) was not informing Cashiers of the number of boxes that have been collected during the day. However, since the 1 January 2008, this information has been supplied to the Chief Cashier using the new Parkeon system. Any discrepancies identified by the Chief Cashier will be investigated by the Parking Patrol Supervisor.

15   When the boxes are deposited at the Cashier's Officer, a receipt should be signed by both the Chief Cashier and the Cash Collectors who have collected the boxes, to confirm the deposit. However, audit testing has established that these receipts are not always signed by the Cash Collectors.

16   Internal Audit has therefore recommended that the receipts for depositing cash boxes from the car park machines should be signed by both the Cash Collectors and the member of staff in Cashiers who has received them. In response, Parking Management have recently issued instructions to emphasise the need for receipts to be signed.

17   In addition, it has been found that the car park income reports produced by the car park machines have not been kept for the required 6 years. There is therefore a lack of a complete audit trail and the risk that the Council is in breach of VAT regulations.

18   It has therefore been recommended by audit and agreed by management that the reports listing the value of cash collected from each car park machine will be retained for a minimum of six years in accordance with HM Revenue & Customs requirements.

Consultation

19 Not relevant for the purpose of the report.

Options

20 Not relevant for the purpose of the report.

Analysis

21 Not relevant for the purpose of the report.

Corporate Priorities

22 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

23 The implications are;

- **Financial** – there are no financial implications.

- **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

24 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

Recommendation

25   Members are asked to:

- note the initial findings and recommendations of the follow up review carried out by Internal Audit, and the actions taken by Parking Management to address the identified control issues.

   Reason

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

<table>
<tr><td>Author:</td><td>Chief Officer Responsible for the report:</td></tr>
<tr><td>Max Thomas
Audit and Fraud Manager
Audit and Risk Management
Telephone: 01904 552940</td><td>Liz Ackroyd
Assistant Director (Audit and Risk Management
Telephone: 01904 551706</td></tr>
</table>

Report Approved ✔ **Date** 27/12/07

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable   **All** ✔

For further information please contact the author of the report

Background Papers

- 2004/05 Car Parking Internal Audit report
- 2006/07 Annual Governance Report of the District Auditor

Annexes

None

This page is intentionally left blank

Agenda Item 10

CITY OF YORK COUNCIL

Audit and Governance Committee	15 January 2008

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

Annual Governance Statement

Summary

1   The purpose of this report is to introduce to Members the Annual Governance Statement (AGS) which will be published as part of the 2007/08 Statement of Accounts, and which replaces the Statement on Internal Control (SIC). The report also advises Members of the changes resulting from this new statutory requirement, and on the process which will be followed to enable publication of the 2007/08 AGS.

Background

2   CIPFA/SOLACE originally published a guidance document for local authorities in 2001, called *Corporate Governance in Local Government: A Keystone for Community Governance*. The guidance was not mandatory but was intended to help authorities to develop and maintain strong governance arrangements. The Accounts and Audit Regulations 2003 introduced the requirement for each local authority to conduct a review of the effectiveness of its system of internal control and to publish a SIC as part of the annual accounts. The Council first published a SIC in 2003/04.

3   The SIC formed an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of its corporate governance arrangements, particularly those in respect of risk management and internal control. Publication of the SIC enabled the Council to formally report on governance related issues identified during the relevant accounting period. The SIC demonstrated openness and accountability to the public and other stakeholders, and provided:

   • a framework for improving the adequacy and effectiveness of corporate governance arrangements, and;

   • evidence for CPA.

4   The Department for Communities and Local Government issued guidance in 2006 (Circular 03/2006) which gave the CIPFA/SOLACE Corporate Governance Framework document 'proper practice' status.

5   CIPFA/SOLACE recently published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' sets out six core principles of governance which authorities are required to adopt:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

- Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

- Developing the capacity and capability of Members and officers to be effective;

- Engaging with local people and other stakeholders to ensure robust public accountability.

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

Annual Governance Statement

7   The Council adopted a new local Code of Governance in September 2007 which reflects the new CIPFA/SOLACE framework. Although the process followed to prepare the SIC was robust and will form the foundation for preparing the AGS a number of changes are required to ensure that the Council:

- has formally compared its existing governance arrangements against the CIPFA/SOLACE framework and the local Code of Governance, and has reported on the extent of compliance;

- can clearly demonstrate that the process has corporate ownership;

Existing Process for Preparing the SIC

8   The Council had developed a robust system to prepare the annual SIC. The process was coordinated by the Officer Governance Group, and included:

- Inviting key Members (with governance responsibilities) to identify and report significant control issues;

- Requiring each Directorate to complete a detailed control self assessment, designed to identify the existence, and measure the effectiveness of, key controls;

- Completing a similar corporate key control self assessment;

- Each Director being required to complete and sign a Directorate Assurance Statement (using the information gathered through the Directorate self assessment and other sources);

- The S151 Officer and the Monitoring Officer being required to complete and sign a similar Assurance Statement;

- A detailed review by Internal Audit of all audit and inspection reports to gather evidence of possible significant control issues;

- A follow up review of significant control weaknesses reported in the previous year's SIC.

9 The review process also took into account the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment.

10 The Officer Governance Group evaluated the control issues identified through the review process and considered which should be disclosed as significant control weaknesses. The significant control issues identified through the process were discussed with the Leader and a copy of the proposed SIC was considered by Corporate Management Team (CMT). The draft SIC was also presented to the Audit and Governance Committee prior to it being reported to the Executive for their approval and recommendation to Full Council (as part of the report on the Statement of Accounts). The SIC was signed by the Leader and the Chief Executive.

11 Although not specifically recommended by CIPFA, the Council already linked the SIC process to the CIPFA/SOLACE Corporate Governance framework and made clear reference to it.

Required Changes

12 To enable preparation of the AGS it is proposed that:

- the process continues to be coordinated by OGG but that CMT is engaged at an earlier stage;

- the existing process (including the Directorate and Corporate self assessments) is adapted so that it clearly focuses on the six governance principles rather than simply the Council's system of internal control;

- CMT formally takes ownership of the corporate self assessment and any identified weaknesses;

- Greater emphasis is placed on the importance of the Assurance Statements prepared by the Directors, the S151 Officer and the Monitoring Officer;

- The Chief Executive is also required to complete and sign an Assurance Statement;

- Chief Officers are made more aware of their governance responsibilities;

- For the 2007/08 AGS, Internal Audit will initially map the Council's existing governance arrangements and identify gaps. This exercise will help to confirm the existence of the current governance arrangements, identify ownership and assess the level of assurance required;

- In future years, Internal Audit will provide independent assurance on the effectiveness of these governance arrangements. This will necessitate some changes in emphasis when the Audit Plan is prepared.

Action Plan Monitoring for the 2006/07 SIC

13 Internal Audit is currently undertaking a follow up exercise to identify the progress which has been made in addressing the significant control issues identified in the 2006/07 SIC. The results of this review will be reported to this Committee at the April meeting. A copy of the final 2006/07 SIC is attached for information (see annex 1).

Proposed Timetable

14 The following timetable is proposed for the 2007/08 AGS;

Action	Target Completion Date
Completion of amendments to Directorate and Corporate key control self assessments by Internal Audit	31/01/08
Deadline for receipt of Directorate key control self assessments	30/4/08
Deadline for the completion of the Corporate key control self assessment	30/4/08
Deadline for receipt of Directorate Assurance Statements	9/5/08
Deadline for receipt of Chief Executive, S151 and Monitoring Officer Disclosure Statements	9/5/08
Completion of exercise for mapping the Council's Governance processes and evidence gathering (by Internal Audit)	9/5/08

Deadline for the receipt of control/governance related issues from Members	9/5/08
Consideration of identified control weaknesses by OGG, for possible inclusion in the AGS	16/5/08
Deadline for the preparation of the draft AGS and circulation to OGG	23/5/08
Consideration of the draft AGS by CMT	4/6/08*
Completion of the formal consultation on the draft AGS with the Leader and Chief Executive	11/6/08
Final amendments to the AGS to be completed	13/6/08
Audit and Governance Committee to receive the Annual Report of the Chief Internal Auditor, and the Review of the Effectiveness of Internal Audit.	TBA*
Audit and Governance Committee to consider the draft Annual Governance Statement	TBA*
Executive to receive the Annual Governance Statement (together with the 2007/08 Statement of Accounts)	TBA*
Full Council to approve the Annual Governance Statement (together with the 2007/08 Statement of Accounts)	TBA*
AGS to be signed by the Leader and Chief Executive	TBA*

* June 2008 - dates of meetings to be confirmed.

Consultation

15   Not relevant for the purpose of the report.

Options

16   Not relevant for the purpose of the report.

Analysis

17   Not relevant for the purpose of the report.

Corporate Priorities

18   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

19   The implications are;

- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS.

- **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 Annual Governance Statement as part of the annual Statement of Accounts.

- **Crime and Disorder** – there are no crime and disorder implications to this report.

- **Information Technology (IT)** - there are no IT implications to this report.

- **Property** - there are no property implications to this report.

