

Notice of meeting of

Audit & Governance Committee

To:	Councillors Pierce (Chair), Brooks (Vice-Chair), Crisp, Scott, Kirk, Moore and R Watson
Date:	Wednesday, 24 September 2008
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

1. Declarations of Interest

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

2. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annexes 1 & 2 to Agenda Item 9 (Annual Monitoring Report: Breaches and Waivers of Financial Regulations 2007/08) on the grounds that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). This information is 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).

3. Minutes (Pages 3 - 8)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 26 June 2008.

4. 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 **Tuesday, 23 September 2008, at 5:00 pm.**

5. Annual Governance Report of the External Auditor (Pages 9 - 36)

This report presents the Annual Governance Report of the External Auditor in respect of the 2007/08 audit year, for members' consideration.

6. Debt Recovery Arrangements Follow-up Review: Audit Commission Report (Pages 37 - 48)

This paper introduces a report prepared by the Audit Commission summarising the findings from their follow-up review of the Council's debt recovery arrangements with specific reference to Council Tax and National Non-Domestic Rates (NNDR).

7. Sickness Absence (Pages 49 - 52)

This report provides an update on the Council's controls relating to sickness absence, as requested at the meeting on 13 May 2008.

8. Follow Up of Internal Audit Recommendations (Pages 53 - 58)

This report sets out the progress made by departments in implementing those agreed audit recommendations which were due to have been implemented by 31 August 2008.

9. Annual Monitoring Report: Breaches and Waivers of Financial Regulations 2007/08 (Pages 59 - 76)

This report informs Members about unauthorised breaches of the Council's Financial Regulations during the 2007/08 financial year and any waivers of Financial Regulations approved by the Section 151 Officer during the year.

10. Risk Management Mid-term Report 2008/09 (Pages 77 - 108)

This report informs Members of the progress made by the Risk Management Section during 2008/09, including achievements in relation to embedding the Risk Management framework across the organisation.

11. Application of Regulation of Investigatory Powers Act 2000 (RIPA) (Pages 109 - 114)

This report proposes a response to a letter from the Chairman of the Local Government Association following media comment on councils' application of the Regulation of Investigatory Powers Act 2000 (RIPA).

12. Urgent Business

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

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

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

Contact details are set out above.

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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

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City of York Council

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	26 JUNE 2008
PRESENT	COUNCILLORS PIERCE (CHAIR), CRISP, SCOTT, KIRK, MOORE AND WATT (SUBSTITUTE)
APOLOGIES	COUNCILLORS BROOKS AND R WATSON

PART A - MATTERS CONSIDERED UNDER DELEGATED POWERS

1. 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.

No interests were declared at this point; however, the following interests were declared in respect of the Statement of Accounts (Minute 4 refers) when details of the relevant matters came under discussion:

- Cllr Scott – a personal interest, as a solicitor specialising in Equal Pay claims (but with no involvement in claims made by staff from this authority)
- Cllr Kirk – a personal interest, as a director of Connexions.

2. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 13 May 2008 be approved and signed by the Chair as a correct record.

3. PUBLIC PARTICIPATION

There had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

4. STATEMENT OF ACCOUNTS 2007/08

Members considered a report which invited them to review and comment upon the Council's financial accounts for the 2007/08 financial year prior to their referral to Executive, and subsequently to Full Council, on 30 June 2008.

Copies of the draft Statement of Accounts were circulated at the meeting. An early version of the draft had previously been circulated to Members, with an explanatory note. *[The note will be attached to the on-line version of the agenda, as Annex 1 to this agenda item].* Officers apologised for the late production of the updated version of the draft. The report outlined a

number of changes to the Statement of Recommended Practice (SORP) agreed by CIPFA. These had contributed to the delay, as had the recent staff changes at a senior level within the Resources department.

There were still some gaps in the updated draft, notably the Foreword and the cash flow statement. A final draft version, incorporating the missing information, would be circulated to all Members of Council on the following day, in advance of the Council meeting on 30 June.

Members considered the information in the draft Statement of Accounts, questioned Officers in relation to financial details and, specifically:

- Noted with concern the increase in liability related to the Defined Benefit Pension Scheme (p.35)
- Requested a breakdown of income and expenditure in respect of developers' contributions under Section 106 ((p.49)
- Noted that the reduction in the Collection Fund balance (p.89) was smaller than had been planned.

RESOLVED: (i) That the Committee is satisfied, having reviewed the annual Statement of Accounts, that appropriate accounting practices have been followed.

- (ii) That the Executive and Full Council be asked to note:¹
- a. the Committee's concerns regarding the late presentation of the accounts;
 - b. the Committee's opinion that Corporate Management Team and Council should take responsibility for the proper and timely preparation of the accounts and ensure that adequate resources are in place to achieve this;
 - c. the Committee's comments on specific areas of the accounts, as recorded above.

REASON: In accordance with the Committee's remit within the Constitution to review the annual Statement of Accounts and bring any concerns to the attention of Council.