Risk Management Assessment

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

21   Members are asked to:

-    note the new statutory requirement for the Council to produce an Annual Governance Statement and to publish this as part of the 2007/08 Statement of Accounts;

Reason

To ensure that the Council complies with relevant legislation.

- consider and agree the proposed process and timetable for completion of the 2007/08 AGS;

<u>Reason</u>

To ensure that the Council complies with relevant legislation.

Author:

Max Thomas
Audit and Fraud Manager
Audit and Risk Management
Telephone: 01904 552940

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director (Audit and Risk Management
Telephone: 01904 551706

Report Approved ☑ **Date** 27/12/07

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/ SOLACE guidance:
  Corporate Governance in Local Government: A Keystone for Community Governance
  Delivering Good Governance in Local Government Framework

Annexes

Annex 1 – 2006/07 Statement of Internal Control

This page is intentionally left blank

2006/07 STATEMENT ON INTERNAL CONTROL

STATEMENT ON INTERNAL CONTROL

1. **Scope of Responsibility**

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

   In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. **The Purpose of the System of Internal Control**

   Corporate governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies three underlying principles of good governance, namely:

   - openness and inclusivity
   - integrity
   - accountability.

   The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles.

   Although the Council has not yet formally adopted a local code of corporate governance, the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. This Statement forms part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

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

   The system of internal control has been in place within the Council for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

3. **The Internal Control Environment**

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

STATEMENT ON INTERNAL CONTROL

Policies and Guidance

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

- The Council's Constitution
- Codes of Conduct for Members and Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules and Procedures
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and the Prosecution of Fraud and Corruption
- Asset Management Plan
- Strategic Risk Register
- Guide to Managing Financial Risks
- Register of Breaches and Waivers of Financial Regulations.

Political and Managerial Structures and Processes

The Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by the Council. The Council's Management Team has responsibility for implementing Council policies and decisions, providing advice to Members and for coordinating the use of resources and the work of the Council's Directorates.

Both the Executive and the Council's Management Team meet every fortnight. The Executive and the Council's Management Team monitor and review Council activity to ensure corporate compliance with governance, legal and financial requirements. The Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

The Council has scrutiny arrangements which include the review of policies, budget and service delivery to ensure that they remain appropriate. Since the approval of the new Constitution in May 2006, the Council has had an Audit and Governance Committee. The purpose of the Audit and Governance Committee is to act as the responsible body charged with governance at the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and it oversees the financial reporting process.

Strategic Planning Processes

The Council has developed a strategic planning process that is intended to reflect political and community objectives and act as the basis for corporate prioritisation. The Council's Corporate Strategy expresses the Council's thirteen priorities for the next three years. Champions have been appointed for each of the priorities, and they are responsible for overseeing progress. The Council has also developed a standard service planning process which is intended to improve the integration of planning, resource allocation and performance management.

STATEMENT ON INTERNAL CONTROL

Management and Decision Making Processes

The Council has established an organisational effectiveness programme which incorporates the actions arising from four of the thirteen priorities in the Corporate Strategy. The aim of the programme is to improve management and decision-making processes as well as building capacity. The programme and associated actions are being developed around the following four priorities;

- Improve our focus on the needs of customers and residents in designing and providing services
- Improve leadership at all levels to provide clear, consistent direction to the organisation
- Improve the way the Council and its partners work together to deliver better services for the people who live in York
- Improve efficiency and reduce waste to free-up more resources

Corporate management and leadership is supported and developed through the Corporate Leadership Group. Management and decision making processes are also being developed through the work of the Corporate Operations Group.

Financial Management

The Director of Resources (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the Council's financial affairs, including making arrangements for appropriate systems of financial control. The Council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision.

Compliance Arrangements

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

- The Section 151 Officer
- The Monitoring Officer
- The Chief Internal Auditor
- Finance officers and other relevant service managers.

A report is presented to Members on an annual basis detailing compliance with the Council's Financial Regulations. In addition, compliance arrangements are subject to ongoing scrutiny by the District Auditor and other external agencies. The Officer Governance Group also monitors, reviews and manages the development of the Council's corporate governance arrangements. The group comprises the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor.

Risk Management

The Council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

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

STATEMENT ON INTERNAL CONTROL

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles.

Internal Audit and Fraud

The Council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The Internal Audit & Fraud Team undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. Through its work the team also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

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

Performance Management

The Council recognises the importance of effective performance management arrangements and has been working to secure improvements. The service planning process now incorporates full consideration of actual and planned performance. Each directorate reports performance to Members on a regular basis.

4. **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Council's systems of internal control has been undertaken. This review has been co-ordinated by the Officer Governance Group, which comprises the Director of Resources (the Section 151 Officer) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer) and the Head of Audit and Risk Management (the Chief Internal Auditor). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual Directorates and across the Council
- any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, which was presented to the Council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the District Auditor and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those Members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the Council's risk register and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- those control issues identified in the 2005/06 Statement of Control.

Following the review of the adequacy and effectiveness of key controls within the Council an action plan has been prepared which details the areas where improvements in governance arrangements and the control environment are considered to be necessary. The action plan will be co-ordinated and monitored on an ongoing basis by the Officer Governance Group.

STATEMENT ON INTERNAL CONTROL

5. Significant Internal Control Issues

The corporate governance arrangements in place within the Council have identified a number of significant control issues. Specific actions have been taken or are proposed, to address the control issues identified. These are detailed in the following table, with an * indicating that details have previously been reported to Members.

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Sickness			
The levels of sickness across the Council remain higher than for comparable local authorities. The 2005/06 SIC identified continuing weaknesses in the Council's procedures for monitoring and reporting sickness absence. 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.	A corporate Attendance Management Policy was implemented in October 2006. Work has also been undertaken to improve the Council's management information on sickness. The following actions are planned; a) Revised procedures and guidelines to support the implementation of the Policy will be issued to staff. b) Revised corporate management reporting arrangements will commence in October 2007. c) A strategic review of the Council's Occupational Health arrangements will be undertaken. This will include consideration of the benefits of proactive health promotion and early interventions designed to minimise the occurrence of unavoidable sickness absence. Any changes will be closely aligned with the Council's well-being agenda and participation in the Health & Safety Executive's Strategic Intervention Programme. **Responsibility – Director of People and Improvement**	October 2007	2005/06 SIC* Performance and Financial Monitoring Reports * Annual report of the Chief Internal Auditor *

STATEMENT ON INTERNAL CONTROL			
Control Issue	**Action Taken or Proposed**	**Due Date**	**Source(s)**
Recruitment and Selection Procedures			
As identified in the 2005/06 SIC, the Council's Recruitment and Selection Policy is not always followed. 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.	Directorate Management Teams have been briefed on the revised Recruitment and Selection Policy and processes. Staff have also been made aware of the new requirements. A further follow up audit to examine compliance with the revised policy and procedures, will be undertaken in 2007/08. **Responsibility – Director of People and Improvement**	September 2007	2005/06 SIC *
Health and Safety			
The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. The 2005/06 SIC identified the need 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. It was also recognised that the Council needed to satisfy itself that adequate resources were available to provide professional advice and meet statutory requirements. Although some progress has been made there is still insufficient evidence that the required processes are fully embedded across the Council.	During 2006/07 progress was made to develop appropriate Corporate health and safety policies. In January 2007, the new post of Director for People and Improvement was created with a specific role of Council Health and Safety Champion. In March 2007, an additional Health and Safety Advisor post was created to increase the capacity within the team to provide professional advice. Council Officers met with the Health and Safety Executive (HSE) to discuss a proposed management model and associated work plan. The proposals were positively received by the HSE. The associated documents will be presented to Directorate Management Teams before the end of July 2007 for their formal acceptance. **Responsibility – Director of People and Improvement**	September 2007	2005/06 SIC * H&S Prohibition Notices

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Competition and Procurement			
The Council's competition arrangements and procurement rules and procedures contribute to the efficient and effective use of resources and the delivery of best value. The 2005/06 SIC identified continuing weaknesses in the Council's competition and procurement arrangements. New Financial Regulations, encompassing comprehensive procurement rules were adopted by Full Council in May 2006, and a training programme to raise awareness was undertaken across directorates. The Corporate Procurement Strategy has however been delayed. 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.	The Corporate Procurement Strategy will be adopted in June 2007. The Strategy will include a Competition Policy and a strategic plan for developing the use of procurement by the Council. It will also cover the function of procurement as a whole at the Council over the next three years. In addition, the overall competition and procurement framework will be strengthened by the adoption of a; a) Strategic Procurement Programme - this is a programme of strategic procurements that will take place across the Council over the next five years. b) Thin-client methodology. c) Procurement practitioner guidance manual. **Responsibility – Director of Resources**	December 2007	2005/06 SIC * Annual Breaches and Waivers report * Annual report of the Chief Internal Auditor * Corporate and Directorate Assurance Statements
Accounting Misstatement			
The 2005/06 Statement of Accounts included a material misstatement. The misstatement was caused by a change in government guidance on the valuation of social housing, with the change not being reflected in the annual valuation exercise. Although this was a technical accounting issue, controls should have existed to identify the error before the final valuation figures were included in the approved Statement of Accounts.	For the closing of the 2006/07 accounts, the Head of Finance has carried out a case file review for each department/finance manager. In addition, the Director of Resources has met with the Head of Finance and the accountancy manager to review the draft accounts and question key elements, in particular those related to the balance sheet. In future, steps will be taken to concentrate this work around the identification and review of key changes to the accounts compared to previous years. **Responsibility – Director of Resources**	June 2006	Annual Governance Report 2006 (External Audit) * 2006 Annual Audit and Inspection Letter (External Audit) * Annual report of the Chief Internal Auditor *

STATEMENT ON INTERNAL CONTROL			
Control Issue	**Action Taken or Proposed**	**Due Date**	**Source(s)**
Equalities			
Although the Council has an equalities strategy there is insufficient evidence that the Council's policies and procedures are fully embedded within each directorate. Equalities monitoring arrangements need to be strengthened. Staff awareness also needs to be improved so as to ensure compliance with equalities legislation.	The Council's Equality Strategy and action plan is currently being reviewed and updated. The Corporate Equalities Leadership Group has also recently been established to promote the equalities agenda. Four key areas for improvement have been identified; a) Monitoring in respect of employment procedures and service users. b) Training for staff. c) Community engagement. d) Awareness of the equalities agenda and Equalities Unit's work programme. **Responsibility – Director of People and Improvement**	March 2008	Corporate and Directorate Assurance Statements
Business Continuity			
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 2005/06 SIC identified continuing weaknesses in the Council's business continuity arrangements. Although the Council has approved a Business Continuity Policy and Strategy and each directorate has appointed a business continuity champion, the quality of individual directorate plans is still not at the required standard.	A review has been undertaken of the progress made to complete business continuity plans throughout the Council. As a result of the review, the format of the plans has been significantly amended to meet new national guidance. An exemplar document has been prepared together with a template for use by all groups and directorates. This exemplar and template is currently being implemented across the Council with a view to completing group plans by mid autumn. Further work on business continuity has included the preparation of an information document, which has been distributed to businesses in the city. **Responsibility – Director of City Strategy**	April 2008	2005/06 SIC * Corporate and Directorate Assurance Statements

Page 112

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Partnership Governance Arrangements			
The Council currently has a database of the partnerships it has an interest in, and a partnership support and development programme. All of these are designed to improve the effectiveness of partnerships and ensure good management arrangements are in place. However, there is still a need to further develop the Council's monitoring and support arrangements to ensure that all partnerships have suitable governance and performance management arrangements in place.	The Council has recently increased its investment in partnership working by creating a Strategic Partnerships Team, that has responsibility for consolidating and improving the Council's approach to partnership working. The governance arrangements of the Local Strategic Partnership were reviewed in late 2006, to reflect the new requirements of the Local Area Agreement and proposals in the Local Government White Paper. An Executive Delivery Board was created to focus on delivery of the Local Area Agreement. These new governance arrangements will be implemented during 2007/08. It is anticipated that the processes of revising the Community Strategy and reviewing the Council's corporate priorities during 2007/08 will further identify links between partners, and promote the need for high standards of governance and performance management. **Responsibility – Director of City Strategy**	March 2008	Delivery of Corporate Objectives through the LSP - report (External Audit) * 2006 Annual Audit and Inspection Letter (External Audit) *

STATEMENT ON INTERNAL CONTROL			
Control Issue	**Action Taken or Proposed**	**Due Date**	**Source(s)**
Project Management, Programme Management and Benefit Realisation			
As identified in the 2005/06 SIC, some progress has been made to develop in-house management skills and capacity. However, there was 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. Only limited progress has been made to address these issues during 2006/07.	Improving project and programme management is a key action within the Organisational Effectiveness Programme (OEP). Specific improvement work in conjunction with the Audit Commission and the OEP Board has been started. Initially this work is using the OEP as a pilot area, and will continue, building on learning from other key projects (for example, easy@york) during the first part of 2007/08. Once this phase of work is completed (September 2007), it is proposed that the approach and key principles will be applied to other projects during the second half of the year. **Responsibility – Director of People and Improvement**	March 2008	2005/06 SIC * Corporate risk register * Review of Project Management and Programme Management Arrangements – report (External Audit)

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Executive, and are assured plans to address known weaknesses and promote continuous improvement are in place.

Signed …………………………………… Dated …………………………
D. N. Atkinson
Chief Executive

Signed …………………………………… Dated …………………………
Cllr S. F. Galloway
Leader of the Council

This page is intentionally left blank

Agenda Item 11

Audit & Governance Committee

15 January 2008

Report of the Assistant Director (Audit and Risk Management)

Risk Management User guide & Key risk monitoring report

Overview

1   This purpose of this paper is to present Members with the draft risk management User Guide, draft key risk monitor and draft detailed risk register report including controls and actions used in managing corporate risks.

Background

2   The framework for risk management has been developing at City of York Council since the Best Value review in 2001/02. The limited resource available to deliver this work has meant that progress in recent years has been slow. The appointment of a full time risk management officer in October 2006 has provided the opportunity to deliver a higher profile for risk across the organisation and a more comprehensive risk register and framework.

3   The additional capacity since October last year has allowed for more detailed work to be undertaken with both Council Management Team (CMT) and Corporate Leadership Group (CLG) in identifying the key organisational risks creating focus and momentum on risk management as a vital component of good management.

User Guide

4   The development of the draft User Guide has provided the opportunity to bring together the framework documents used in delivering risk into one complete document. The draft guide is attached to this report at Annex A and includes:

    a.   Risk Management Strategy;

    b.   Risk Management Policy;

      c.   Training & Communication Plan;

      d.   Magique User Guide;

      e.   Risk Champion Role;

      f.   Risk Categories;

      g.   Risk Assessment guidance;

      h.   Service Planning guidance.

5   The draft risk management strategy at paragraph 15 still requires some further work to set out clearly the current position of risk management across the organisation, a vision statement setting out where we would like it to be in three years time and the medium term action plan required to deliver this change.

6   This is a comprehensive document, which provides detailed guidance for all Officers and Members who have responsibility for managing risk. It has been written as simply as possible to provide clarity and remove any myths that risk management is a complicated scientific process. The document is intended as a desk reference guide in the same way as Financial Regulations and the Procurement Practitioner Manual. It is intended that the final document will be printed in a similar format and help to develop a complete suite of Governance guidance manuals for officers. The information is also available on the risk management intranet site.

Risk Monitor

7   CMT asked that following their work to identify key corporate risks (Paragraph 3) a monitoring report on progress in managing and mitigating them could be brought on a quarterly basis. This has proved to be a challenging request as any report needs to show clear progress and direction of travel with regards to the level of the risk and at the same time be brief enough that it does not require a great deal of time to interpret the information presented.

8   A draft of the format that may be used for the monitor is attached to this report at Annex B and Members views on its lay out and content would be welcomed.

Corporate Risks & Controls

9   In trying to establish risk management at City of York Council the annual monitoring report to Executive has been delivered in a number of formats intended to help create focus and engagement. This has meant that much of the detail around corporate risks has been removed and just the headline issues included.

10   It was felt that this type of approach was a pragmatic solution that would assist in engaging Executive Members while at the same time not overloading them with detailed information. This approach while being more successful has been criticised by the Audit Commission

and is the main reason why the 2007 refresh score for risk management remained at 2.

11   The work in identifying all controls and actions around the key corporate risks is ongoing as can be seen from the monitoring report attached at Annex B. The information being collected for this exercise is being transferred into Magique to create a comprehensive overview of the risks at both directorate and corporate level and provide a proper management tool for action planning. Annex C of this report provides a download of the information currently held in Magique in relation to these risks including the controls and actions identified to date.

Options

12   Not applicable.

Corporate Priorities

13   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

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

Risk Management

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

Recommendations

16   Audit and Governance Committee are asked to:

a)   consider and comment on the draft risk management user guide (Annex A);

Reason

To help deliver a more consistent and well understood approach to risk management across the Council.

b)   consider and comment on the draft monitoring report Annex B;

Reason

To provide clear focus on managing the key threats to the Council and assess opportunity that may arise in doing so.

c)   consider and comment on the draft magique report Annex C.

Reason

To provide clear focus on managing the key threats to the Council and the action been taken to manage them.

Contact Details

Author:	**Chief Officer Responsible for the report:**
David Walker	Liz Ackroyd
Risk, Insurance & Procurement Services Manager	Assistant Director of Resources (ARM)

Report Approved √ **Date** *31/12/2007*

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable   **All**

For further information please contact the author of the report
Background Papers

Annexes

Annex A Risk Management User Guide.
Annex B Draft risk management monitor.
Annex C Magique key risk report.

Corporate Risk Ref: CR 0001

Change in level of risk since last quarter

=

Implementation of new pay & grading structure

Implementation of new pay & grading structure presents a whole raft of potential risks to the Council. These range from lawfulness issues (e.g. meeting statutory deadlines) and financial considerations (i.e. affordability) to employee relations problems (e.g. industrial action, demoralised workforce, recruitment and retention issues etc).