Action Required

1. Bring these comments to the attention of Executive on 30 June GR
2. Bring this comment to the attention of CMT RB

5. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

Members considered a report which advised them of the outcome of the annual review of the effectiveness of the Council's internal audit system, as required by the Accounts and Audit Regulations 2003.

Action taken to address the four recommendations for improvement identified by the last review, as reported to Members on 24 September

2007, was detailed in paragraph 9 of the report. In addition to this, the self assessment checklist had been updated to reflect the shared service arrangement with North Yorkshire County Council, a detailed customer survey had been undertaken to seek the views of senior management, and the results of the latest CIPFA benchmarking data had been reviewed.

Based on the results of the review, the Council's system of internal audit was considered to be operating in accordance with accepted professional best practice, and remained effective.

Members expressed concern at the low level of response from departments to the customer survey (15%). Officers confirmed that action would be taken to try to improve this and also to address the delays in issuing audit reports, as identified in the survey results.

RESOLVED: (i) That the results of the review of the effectiveness of the Council's system of internal audit be noted.

(ii) That the Committee's concern regarding the low level of response to this important survey be brought to the attention of Corporate Management Team (CMT).¹

(iii) That consideration be given to including completion of the survey as an objective in Directors' annual appraisals, in order to improve the level of response.¹

REASON: In accordance with the Committee's duty to consider the adequacy and effectiveness of the Council's control environment.

Action Required

1. Bring these comments / suggestions to the attention of RB
CMT

6. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

Members considered a report which detailed the outcome of audit and fraud work undertaken during 2007/08 and provided an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements, as required by the CIPFA Code of Practice.

Internal Audit had successfully delivered 91.6% of the work detailed in the 2007/08 Audit and Fraud Plan, as compared to 92% in 2006/07 and 91.3% in 2005/06. Details were set out in Annex 2 to the report. Counter fraud work undertaken in accordance with the approved Plan was summarised in Annex 3. This had involved mainly the identification and investigation of suspected fraudulent Housing and Council Tax Benefit claims but had also included increasing numbers of referrals relating to the fraudulent use of disabled blue badges. Details of investigations and prosecutions were set out in Annex 4.

The opinion of the Chief Auditor on the overall adequacy and effectiveness of arrangements, based on the results of audit and fraud work completed during the year, was provided in Annex 1. This identified significant control weaknesses in respect of the following issues relevant to the 2007/08 Annual Governance Statement:

- New sickness procedures not fully embedded and improved systems required for ensuring accurate management information on sickness
- Action required to ensure that the misstatements in the 2005/06 and 2006/07 Statement of Accounts are not repeated in future.

RESOLVED: (i) That the results of the audit and fraud work undertaken in 2007/08 be noted.

REASON: In accordance with the Committee's duty to consider the implications of audit and fraud findings.

(ii) That the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's internal control environment be accepted.

REASON: In accordance with the Committee's duty to consider the opinion of the Chief Internal Auditor.

(iii) That the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement be noted.

REASON: To enable the Annual Governance Statement to be prepared.

(iv) That a report be brought to the next meeting outlining progress on implementation of the procedures to address mis-statements in the Statement of Accounts.¹

REASON: So that progress on this significant control issue can be closely monitored.

Action Required

1. Bring report to the next meeting of A&G Committee (8 September) SA

7. URGENT BUSINESS: THE NEW COUNCIL HQ – RESPONSE TO QUESTIONS POSED BY THE AUDIT AND GOVERNANCE COMMITTEE

Members considered a report which responded to a number of questions which they had raised after the last meeting regarding the contract management arrangements for the project to build a new Council headquarters at Hungate.

The Chair had agreed to deal with this item as Urgent Business because the Committee needed to be satisfied with these arrangements as early as possible, and before consideration of the planning application.

The specific questions of concern to which the report responded were:

- a) The form of contract;
- b) The provisions for variations, claims, arbitration and bonding;
- c) The extent of nominated suppliers and nominated sub-contractors;
- d) Business continuity in the event of business failure by the main stakeholders;
- e) Business continuity in the event of the loss of the project leader;
- f) Arrangements for Member steering and the regularity of reports;
- g) Re-confirmation that the project still met the governance criteria of the best solution, at the right time and at the best cost for residents.

The Head of Property Services was present at the meeting and responded to further questions from Members to clarify the information in the report. He confirmed that the form of contract – Engineering Construction Contract Option D – had been selected as the best option in terms of risk and was a type of contract used successfully before by the Council. Any disputes were managed as part of the process of contracting, thus minimising delay. With regard to business continuity in the event of the loss of the project leader (meaning the Head of Resources), there were other project managers in place who could fill that role and the project management structure was considered sufficiently robust. The arrangements for retention were considered reasonable, although the sum was relatively small, because the project incorporated an incentivisation scheme.

RESOLVED: (i) That the responses provided to Members' questions be accepted.

(ii) That, nevertheless, the Committee remains concerned about the relatively small retention sum for the project and the arrangements for business continuity in the event of the loss of any senior members of the project team.¹

REASON: In the interests of effective management of one of the Council's major projects.

Action Required

1. Project team to note these comments

SA

PART B - MATTERS REFERRED TO COUNCIL

8. 2007/08 ANNUAL GOVERNANCE STATEMENT

Members considered a report which invited them to comment upon the draft Annual Governance Statement (AGS) for 2007/08, which would be published with the Statement of Accounts.

The draft AGS was attached as Annex 1 to the report. Members' attention was drawn in particular to the nine significant control issues included in the draft. These included those issues identified in the 2006/07 Statement of Internal Control (SIC) for which there was still insufficient evidence that new or improved control arrangements were fully embedded across the Council. Responsibility for each significant control issue had been assigned to a named Director, who would prepare a detailed action plan for each issue. Progress to deliver the action plans would be monitored by Internal Audit.

In considering significant control issues, Members commented that it would be helpful to know what kind of evidence was required to determine whether arrangements had been fully embedded across the Council. They also noted that specific deadlines had not been provided for the completion of proposed action to address these issues, although it was accepted that the information was in summary form and that detailed plans had been produced.

Members noted the monitoring arrangements for the overall AGS action plan, and the individual action plans for each Directorate and

RECOMMENDED: That the draft 2007/08 AGS be approved, subject to the following amendments:¹

- a) the re-wording of the control issue relating to Scrutiny Arrangements, to reflect the Committee's view that effective pre-decision scrutiny is *not* enabled by the EMAP process;
- b) the inclusion of specific target dates for the completion of proposed actions to address the control issues, and identified posts to take responsibility for those actions.

REASON: In accordance with this Committee's Constitutional role to oversee the production of the AGS (formerly the SIC) and recommend its adoption to Full Council.

Action Required

1. Refer recommendation to Council on 30 June (and inform GR Executive)

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 8.45 pm].



Audit and Governance Committee

24 September 2008

Report of the Director of Resources

The Annual Governance Report of the External Auditor

Summary

- 1 This report presents the Annual Governance Report of the External Auditor in respect of the 2007/08 audit year, for members' consideration.

Background

- 2 In 2006 the Audit Commission introduced revised reporting arrangements that included a new requirement for an annual governance report to be presented to those 'charged with governance' at the council. The report must be considered by the council before a statutory deadline of the 30 September each year. This report is made in addition to the Annual Audit Letter. The Annual Governance Report for 2007/08 is included at Annex A for consideration.
- 3 A letter of representation (as required by International Auditing Standards) has been prepared for signature by the Chair of this Committee following members consideration of this item. This has been drafted in accordance with the template provided by the Audit Commission and will be brought to the meeting for the Chair to sign. The council's S151 Officer will also be required to sign this letter.
- 4 The content of the report highlights a number of areas for improvement, all of which will be built into a Governance and Use of Resources Action Plan to be developed and monitored by a Governance Group chaired by the Director of Resources. The group will also respond to the findings of Corporate Governance and Use of Resources reviews to be carried out by the Assistant Director of Resources (ARM). This will be a major high priority piece of work, that seeks to ensure that improvements are made to the final accounts processes and that the issues highlighted by the external auditor are tackled in an effective and systematic manner

Consultation

- 5 The report of the External Auditor has been discussed with the relevant responsible officers and has been approved in draft by the S151 Officer. It is reported here for due consultation with those members charged with governance at the council.

Options

- 6 Not relevant for the purpose of the report.

Analysis

- 7 Not relevant for the purpose of the report.

Corporate Priorities

- 8 The external audit of the organisation contributes to the overall effectiveness of the council's governance and assurance arrangements and to the corporate priority of improving efficiency and reducing waste so as to free up more resources.

Implications

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

Risk Management Assessment

- 10 The council will fail to comply with legislative and best practice requirements to provide for the proper audit of the authority if it does not consider this report or approve and sign off the letter of representation now required by International Auditing Standards.

Recommendations

- 11 Members are asked to:
- a) note and discuss the matters set out in the Annual Governance Report presented for discussion by the External Auditor;

Reason

To ensure the proper consideration of the opinion and conclusions of the External Auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money

- b) consider the action plan arising from the report as set out in Appendix 3 to the External Auditor's report;

Reason

To ensure appropriate action is being taken by officers to address any matters raised by the External Auditor further to his report

- c) approve the letter of representation for signature by the Chair of this Committee, having first considered whether it sufficiently

reflects the views and beliefs of the Committee as those charged with governance at the council.

Reason

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

Contact Details

Author:

Pauline Stuchfield
Assistant Director
(Audit and Risk Management)
Telephone: 01904 551706

Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
Telephone: 01904 551100

Report Approved

Date 11 September 2008

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 A - The Annual Governance Report of the External Auditor

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Annual Governance Report

City of York Council

Audit 2007/08

Date

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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.