20

Resources
Key Concerns:

Control:

20

City Strategy
Key Concerns:

Control:

20

Chief Executive's
Key Concerns:

Control:

20

Neighbourhood Services
Key Concerns:

Control:

20

LCCS
Key Concerns:

Control:

20

HASS
Key Concerns:

Control:

20

Corporate Risk Ref: CR 0002

Change in level of risk since last quarter

=

Unsuccessful delivery of the administration accommodation review

Efficiencies and facilitation of cultural change through rationalisation to one-site operations. The project relies and has interdependancies with other programmes of work such as FMS replacement and easy@york. A project risk register is being used for management control and planned mitigation purposes.

19

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:
Poor management of cultural change is affecting staff retention
Control:

19

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:

Control:

HASS
Key Concerns:
Evacuation of two sites (Yearsley & Huntington) are critical to the continuation of the Admin Accomm capital funding
Control:
Dedicated project management time-resource
Effective governance through a project board

13
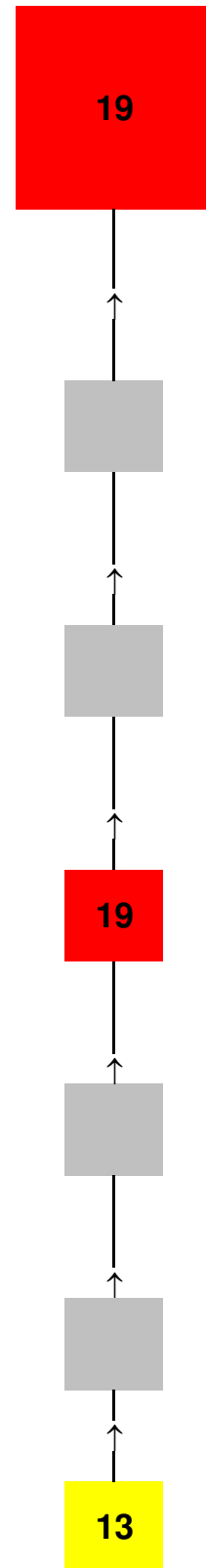
Corporate Risk Ref: CR 0003

Change in level of risk since last quarter

=

Failure of waste management strategy partnership

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

19

Risk
The project fails to deliver an appropriate and efficient solution
Obtaining the sufficient market interest to deliver an appropriate and effective solution
Control
CYC sees all project documentation
Received PQQ's from 12 bidders

19

Risk
Failure to make decision to deliver Waste PFI solution
If the Council fails to take the decision or leaves it to late its may not have the capacity to meet Government targets. Resulting in financial implications and fines of £150/tonne
Control
Maintaining Communication
Inter-authority agreement

18

Risk
Failure of partnership to agree on a waste treatment PFI contract
Exposure to LATS penalties of £150/tonne
Control
Close collaboration between CYC and NYCC

19

Risk
Failure to secure the planning consent for any waste treatment site
Results in non-delivery of the project or a complete rethink of the project
Control
Apply for planning consent early in line with DEFRA guidance
Communication plan
Options secured on two potential sites

19

Risk
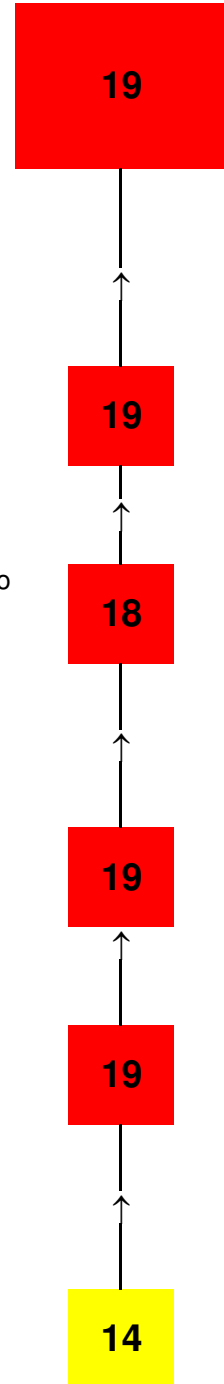**Lack of appropriate funding and resources**
Project resources from CYC are insufficient resulting in tasks undelivered and processes/ procedures not followed and resulting in delay and increase cost
Control
Reported on a regular basis to the Executive
Action
Review budget and staffing levels **Due Date:** 03/04/07

14

Corporate Risk Ref: CR 0004

Change in level of risk since last quarter

=

Implications of the forecast budget funding gap

Failure to set a balanced budget. Issues and risks associated with future funding pressures (failure to deliver statutory services, staff relations problems, on-going political pressures to cut Council infrastrucure to reduce impact on front line delivery etc). All risks, controls and mitigation need to be fully documented incorporated into the risk register for management review and control.

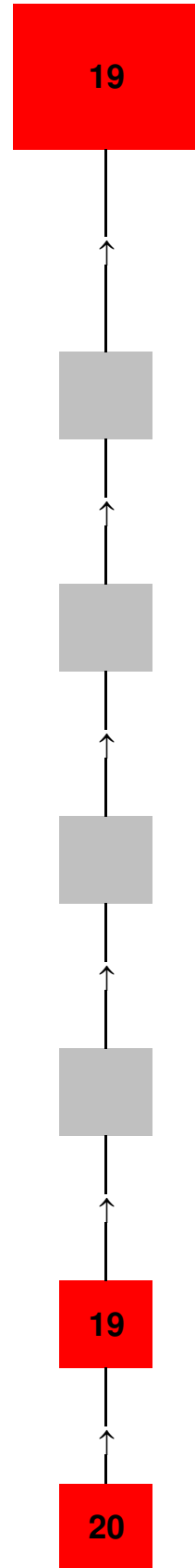|	
Resources **Key Concerns:** **Control:**	**19**
City Strategy **Key Concerns:** **Control:**	
Chief Executive's **Key Concerns:** Failure to be fleible in the alignment of capacity to priorities **Control:**	
Neighbourhood Services **Key Concerns:** **Control:**	
LCCS **Key Concerns:** Failure to set a balanced budget to ensure delivery of statutory services **Control:** Effective & consistent financial monitoring Comprehensive briefings through consultative mechanism with all schools	**19**
HASS **Key Concerns:** Inability to fulfill statutory duty due to lack of capacity in the care system. **Control:** Detailed financial forecast up to 2020 to quantify the level of risk. Agreed with PCT 5 priority areas for joint commissioning and investment	**20**

Corporate Risk Ref: CR 0005

Change in level of risk since last quarter

=

Failure to deliver Council Strategy

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.

15

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:
Potential state of decline in customer satisfaction and the organisation
Control:
Formally approved strategy
Corporate strategy embedded within the council's core processes
Action:
Strengthen champion arrangements for priorities to ensure delivery

20

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:
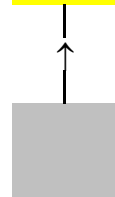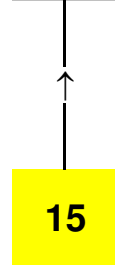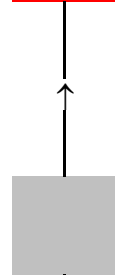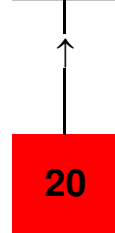The directorate contributes directly to two priorities & supports the other eight
Control:
Improvement champions responsible for DIP's

15

HASS
Key Concerns:

Control:
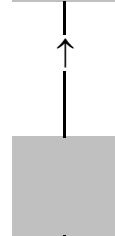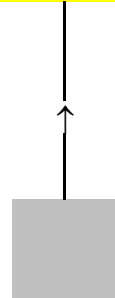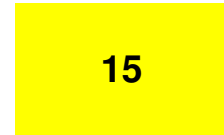
Corporate Risk Ref: CR 0006

Change in level of risk since last quarter

=

Failure of the strategic procurement programme

There will be about 15 key strategic procurements set out in the new Strategic Procurement Programme. 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.

14

Risk
Inability to provide corporate lead for the strategic procurement programme
Lack of capacity within the CPT to fully support the portfolio
Control
Review of current CPT structure with a view increasing capacity within current budget

19

Risk
Failure to implement monitoring programme
Resulting in potential programme failures are not reported early enough for mitigating actions to be implemented
Control

19

Risk
Lack of buy-in from projects leads for monitoring process
Resulting in difficulties in delivery of correct and up-to-date information
Action
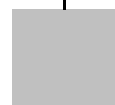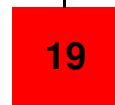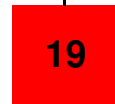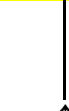Conduct a briefing session with commissioning officers   **Due Date:** 31/03/08
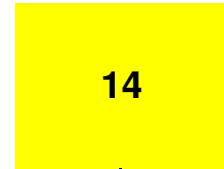
15

Risk

Control

Risk

Control

Action

Corporate Risk Ref: CR 0007

Change in level of risk since last quarter

=

Failure to deliver Local Area Agreement (LAA)

14

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.