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 3 Our audit of your financial statements is still underway. We have encountered difficulties with the Council's supporting working papers and this has delayed our work. We are still completing our audit work on elements of the income & expenditure account, balance sheet, housing revenue account, collection fund and cash flow statement.
- 4 Subject to the satisfactory resolution of matters outstanding we intend to issue an unqualified audit opinion on the financial statements by 30th September 2008.
- 5 We reported last year that the Council needed to improve its closedown procedures in order to produce accounts and working papers to the required standard by the required deadline. It is disappointing to report that the Council has not made progress to address the weaknesses we identified last year. There have been delays in producing the fixed asset register, a key working paper, which we only received on 8th September. The delay in receiving this working paper has increased the risk that we will not be in a position to give our audit opinion by the 30th September. The quality of many working papers has been below the expected standard.
- 6 In addition, the production of the draft accounts fell behind the Council's timetable and the final draft accounts were not available before the Audit & Governance Committee meeting where the accounts were scrutinised. The Audit & Governance Committee meeting was held in advance of the deadline for approval because of the administrative arrangements that the Council has in place. The scrutiny of the accounts was, as a result, less effective and less robust than should be the case.

Value for Money

- 7 Based on the work carried out, we intend to issue an unqualified conclusion on your arrangements for securing economy, efficiency and effectiveness in the use of your resources.

Next steps

- 8 We ask the Audit & Governance Committee to:
 - recommend the financial statements for approval;

- decide whether to adjust the financial statements as set out in our recommendations;
- approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
- agree the proposed action plan.

DRAFT

Financial statements and Annual Governance Statement

- 9 The Council's financial statements and Annual Governance Statement (AGS) are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and AGS so it is important that you consider our findings before you adopt them.
- 10 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 11 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management to sign;
 - our views about the Council's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.
- 12 Our audit of the financial statements is still in progress. We have experienced delays to our audit because of the availability of staff and the quality and preparedness of some key working papers. We have still to complete our work on elements of the Income & Expenditure Account, the Balance Sheet, the Housing Revenue Account, the Collection Fund, and the Cash Flow Statement.

Key areas of judgement and audit risk

- 13 Our findings on the key areas of judgement and audit risk are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Revised accounting for assets and liabilities from CIPFA's adoption of accounting standards relating to financial instruments	Council's treatment has been in line with the accounting standards for the 2007-08 entries, but the 2006-07 comparatives have not been treated correctly as, in our view, they differ from SORP guidance.
Revised accounting treatment of fixed assets and reserves from CIPFA's adoption of a revaluation reserve	Council's treatment has been in line with the accounting standards
Prior year audits identified errors with fixed	Council has cleansed the fixed asset data and has reported a prior period

Issue or risk	Finding
asset accounting.	adjustment. Although we have not identified any errors so far on fixed asset accounting, we have yet to fully complete our audit work on fixed assets.

Recommendation

R1 Amend the 2006-07 comparatives, removing the financial instrument accounting adjustments.

Draft representation letter

14 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and

Financial statements and Annual Governance Statement

- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

15 Appendix 1 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

16 We consider the qualitative aspects of your financial reporting. Table 2 contains one issue we want to raise with you. In addition there are several small typographical errors in the financial statements which officers intend to amend for, but these are considered trivial and not reported here.

Table 2 Accounting practice and financial reporting

Issue	Finding
The financial information in the explanatory foreword should agree to or reconcile with the information in the financial statements	Some items are inconsistent and should be corrected to accurately present the financial information

Recommendation

R2 Amend the explanatory foreword to the accounts to make it consistent with the financial statements.

Errors in the financial statements

- 17 We identified errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 18 Officers have agreed to adjust the financial statements for the errors identified in Table 3, all of these relate to the incorrect adjustment of the 2006/07 comparators in the 2007/08 accounts. However, because of the need for members to be fully aware of the accounts that they are responsible for, we are reporting these errors to you.

Table 3 Corrected errors in the financial statements

Issue	Originally disclosed value £'000	Correct value £'000	Adjustment made £'000
2006/07 comparators have been re-stated to take into account the Financial Instrument accounting changes. Specific items are listed below.			
Balance sheet			
Debtors	£30,343K	£31,168K	£825K
Temporary investments	£37,875K	£37,050K	-£825K
Creditors	£37,579K	£39,177K	£1,598K
Long term loans due within 12 months	£5,598K	£4,000K	-£1,598K
Financial instrument adjustment account	-£2,715K	£0	£2,715K
Deferred assets	£22,029K	£26,086K	£4,057K
Long term loans	£98,184K	£99,365K	£1,181K
Deferred liabilities	£23,188K	£23,374K	£186K
General fund balance	£13,878K	£13,853K	£25K
Income & expenditure account - Interest payable	£4,790K	£4,764K	-£26K
Statement of the Movement on the General Fund balance - Finance costs per SORP	-£51K	£0K	£51K

The audit report

- 19 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 2 contains a copy of our draft report.

Material weaknesses in internal control

- 20 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Other matters

- 21 We reported in last year's Annual Governance Report that we had experienced considerable difficulties with the audit because of the availability and quality of the supporting working papers produced by officers. We included a number of helpful suggestions and recommendations to enable the Council to produce working papers of the required standard by the end of June.
- 22 It is disappointing to report that there have been difficulties again this year, and that the Council's response to the problems last year has been inadequate to address the problems. Little progress was made on addressing the fundamental closedown problems between the end of September 2007 (when we issued the 2006/07 Annual Governance Report) and the end of February 2008 (when the Head of Finance took up the post).
- 23 The majority of the working papers have been available when auditors have required them, although one notable exception is the fixed asset register. We requested this key working paper at the start of July, and received it on the 8th September. The fixed asset entries in the financial statements should be driven by the entries in the fixed asset register, and the lack of availability of this working paper indicate fundamental weaknesses in the Council's arrangements. The delay in receiving the working paper has increased the risk that we will not have completed all our audit work in time to give an opinion on the accounts by 30th September.
- 24 The quality of the working papers has been generally below the required standard. Many do not explain where the entries have derived from, do not cross reference to other working papers, and some do not agree to the figures in the draft accounts. The impact of these lower standards has been that auditors have raised far more queries on the working papers than should normally be the case, and this has naturally impacted on the progress of the audit and the ability of officers to carry out their day to day activities. There are some examples of working paper files that are up to the required standard - those supporting the housing revenue account and cash flow statement are such examples.
- 25 The resources available to produce the accounts are less than is used at other Councils and requires more input from fewer officers particularly in Corporate Accountancy. Officers report that they have recruited additional officers to support the Corporate Finance Managers, and this should assist the accounts and supporting working papers to be produced earlier and to the required standard for 2008/09.
- 26 However it is our view that addressing the resources is only one part of ensuring that the accounts closedown process progresses smoothly and to timetable. Officers accepted our recommendation last year to produce a detailed project plan to manage the closedown process in 2007/08. We have seen no evidence of a project plan or project management techniques being used to manage the closedown process.

- 27 We have revisited the recommendations relevant to this year's closedown and audit, that we made last year and report in Table 4 the progress made. We have repeated the recommendations again this year where the response from the Council has been inadequate or incomplete.

Table 4 Council progress in addressing 2006/07 recommendations

The Council has made slow progress addressing the recommendations

2006/07 Recommendation	Responsible officer	Progress in 2007/08
R3 Produce comprehensive supporting working papers to the required timetable	Head of Finance	Most working papers were available for audit by the required timetable. However the fixed asset register, a key working paper, was not available until the start of September. The quality of working papers has generally not met the agreed required standards (see R5 below), and although there are some good practice working papers, more work is needed to improve the trail of evidence from the accounts to the prime records that the accounts are reporting.
R4 Improve communication between the Council's finance staff	Head of Finance	Communication between corporate accountancy and directorate finance managers is more co-ordinated. However communication within corporate accountancy needs to be improved.
R5 Agree working paper requirements, including the required standards, before the start of the closedown process	Head of Finance and AC Audit Manager	Working paper requirements and standards were agreed in early March 2008.
R6 Produce a detailed project plan to manage the closedown process in 2007/08	Head of Finance	No evidence of project planning or project management being used.
R7 Enhance the senior officer review of the financial statements to incorporate a review of key working papers	Director of Resources and Head of Finance	Director post has been vacant over the key period and Head of Finance, in addition to her existing role, has been acting as s151 officer in this period.

2006/07 Recommendation	Responsible officer	Progress in 2007/08
		Head of Finance has reviewed the working papers produced by finance managers and corporate accountancy, but this review has been in July and August rather than before the draft accounts are produced and submitted for audit.

Source: Audit Commission Annual Governance Report 2006/07

- 28** The statutory requirements are that the Council produces its accounts by 30th June each year, and that these accounts are approved and adopted by the Council, or a constituted sub-committee on or before 30th June.
- 29** The approach adopted by York is that the Audit & Governance Committee scrutinises the accounts and questions officers on the accounts, but the approval and adoption are progressed through Executive and full Council meetings. This can lead to confusion over the roles and responsibilities of the respective meetings, and uncertainty as to the role of the scrutinising committee. This could be alleviated by combining the scrutiny and approval functions. In addition the need for three meetings to approve the accounts meant that the scrutiny meeting had to be held in advance of the 30th June, and this meant that officers were working to a tighter timescale than in other councils.
- 30** The scrutiny by the committee which is constitutionally responsible for financial governance, including presentation of the financial statements, is an important step and this role should be carried out comprehensively and robustly.
- 31** Because the accounts were not complete, and work was still ongoing to produce the accounts, this scrutiny process was not as effective as it should have been. A set of incomplete draft accounts were sent to Committee members in advance of the meeting. A different set of incomplete accounts were tabled at the meeting. Members pre-meeting scrutiny, and questions for officers, were therefore based upon incomplete and inaccurate accounts, and this affected the value and robustness of that important scrutiny process.
- 32** The Council has a timetable to produce the accounts in sufficient time, so that complete draft accounts are available to send out with the Audit & Governance Committee agenda papers, but has been unable to stick to the timetable for the past two years. Adopting project planning and project management principles for the closedown process should assist senior finance officers to take remedial action to rectify any delays.