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:

Control:

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:
Failure to achive targets in LAA could result in financial & reputational impacts
Control:
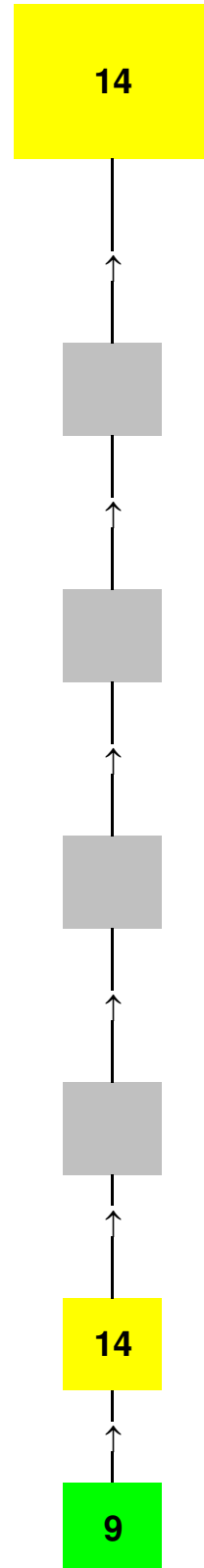Necessary actions included in officer work plans

14

HASS
Key Concerns:
This could arise if we fail to deliver performance targets in the LAA.
Control:
Partners have agreed the priorities for health improvement and issues related to older people and have identified outcomes that have specific targets.

9

Corporate Risk Ref: CR 0008

Change in level of risk since last quarter   =

Failure to maintain or improve the Comprehensive Performance Assessment (CPA) score in January 2008

Reputational and possible future funding risks of scoring less than '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.

	20

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:
Failure to effectively manage the self assessment submission
Control:
Agreed timetable for submission
Agreed approach to on site inspection process
Prioritisation of weaknesses in improvement plans

19

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:
Poor score in JAR(Joint Area Review) for LCCS would impact the council's CPA score
Control:
Planning & preparation for inspection process
Project management used to ensure requirements of the inspection are met
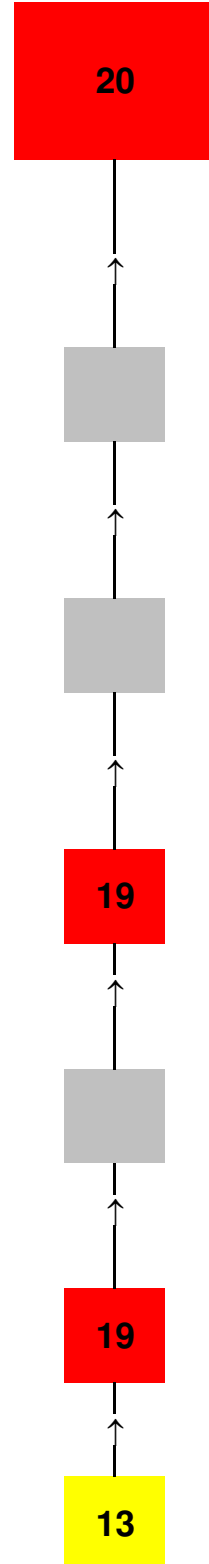
19

HASS
Key Concerns:
There are two blocks of the CPA score directly impacted by HASS, these are about ensuring the quality of housing and adult social services.
Control:
Quarterly review of all performance in the department
Production of self-assessment for social services each year

13

Corporate Risk Ref: CR 0009

Change in level of risk since last quarter

=

Failure to deliver Transformational Government

19

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 power of new technologies as this comes back to project & programme management areas of high risk within the Council.

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:

Control:

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:
Failure to make an effective contribution to programmes of work
Control:
Contribution to corporate programmes of transformational change
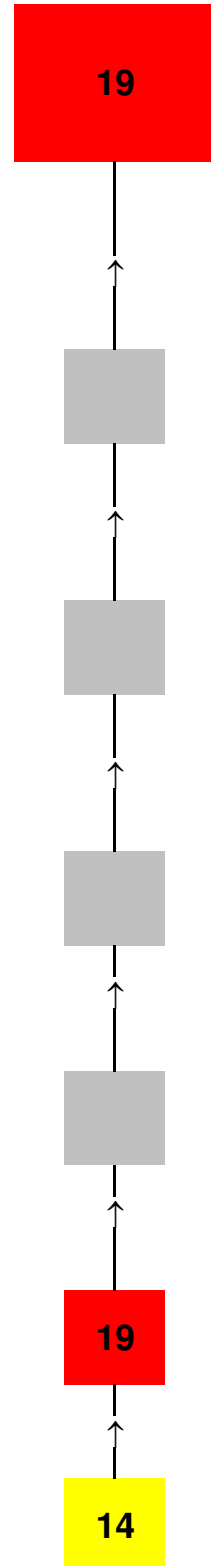Officer input to working groups

19

HASS
Key Concerns:
Relocating Advice and Information, Housing Repairs and Housing Management within phase two of the easy@york programme will involve very challenging projects.
Action:
Feasibility studies through the easy@york team **Due Date:** 04/02/08

14

Corporate Risk Ref: CR 0010

Change in level of risk since last quarter

=

Failure to address BCP (Business Continuity Planning)

The Council has a duty to ensure the continuity of its services to residents and customers. Business Continuity Plans should act as mitigating controls capable of reducing the impact of specific risks such as fire, flood or loss of staff. The lack of these plans reduces the Council's ability to respond and increases the level of exposure to associated reputational risk.

19

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:

Control:

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:
Inability to provide statutory services in a crisis situation
Control:
Schools require to have emergency plans

19

Action:

Complete BIA's in all areas	**Target Date:** 31/03/08
Complete BCP's in all areas	**Target Date:** 31/03/08
Complete directorate plan	**Target Date:** 31/03/08

HASS
Key Concerns:
Particularly important in this directorate due to the statutory responsibilities to protect vulnerable people and prevent homelessness.
Control:
Business impact Assessments complete at most sites

19
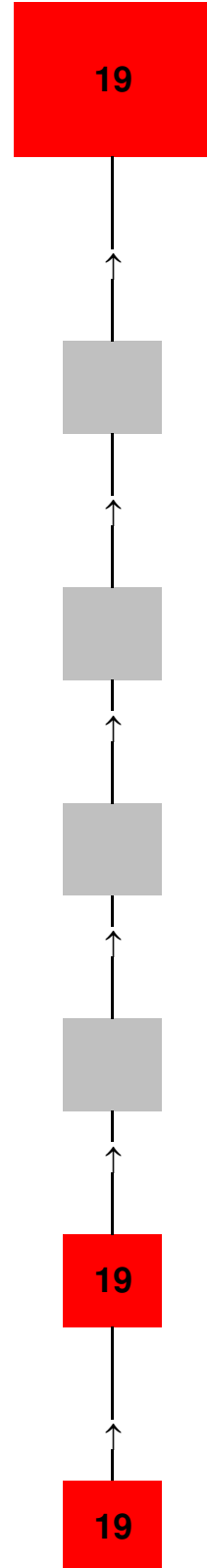
Corporate Risk Ref: CR 0011

Change in level of risk since last quarter

=

Partnering -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.

19

Resources
Key Concerns:

Control:

City Strategy
Key Concerns:

Control:

Chief Executive's
Key Concerns:

Control:

Neighbourhood Services
Key Concerns:

Control:

LCCS
Key Concerns:
Partnerships are effectively managed and governed (schools & YorOK board)
Control:
Joint consultation group
Briefing meetings with head teachers, chairs & governors

19

HASS
Key Concerns:
Potential problems could arise if governance of partnerships is not robust.
Control:
Formal partnership agreements in place
Partnership boards in place to oversee and direct the work of the partnership

8

This page is intentionally left blank

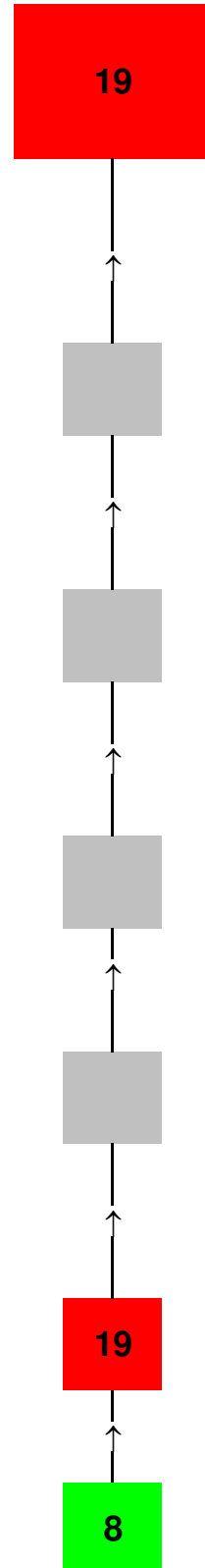| Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0001	**Corporate**								**Number of Risks:**	**13**

0349 Job evaluation review — CMT — Major — Probable — High — 20 — Major — Probable — High — 20

Job evaluation presents a whole raft of potential risks to the Council. These range from lawfulness issues (e.g. meeting statutory deadlines) and financial considerations (i.e. affordability) to employee relations problems (e.g. 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.