Recommendation	
R3	Produce comprehensive supporting working papers that meet the required standard by 30th June 2009
R4	Produce a detailed project plan to manage the closedown process in 2008/09
R5	Enhance the senior officer review of the financial statements to incorporate a review of key working papers before the accounts are approved by the Council
R6	Final draft accounts should be available to be issued with the agenda papers for the Audit & Governance Committee meeting to scrutinise the accounts

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Value for money

- 33 We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 34 We have assessed the arrangements of the Council as adequate in all 12 areas and we therefore propose to issue an unqualified conclusion.

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Formal audit powers

35 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making an unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

36 We have not and do not propose to exercise these powers.

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Independence

- 37 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 38 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 39 We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 40 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 41 We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 5 Audit fees

	Plan 2007/08	Estimated Actual 2007/08
Financial statements and Annual Governance Statement	74,500	79,500
Value for Money	121,105	121,105
National Fraud Initiative	1,050	1,050
Total Audit Fees	196,655	201,655

- 42 The analysis above shows that the problems we have encountered with the financial statements audit have meant that we have been unable to contain our audit fee within the totals you have already agreed. We have discussed the £5,000 extra fee with the Director of Resources as part of the discussions relating to this report.

Our arrangements to ensure independence and objectivity

- 43 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 6.

Table 6 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> ● do not hold a financial interest in any of our audit clients; ● may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and ● may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> ● the general requirement to carry out work independently and objectively; ● safeguarding against potential conflicts of interest; ● acceptance of additional (non-audit) work; ● rotation of key staff; ● other links with audited bodies; ● secondments; ● membership of audited bodies; ● employment by audited bodies; ● political activity; and ● gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Draft management representation letter

To: John Prentice,
District Auditor
Audit Commission
Kernel House,
Killingbeck Drive,
Killingbeck,
Leeds, LS14 6UF

City of York Council - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of City of York Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the assumptions, I confirm:

- the appropriateness of the measurement method;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. There are no undisclosed credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Appendix 1 – Draft management representation letter

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of City of York Council

I confirm that the this letter has been discussed and agreed by the Council on [date]

Signed

Name

Position

Date

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Appendix 2 – Draft audit opinion

Independent auditor's report to the Members of City of York Council

Opinion on the financial statements

I have audited the accounting statements and related notes of City of York Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Council accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of City of York Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007: the financial position of the Council and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the Council accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing

Appendix 2 – Draft audit opinion

(UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council accounting statements and related notes.

Opinion

In my opinion the Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, City of York Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2007/08 on 17 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Prentice

District Auditor

Audit Commission
Kernel House,
Killingbeck Drive,
Killingbeck,
Leeds, LS14 6UF

[Date]

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Appendix 3 – Action Plan

Appendix 3 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Amend the 2006-07 comparatives, removing the financial instrument accounting adjustments	2	Corporate Finance Manager	Yes		30 Sept 2008
6	R2 Amend the explanatory foreword to the accounts to make it consistent with the financial statements	2	Corporate Finance Manager	Yes		30 Sept 2008
10	R3 Produce comprehensive supporting working papers that meet the required standard by 30th June 2009	3	Head of Finance	Yes		30 June 2009
10	R4 Produce a detailed project plan to manage the closedown process in 2008/09	3	Head of Finance	Yes		31 October 2008
10	R5 Enhance the senior officer review of the financial statements to incorporate a review of key working papers before the accounts are approved by the Council	3	Head of Finance	Yes		30 June 2009
10	R6 Final draft accounts should be available to be issued with the agenda papers for the Audit & Governance Committee meeting to scrutinise the accounts	3	Head of Finance	Yes		30 June 2009

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Audit and Governance Committee

24 September 2008

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

Debt Recovery Arrangements Follow-up Review: Audit Commission Report**Summary**

1. This paper introduces a report prepared by the Audit Commission summarising the findings from their follow-up review of the council's debt recovery arrangements with specific reference to Council Tax and National Non-Domestic Rates (NNDR).

Background

2. The Audit Commission carried out a review of the council's debt recovery arrangements in 2005/06. The review made a number of recommendations to improve the arrangements. The Commission have followed up this initial review to assess the council's progress in addressing the recommendations.
3. The report makes some further recommendations relating to:
 - the income collection policy
 - setting and monitoring targets throughout the year for debt collection, in overall terms
 - improving the use of best practice guidance for the collection of monies through direct debit.
4. The report concludes that the council's own follow up arrangements have not been robust enough to monitor implementation of the original action plan.