Controls		Owner	Effectiveness		
		01	Communication with staff & unions		Simon Wiles

Actions		Action Owner	Due Date	Revised Date	Status	
		1	Conduct thorough impact assessement			Draft Issued

0351 Unsuccessful delivery of the administration accommodation review — Individual Director — Major — Possible — High — 19 — Major — Possible — High — 19

Efficiencies and facilitation of cultural change through rationalisation to one-site operations. The project relies and has interdependancies with other programmes of work such as FMS replacement and easy@york. A project risk register is being used for management control and planned mitigation purposes.

Actions		Action Owner	Due Date	Revised Date	Status	
		1	Effective management of multi-project interdependancies and constraints			Draft Issued

0352 Failure of Waste Management Strategy Partnership — Individual Director — Major — Possible — High — 19 — Major — Possible — High — 19

Financial penalties of failing to manage satisfactory partnership solution to waste agenda. Partnership solution with NYCC introduces risks to the programme from NYCC 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.

0353 Implications of the forecast budget funding gap — CMT — Major — Possible — High — 19 — Major — Possible — High — 19

Failure to set a balanced budget.

Issues and risks associated with future funding pressures (failure to deliver statutory services, staff relations problems, on-going political pressures to sut Council infrastrucure to reduce impact on front line delivery etc). All risks, controls and mitigation need to be fully documented incorporated into the risk register for management review and control.

0355 Failure to deliver Council Strategy — CMT — Moderate — Probable — Medium — 15 — Moderate — Probable — Medium — 15

Public failure to achieve stated priorities, associated risks range from reputation issues, political embarassment and CPA implcations to lost opportunities to improve organisational performance across a coherent cultural and management change programme.

Page 131

Key Corporate Risks

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
	Actions				**Action Owner**		**Due Date**	**Revised Date**	**Status**	
				1	Adequacy and consistency of planning and project- programme management framework.				Draft Issued	
				2	Organisational commitment				Draft Issued	
				3	Changing political priorities pre and post election				Draft Issued	
				4	Adequacy of the strategic planning framework and partnering implications.				Draft Issued	
0357	Failure of strategic procurement programme	Individual Director	Moderate	Possible	Medium	14	Moderate	Possible	Medium	14

There will be about 15 key trategic procurements set out in the new Strategic Procurement Programme (to be reported in January 2007). The overall risk is that the programme will not enaure 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. These risks will need to be indentified and documented within the risk register for management control and mitigation purposes.

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0359	Turnover of key personnel and Members after May 2007	David Atkinson	Major	Possible	High	19	Major	Possible	High	19

Known loss of CEX, Director of LCCS, 2 AD's LCCS, others? New Director Chief Executive's and new Chief Executive.

Potential change in political administration following the May 2007 elections.

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0360	Failure to deliver Local Area Agreement (LAA)	CMT	Moderate	Possible	Medium	14	Moderate	Possible	Medium	14

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.

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0361	Failure to maintain or improve the Comprehensive Performance Assessment (CPA) score in January 2008	CMT	Major	Probable	High	20	Major	Probable	High	20

Reputaional and possible future funding risks of scoring less than 'good' but an increased likelihood of such an outcome due to 'the haredr 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.

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0362	Failure to deliver Transformational Government	CMT	Major	Possible	High	19	Major	Possible	High	19

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 power of new technologies as this comes back to project & programme management areas of high risk within the Council.

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0365	Partnering - Regulation & Governance	CMT	Major	Possible	High	19	Major	Possible	High	19

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.

Key Corporate Risks

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0393	Effective management of the election process	Heather Rice	Major	Possible	High	19	Major	Possible	High	19

Risks arises due to over-reliance upon key individual in Civic Services who may not be available to manage the election process in May 2008.

Ref	Risk Detail	Risk Owner	Impact	Gross Likelihood	Risk	Score	Impact	Net Likelihood	Risk	Score
0604	Failure to address BCP (Business Continuity Planning)	CMT/Director	Major	Possible	High	19	Major	Possible	High	19

The Council has a duty to ensure the continuity of its services to residents and customers. Business Continuity Plans should act as mitigating controls capable of reducing the impact of specific risks such as fire, flood or loss of staff. The lack of these plans reduces the Council's ability to respond and increases the level of exposure to associated reputational risk.

This page is intentionally left blank

Agenda Item 12

CITY OF
YORK
COUNCIL

Audit & Governance Committee   15 January 2008

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

Information Management Strategy

Summary

1   This report is to inform the Committee of a medium term strategy to improve information governance in response to certain external imperatives and internal pressures, as attached at Annex A. Its main elements, which also contribute to other existing projects and initiatives, include:

- a project to manage down the volume of paper records prior to the move to Hungate
- increasing the use of DMS to manage information actively for business efficiency
- review of the information governance policy framework (and in particular a new data protection policy and a new partnership information sharing policy)
- a policy on contributing to the historic archive.

2   The strategy identifies the need for a set of projects, aimed at achieving various outcomes and contributing to other projects or priorities, and recommends that they should be managed as a programme.

Background

3   The strategy was approved by Council Management Team on 5 December 2007. It arose from a need to address several long-standing matters.

4   The data protection policy, approved in 2001, is the oldest element of the policy framework and is now in serious need of revision.

5   In 2004 the Records Management Code of Practice came into force, intended to help public authorities to locate and retrieve information in response to information requests from the public. Being statutory, it obliges the council to manage its records well. But it is clear that its real importance lies in the contribution to business efficiency that good records management makes. Records management is a basic office function that attracts little attention – a hygiene factor, but a high-risk one if not done well.

6   The recent loss of personal data by HM Revenues & Customs is likely to lead to much higher expectations of data security, by both regulators and citizens. The event adds urgency to an already important need to improve data sharing with partner organisations through protocols based on a reliable framework[1].

7   It is generally recognised that there is need to provide a coherent framework to Information Governance at the Council to drive the development and improvement work required in respect of information management and governance at the organisation. The effectiveness of current arrangements across the organisation are variable and the move to Hungate has thrown into sharp relief the urgent development issues facing the organisation in respect of the way it might best manage its information resources in the future. This ranges from very basic practical concerns regarding how much 'paper' people will be able to store locally in future in the new building through to how we actually ensure the security of the information we use, the lawful use of that information as well as how we protect the Council's intellectual property rights. There is a great deal to do to in the lead up to the move to Hungate and time is now short. The strategy and accompanying action plan set out how all this work can be done in a coherent way in the time-scales now available to the organisation.

Consultation

8   The Information Management Working Group has been actively engaged in helping to shape the draft strategy at Annex A. This has included input from Cllr Jamieson-Ball as the Council's Information Management Champion as well as representatives from each directorate, plus Archives and HR officers because of their specialist interest. The group meets monthly and provides liaison on relevant matters, but is also a ready route for consultation within departments when needed. The strategy has also been informed through discussion with chief officers and senior service managers in Resources and Chief Executives, further to a number of internal officers events aimed at scoping and understanding the dependencies and cross-overs between various change management initiatives currently planned or on-going at the authority.

Implications and actions

9   Revisions to the data protection and other corporate policies require Member approval and will be reported for formal decision accordingly.

10   Other elements of the strategy are essentially operational. It will be an important early task to establish the amount of work required - the cost in time and money – so that Service Plans and team work plans can be prepared. An indicative action plan will be prepared in the coming weeks, through pilot studies in suitable services, and consultation with stakeholders in departments and related programmes.

---

[1] Such as the Information Commissioner's *Framework code of practice on information sharing* August 2007

11   The execution of the strategy will be managed and co-ordinated as an overall programme of work by the Information Management Officer. It is expected that existing in-house resources will be used to provide overall programme management, with any necessary consultancy support to be funded from existing budgets within the Resources Directorate to help co-ordinate work on behalf of the whole organisation.

12   The strategy includes an action plan that identifies the early presentation of policies to councillors, followed by detailed implementation within services, all framed within the deadlines imposed by the move to Hungate. Expected elements of the work in each service will be review of the 2004 records audit, completion of retention schedules, leading to estimates of the volumes to be retained (through scanning or off-site storage) or securely disposed of. Small-scale business cases will inform the DMS programme. Privacy Impact Assessments will lead directly into privacy statements as required by the already adopted Charter.

Options & analysis

13   There are no options associated with this report

Corporate objectives

14   The strategy will contribute to the following corporate objectives:

Improve leadership at all levels to provide clear, consistent direction to the organisation

Improve the way the council and its partners work together to deliver better services to people who live in York

Improve efficiency and reduce waste to free up more resources

Implications

15
- **Financial** –There are no Financial implications.

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

- **Equalities -** *There are no Equality implications*

- **Legal -** *There are no Legal implications*

- **Crime and Disorder -** *There are no Crime & Disorder Implications*

- **Information Technology (IT) –** *The only IT implication is in relation to providing an appropriate Document Management System to support electronic storage of information*

- **Property –** *There are no Property implications*

Risk Management

16   In compliance with the Councils risk management strategy. There are no risks associated with the recommendations of this report.