Consultation

5. The report and action plan has been discussed and agreed by officers

Options

6. Not relevant for the purpose of the report.

Analysis

7. Not relevant for the purpose of the report.

Corporate Priorities

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements.

Implications

9. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

10. By not complying with the requirements of this report, the council will fail to properly comply with legislative and best practice requirements, and its Use of Resources score in CPA/CAA assessments could be adversely affected.

Recommendations

11. Members of the Audit and Governance Committee are asked to note the report and the revised agreed action plan set out in the annex to this report.

Reason

To ensure the maintenance of an effective internal control environment at the council.

Contact Details

Author:

Pauline Stuchfield
Assistant Director (Audit and Risk Management)
Telephone: 01904 551706

Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director (Audit and Risk Management)
Telephone: 01904 551706

Report Approved

Date 11 September 2008

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Annexes

Annex 1 – Audit Commission report

Background Papers

None

Audit Summary Report

Date

Last saved: 11/09/2008 11:58:00

Debt Recovery Arrangements Follow- up Review

City of York Council

Audit 2007/08

- Audit Commission descriptor to be inserted by Publishing-

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Author Joanne Bramham

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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:

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Introduction

- 1 This report summarises the findings from our follow up review of the debt recovery arrangements in place at City of York Council, with specific reference to Council Tax (CT) and National Non-Domestic Rates (NNDR).
- 2 We reviewed the Council's arrangements for debt recovery in August 2006 and found that there had been some improvements in the performance in collecting current year CT and NNDR, but the Council still remained below the median compared to other councils. We identified several areas for improvement in relation to members approving a policy for recovery procedures and the monitoring and reporting of targets against actual collection rates.
- 3 This year we followed up this work to assess your progress in implementing the action plan.

Audit approach

- 4 Our follow up review involved:
 - structured detailed discussion with key personnel; and
 - an examination of relevant documentation

Main conclusions

- 5 The council has not addressed the majority of the recommendations from our report dated August 2006. Progress has been made to monitor debt levels owed to the council for CT and NNDR, but there is still further work needed to address the monitoring of overall debt owed to the council, approve a comprehensive policy for debt recovery procedures, report the total level of debt and comparing them to target levels and review their approach to enhancing the telephone sign up of direct debits.
- 6 In particular, the Council should:
 - Finalise and implement the income collection policy, to cover all aspects of income collection including concessions, discounts, recovery collection and an assessment of at what level collecting debt becomes uneconomical
 - Obtain member approval of the policy
 - Put in place arrangements to regularly update the policy to take into account changes, such as the proposed move to outsource the NNDR function
 - Set and monitor targets in monetary and percentage terms throughout the year for
 - overall debt combining current year and older year debts and
 - CT and NNDR collection rates separately and

- for both current year and older year debts (separately and combined)
 - Review the arrangements in place against the good practice identified by the Audit Commission report to ensure that improved efficiencies can be made in the collection of monies due to the council, through the increased use of direct debits.
- 7 The report and action plan issued in August 2006 were not presented to Members after they had been agreed. It was clear from our discussions with officers, that they too, were unaware of this report, and have not been monitoring the implementation of the action plan issued. As a result of the lack of monitoring the implementation of the action plan, the specific recommendations within the action plan have not been carried out.
- 8 A detailed assessment of your progress in implementing the recommendations is set out in Table 1.

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Table 1 Detailed Report

Recommendation from 2006	Current position	Conclusion	Way forward (new recommendation)
Members must approve the policy for recovery procedures	Officers are currently working on pulling together an income collection policy that will also include information on recovery procedures, provide clarity on concessions and discounts. The officers are liaising with the Executive Member for Corporate Services and Advisory Panel on the policy and it will be endorsed by members when it is completed.	Further work is needed to address this recommendation, as the policy must first be completed before it is approved by Members.	<i>R1 Complete the income collection policy to include all aspects of income, recovery collection, concessions and discounts. Obtain Member approval for the policy once complete.</i>
Update and gain member approval on the policy to demonstrate at what level debt becomes uneconomical to collect.	See comments in the recommendation above. As the policy is still being worked on, Members have not been able to approve the policy. Officers need to ensure that the policy they are producing does show at what level debt becomes uneconomical to collect.	Further work is needed to address this recommendation, as there is no policy in place to show at what level debt becomes uneconomical to collect. The policy must be completed by officers and then approved by Members.	<i>R2 Include information in the income collection policy that is being prepared (R1) on the level that debt becomes uneconomical to collect and then obtain member approval for the policy.</i>
The overall debt owed to the	A Performance Statistics booklet is produced monthly for	The monitoring of overall debt owed to the council against targets needs	<i>R3 Monitor the overall debt level compared to targets for both</i>