Recommendations

17   Members are asked to:

- note and comment on the strategy as attached at Annex A;

Reason

To provide A&G Members with the opportunity to inform the medium term strategy

- note and comment on the consideration of a revised data protection and an information sharing policy in the Forward Plan

Reason

To provide A&G Members with the opportunity to comment on the intention to provide a revised data protection and information sharing policy

- note and comment on the consideration of progress against the strategy to be included in the Forward Plan

Reason

To provide A&G Members with the opportunity to comment on the intention to provide progress reports on delivery of the strategy

Contact Details
Author: **Chief Officer Responsible for the report:**
Robert Beane   *Liz Ackroyd*
Information Management Officer   *Assistant Director of Resources (Audit & Risk*
Resources   *Management)*
01904 553450

                                                     Report Approved $\checkmark$ **Date**   *27/11/07*

Wards Affected: *List wards or tick box to indicate all*   **All** $\checkmark$

For further information please contact the author of the report

Background Papers:

Annexes:

Annex A - Information Governance Strategy 2007

This page is intentionally left blank

Annex A

Information Governance Strategy 2007

Introduction

1   This document describes how information should be managed so as to support the overall good governance of the Council. It complements other initiatives, especially the move to Hungate, which is the single most urgent driver for the strategy, and EASY.

2   Many of the other elements of this strategy are already in place and there is much good practice across the authority. Clearly, it is important that the Council's information resources are well managed and efficient, but equally they must also be seen to be efficient and well managed by others.

Purpose & scope

3   Information is an organisational resource in just the same way as money, property, and the skills and experience of our staff, and should be managed accordingly. Effective management includes a clear articulation of the policy framework, proper review processes, operational control, identified roles and responsibilities and performance management routines and procedures – to provide the proper infrastructure for supporting service delivery and enabling the Council to fulfil all its objectives.

4   The move to Hungate represents both a challenge and an opportunity - there is limited time in which to devise the new ways of working, prepare new forms of organisation, and implement data flow and records storage that will support the organisation in its new home – but a successful programme will also achieve the other aims of the strategy. Successful relocation to Hungate is the biggest single element of this strategy.

5   EASY relocates and rationalises customer data to improve all the services it covers (among its other aims). It is important that the new database is properly controlled and that all other filing structures are flexible enough to permit the re-engineering of processes, which alters document flow.

6   Partnership working is seen by government as crucial to service delivery. Effective partnerships need business and management information from each partner, and therefore systems that ensure information is "good" - accurate, timely, secure etc. The recent loss of personal data by HM Revenues & Customs is likely to lead to much higher expectations of data security, by both regulators and citizens.

7   The City Archive has been the subject of review by the Director of LCCS. The management of that service is outside the scope of this strategy but

there will be recommendations about the way the service should relate to the rest of the organisation, and this will be a factor in any future review.

Vision & objectives

8   This document foresees a council which:

- Maintains a relationship with each citizen that guarantees the protection of personal privacy

- is publicly accountable for the decisions it makes and the services it provides

- promotes participation in democracy and public life

- understands its historic role within the city

- manages information (instead of just storing it) through the use of technology and new ways of working, to serve citizens efficiently.

9   All of these derive from the corporate objectives of strong leadership and efficient management, which are in turn supported by the following aims and objectives:

- ensure compliance with all legislation, guidance, and codes of practice;

- improve the value for money inherent in the information resource

- generate reliable and authentic records that enable the council to assert its rights

- support, enhance and protect the reputation of the Council;

Standards, legislation and policy framework

10   Annex A lists the most significant external standards. The Records Management Code of Practice is the single most important one affecting this strategy. Bridging the gap between present practice and the standard will be a huge challenge, but the reward will be control over all our paper and electronic documents, contributing directly to the vision and objectives above.

11   The code derives from the Freedom of Information Act. This, and the Data Protection Act, are the most significant statutory obligations. The Code has statutory force. Both Acts now have a significant body of case law, guidance, statutory instruments and other codes.

12   In response to these, the council has already devised a framework of policies and procedures for managing information, fulfilling citizens' rights

and completing its obligations. All are to be reviewed, but the Data Protection Policy is in urgent need of improvement.

Risk Management

13 Failure to manage information well introduces serious risks. Poor information means sub-optimal decisions, with consequent financial or political implications. Staff morale will suffer if information systems do not support officers efficiently in their work.

14 Financial risks arise directly from:

- erroneous disclosure leading to a claim for damages (by an individual or an organisation), or

- records not being available to enforce legal rights.

15 The EASY CRM already collects customer data into one place where it can be managed well - and visibly so to the customer. This helps reduce reputational (and political) risk, which arises if information is unavailable in the right place at the right time, or if incomplete or biased information is wrongly disclosed.

16 In addition the objective of promoting participation in public life may be compromised if information is wrongly withheld after a faulty public interest test.

17 The Audit Commission has identified information security as a corporate risk and reported[1] on officers' lack of awareness of policies and procedures. Relevant items from the resulting action plan, intended to reduce the risk, are incorporated into this strategy

The Strategy

18 Annex B includes a review of various features of information governance, by the Information Governance Working Group, which underpins the assessments in this section.

Part 1 – current position

19 Records management has a low profile and little resource is devoted to it. There is no culture (at least not a consistent one) of devoting time to writing up working papers, weeding files and folders, and closing the file at the end of every job. Business and customer records are often well

---

[1] *Your Business @ risk – survey feedback*; Audit Commission, September 2007

managed in large specialist databases, but management records are not, because they are so much less predictable. Filing systems, including shared network areas, are not planned or regularly reviewed and weeded. As a result, there are large volumes of paper files; electronic records are duplicated as every reader saves his or her own copy; drafts and early iterations, and reference material copied from websites (and of only temporary value) fill file-servers and are not deleted; email folders that have exceeded their permissible size are reduced by mass deletion rather than intelligent selection; libraries of scanned documents simply grow into, and fill, ever larger servers.

20   The 2001 Data Protection policy is not a good one. Procedures tell people what to do; policies tell them how to make their own decisions correctly. The Act is based on abstract outcomes, so we need a policy that sets SMART outcomes and then explains what is mandatory and what is permissible in achieving them, and what factors should be taken into account when deciding. The Audit Commission report indicates that awareness of this policy, and others in the field of information security, is low.

21   Partnership working requires the efficient transmission of both business and management data between partners. The rules, or arrangements, for this – and especially those for ensuring DP compliance – are often called "protocols". Some of those in use are, like the DP policy, simply statements of intent rather than working documents that guide officers. In other cases they don't exist at all, and we rely on common sense to get the job done. Data sharing for debt collection operates erratically. Some services see other council departments as separate organisations, and some are less willing to disclose data internally than to their external partners.

22   There is no CYC policy on what the historic Archive should collect from within the council, and therefore no mechanism for a service department to send a record, nor for the Archives to ask if it does not appear. This has already led to gaps in what one would expect to be a complete sequence beginning long ago – the annual statement of financial accounts missing, for instance. There is also a problem with modern media, which may be physically unstable[2] or vulnerable to obsolescence[3]. These are likely to compromise the value of the historic record in future, independently of the physical location or organisational management of the service. These last

2 eg laser printing on acid-rich paper

3 eg electronic data needing to be decoded by special software - the "Betamax video" problem. The National Archive has already discovered that emails dating from the 1980s cannot be opened because the software no longer exists.

are being reviewed elsewhere, but the value of the information archived is properly an aspect of this strategy.

23   The policy framework, other than the DP Policy, is sound. Policies on FoI and records management should be reviewed. Departmental records management policies have not been updated for the current directorates and do not have complete R/D schedules. But procedures for providing information operate reasonably well. The EASY project has already begun to reduce duplication of customer data, by introducing the Customer Relationship Management system (CRM), and improved the publication of information on the website. The Publication Scheme fulfils the council's legal duty[4] but is of little practical use to staff or customers.

24   Annex A includes an analysis of how the council has improved in the past four years. The analysis shows what more could be done; the strategy below describes how it can be achieved, and why it is desirable to do so.

Part 2 - where do we want to be in the future

Features of a well-organised environment would include:

25   Clear desks. Sound records management means a place for everything and everything in its place. Information is not stored in piles on the corners of desks, but labelled and indexed in files and folders, and easily accessible when required. This is a psychological as well as a physical aspiration, and contributes positively to time management5 and morale as well as to business efficiency.

26   Information flows. We know what we've got and where it is, and it either moves automatically to the next correct place, or it can easily be retrieved by whoever needs it next. If it's deleted, we know (vital in responding accurately to FoI enquiries). Availability to users includes internal and external users and the public and this is enhanced by clear signposting, through the Publication Scheme, and simple access and charging.

27   Corporate standards for filing and indexing systems. One interesting feature of EASY is the adoption of the Local Government Services List as a basis for classifying work; this should become a corporate standard. Below that there must be scope to accommodate service-specific legislative and perhaps even historic variations.

---

[4] Under Section 19 of the Freedom of Information Act 2000

[5] Do one job at a time; when it's as near complete as possible, put it away and get the next job out. Completion includes writing up, weeding, and preparation of the closed file.

28   It will be important to review the operation of the CRM database to ensure that, as its value as a resource for sharing grows, the policy keeps pace with changes of use and compliance is maintained.

29   Privacy statements for every service. Customers can easily confirm that we are processing their data correctly because services understand, and can explain, how the data protection principles apply to every transaction.

30   Efficient information sharing with partners including neighbouring authorities. Transmission could be by any suitable medium, including granting access to CYC databases. Sharing for debt collection and enforcement of other legal rights will be well understood by both officers and citizens, and governed by documented procedures. The Information Commissioner's code on data sharing is a key source, and his accreditation for our agreements should be gained.

31   Archived records are accessible to officers and public, and build a complete historic record. Modern or semi-live records may or may not be stored with historic records, but are still easily accessible.

32   Make proper use of ID cards without losing trust of citizens.

33   All the aspects of information management above, such as protecting personal privacy, are integrated into the council's culture and ethos. Staff induction and training ensure that all are aware of the reasons why security arrangements, or other procedures, are as they are. Meeting the promises in the Charter is second nature. Privacy and accountability are skills of "unconscious competence".

Part 3 – How do we get there?

34   The overall strategy is to improve the council's performance by strengthening the policy framework; audit; and information and training. The framework will include rules, or protocols, on filing, indexing and cataloguing documents. Other elements of this strategy are policies on data protection and sharing data.

35   Officers involved in partnerships will also need guidance, especially on preparing or entering data sharing protocols and improving existing ones. The North Yorkshire 3-tier protocol should be reviewed (by the relevant partners) in the light of the Information Commissioner's Framework guidance. An improved Data Protection Policy should assist the development of specific guidance, but non-personal information and its disclosure under FoI also needs managing.

36   Hungate presents an opportunity to "clear out the basement". The three main elements of that task are as follows.

37   Service-by service review of how to make records management work. Identify what there is; devise retention & deletion schedules; a template action plan is required. Pilot services will be needed to test the process.

38   Decide whether to throw away, store off-site, or scan – business case needed for each element of service. Management records will be more problematic than business records.

39   Each business case must take account of other changes at Hungate. The project encourages new ways of working, and relocation of services relative to each other. A decision may need several iterations, or permutations of choices.

40   Apart from Hungate, other tasks include service privacy statements being reviewed within routine internal audit of information management compliance. Some elements of each statement will be generated by the records management work above.

41   The Publication Scheme must be reviewed by the end of 2008. It could become a useful attribute of the provision of information, and perhaps be incorporated into the operation of the website.

42   A communications strategy and training programme must be aimed at all levels of staff so that appropriate levels of instruction, training and explanation (and invitation to challenge) are provided.

Medium term action plan

43   The cost, in time and money, of achieving these outcomes is not yet known. For each service there must be research to estimate how much information is held, how much can be disposed of, prepare a business case for storage or scanning of what's kept, and then carry out the work. The DMS project will want an early indication of the total costs, so pilot studies in suitable services must begin immediately. Several services have already volunteered.

44   Such a service-by-service programme will require commitment from CMT downwards to ensure managers allot time and resources to do the work. It will also require dedicated programme management. Only if CMT's commitment is applied by a programme manager with the relevant knowledge and skills will this aspect succeed. The move to Hungate already involves significant culture change, to which this element adds both further challenge and time-consuming work. Both require clear and decisive leadership supported by a detailed programme, managed according to effective principles.

45   Milestones:

Milestone	timeline
Indicative action plan	Feb 2008
Adoption of revised data protection policy	Mar 2008
Adoption of policy on data sharing	June 2008
Revised publication scheme	Oct 2008
Completion of service privacy statements	Dec 2008
Completion of business case for storage or scanning by every service	Dec 2008
Completion of each service records management project	Dec 2009

46   The elements of the programme are projects based on improving information governance in each service. Circumstances - eg legislative and regulatory requirements, culture and history – mean that although policy can and should be developed corporately, implementation is likely to vary enormously. Therefore a policy-and-audit approach is required. Further, the scope for choice within services will alter as other projects suggest different parameters – especially the "new ways of working" stimulated by the move to Hungate.

Information Governance Strategy and relationship with other projects

47   The principal elements of the strategy are listed in the table below and their overlaps with other projects identified. The table also serves as a check-list of the projects making up the overall information governance Programme.

48   The strategy outlined below would be applicable, necessary and deliverable in any local authority. But at York there are already other programmes in progress with which synergy can be gained – or lost. Each could be completed separately. But there are overlapping areas where work will contribute to more than one project, reducing the overall total.

	Info Mngt	Hungate	EASY	IT devt plan
Communication strategy	✓	✓	✓	✓
Records Management:				
Complete file indexes & R/D schedules[6]	✓		✓	
Reducing paper storage	✓	✓		
scanning	✓	✓		✓
Document management	✓		✓	✓
New ways of working	✓	✓	✓	
New ways of printing		✓		✓
Information Governance policy framework				
Induction, teaching, training, explanation	✓	✓	✓	✓
Partnerships & data sharing	✓		✓	
DP Policy	✓		✓	
Data Sharing Policy	✓		✓	
Improving the archive	✓			
Review of Publication Scheme	✓		✓	

49   The move to Hungate is one such project. The main overlap here is the reduction in on-site storage of paper records. DMS is another, with the

---

[6] including generic records – finance, HR, performance management

same objective. If efficiency can be improved by introducing DMS, so much the better, but of course more work is required to configure it well. EASY is a third. EASY consciously seeks to improve efficiency by improving customer contact and thus stimulating a review of work flow from front to back office – and perhaps the boundary between the two. The Hungate project is looking for new ways of working, including hot-desking, home-working and moving services nearer to their customers – a deliberate echo of the re-engineering inherent in EASY and implicit in DMS.

Annex A

Background: legislation & regulation

the **Data Protection Act** 1998 ("DPA") and Information Commissioner (and other) guidance under it, on

- Employment records (the "Employment Practices Code")
- Information sharing with partners
- Guidance for elected councillors
- Warning of potentially violent customers
- Data matching
- Rights of access by data subjects
- CCTV
- Photographs in schools
- Notification and annual registration

The **Freedom of Information Act** 2000 ("FoI") and its two codes of practice:

- fulfilment of duties (the "Section 45" code)

- records management (the "Section 46" code). Of all the items in this list, records management is the biggest single area for improvement and has the greatest contribution to make to other council initiatives. It has further implications for the Archives service and the management and retention of electronic records.

guidance on exemptions as issued by both the Information Commissioner and the Department for Constitutional Affairs.

The **Environmental Information Regulations** 2004 ("EIR") and guidance from DEFRA

The **Regulation of Investigatory Powers Act** 2000 ("RIPA"), which regulates surveillance and other crime prevention methods

The **Re-Use of Public Sector Information Regulations** ("ROPSI")

Annex A

Annex B

Where we were, where we are, where we want to be

	where we were in 2004 is shaded grey			Where we are in 2007 is typed in bold			Where we want to be in 2010 has a bold outline

	1 failing	2 poor	3 inadequate	4 satisfactory	5 above average	6 good	7 excellent
Policy framework	absence	Some polices exist but do not guide officers	Only some policies guide decisions	**All policies interpret external requirements & guide decisions**	Policies are well understood & embedded	Some elements have been recently reviewed	Every element embedded & regularly reviewed
DP policy	absence	**policy exists but officers not aware**	policy exists but does not guide decisions	interprets external requirements & guides decisions	well understood & embedded	As 5 & recently reviewed	As 6 & regularly reviewed
FoI policy	absence	policy exists but officers not aware	policy exists but does not guide decisions	interprets external requirements & guides decisions	**well understood & embedded**	As 5 & recently reviewed	As 6 & regularly reviewed
Corporate RM policy	absence	**policy exists but officers not aware**	policy exists but does not guide decisions	interprets external requirements & guides decisions	well understood & embedded	As 5 & recently reviewed	As 6 & regularly reviewed
departmental RM policies	absence	policy exists but not updated for new directorates; R/D schedules	policy updated but no R/D schedules or other procedures	**Policy & procedure complete but not carried out**	Policy & procedure well understood and embedded	As 5 & recently reviewed	As 6 & regularly reviewed

		and other procedures incomplete					
Business records in practice	Records incomplete and not easily retrievable; may be out of date or duplicated	Records structured but duplicated and inconsistent or incomplete	Records complete but not weeded or closed. Mixed media records not cross-referenced	**Live records complete and in good order inc. meta-data**	As 4 but records weeded, & closed records separated	As 5 but R/D schedule in practice	As 6 but historic records (inc list of deletions) secure
management records in practice	Records not easily retrievable or related to management functions; may be out of date or duplicated	Records partially structured but dependent on officers' own knowledge; shared access inconsistent	Records structured but dependent on officers' own knowledge; not weeded or closed. Access inconsistent	**Folder structure and officer access to them match management functions; closed records removed**	As 4 plus version control in practice	As 5 plus wider access through CouncilNet in practice	As 6 plus historic records secure
RM skills knowledge & competence	**RM skill limited to specialist services[7] and not shared or applied to management of those services**	RM recognised as a corporate requirement	HR implications of S 46 code linked to HR practice	RM included in all relevant JDs & training plans	Posts filled in accordance with 4	As 5 plus service managers have working knowledge of RM	S46 compliance regularly reviewed and found as 5