Recommendation from 2006	Current position	Conclusion	Way forward (new recommendation)
<p>Council should be monitored against targets.</p>	<p>Revenues and provides members with lots of information on collection of Council Tax (CT) and National Non-Domestic Rates (NNDR) per month and the cumulative amounts. The booklet includes tables showing the comparison of monthly actual collection of debt compared to targets for both CT and NNDR (separately). These tables are produced for current year debts. For older year debts, there is information included on the reduction in the level per month. However, there is no information on comparing / monitoring overall debt against targets within these Performance Statistics booklets.</p>	<p>to be improved and included within the Performance statistics booklet that is produced for Members monthly. Officers could also include tables in this booklet on the amount of cash received for older debts compared to targets.</p>	<p><i>CT and NNDR.</i></p>
<p>Clearly report to members the total level of outstanding debt and comparison against target levels.</p>	<p>See recommendation above. The Performance Statistics booklet includes lots of information on collection levels and compares the collection of cash on a monthly basis for both current year debts and</p>	<p>Members are not getting the total level of outstanding debt reported to them in monetary terms and comparing them to combined targets for current and old debts, so further work is needed to address this recommendation to ensure that</p>	<p><i>R4 Report to Members the overall debt arrears and the collection of this debt against target levels.</i></p>

Recommendation from 2006	Current position	Conclusion	Way forward (new recommendation)
	<p>older debts, separately. However, information is not reported to members on the total level of outstanding debt and a comparison of this against target levels.</p>	<p>Members do have full access to all levels of debt compared to targets.</p>	
<p>Review current arrangements against the good practice identified in the national Audit Commission report.</p>	<p>There is no indication that officers and members have specifically reviewed the current arrangements against the good practice identified in the Audit Commission report as key officers were unaware of the initial report.</p> <p>A telephone initiative of moving CT customers onto direct Debits (DD) is now in place and all contact centre staff are able to set up DD instructions over the telephone.</p>	<p>Further work is necessary to address this recommendation as officers need to show they have reviewed the arrangements in place against the good practice shown in the Audit Commission report.</p>	<p><i>R5 Carry out a review of the current arrangements in place against the good practice identified in the Audit Commission report.</i></p>
	<p>Members and officers were not aware of the original report when it was issued in August 2006. As a result, monitoring of the implementation of the action plan has not been occurring and the action plan has not been carried out.</p>	<p>The monitoring of the action plan is not being implemented.</p>	<p><i>R6 Officers and Members need to be aware of this report and ensure that the action plan is implemented in a timely manner.</i></p>

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Complete the income collection policy to include all aspects of income, recovery collection, concessions and discounts. Obtain Member approval for the policy once complete.	3	Income Project Manager	Agreed	The corporate Income Policy went to Members on 9th September 2008 and Member approval was obtained.	09.09.08
6	R2 Include information in the income collection policy that is being prepared (R1) on the level that debt becomes uneconomical to collect and then obtain member approval for the policy.	3	Service Manager	Agreed	The level at which debt becomes uneconomical to collect is something that would be calculated by individual service managers responsible for the specific debt collection. It is not envisaged that this would be held as part of the actual policy, but CYC will investigate holding a central register for all Debt Recovery Business areas in order to establish the most appropriate way forward.	
6	R3 Monitor the overall debt level compared to targets for both CT and NNDR.	2	Service Manager	Agreed	The organisation will need to establish it's Income Collection structure/organisation and establish management responsibilities, but agree that monitoring of the overall levels of debt compared to target is required. This is currently monitored (albeit current and old debt) and management information is provided on a regular monthly basis and reviewed at Performance Meetings.	
7	R4 Report to Members the overall debt arrears and the collection of this debt against target levels.	2	Service Manager	Agreed	This would ordinarily form part of the Resources Monitor to Members.	
8	R5 Carry out a review of the current	1	Head of Revs &	Agreed	The original recommendation was in respect of	Completed

10 Debt Recovery Arrangements Follow-up Review | Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	arrangements in place against the good practice identified in the Audit Commission report.		Bens		Direct Debits. This review was undertaken and resulted in the introduction of Telephone Sign up for Direct Debit (and automation) in 2007.	2007
8	R6 Officers and Members need to be aware of this report and ensure that the action plan is implemented in a timely manner.	3	AD Public Services	Agreed	The audit recommendations will be included as part of the next Monitor report. The action plan will be incorporated into service plans.	

DRAFT



Audit and Governance Committee

24th September 2008

Report of the Director of People and Improvement

Sickness Absence

Summary

1. This report provides an update on the Council's controls relating to sickness absence.

Background

2. An audit of sickness management was completed in early 2006, with reports being considered by the Corporate Management Team in mid 2006. The audit identified a number of significant weaknesses with the sickness management processes throughout the Council. In total eight recommendations were made, relating to:
 - policies and procedures,
 - reporting and management information,
 - compliance monitoring.

Action Taken

3. Following the Internal Audit report a significant amount of work has been undertaken and a follow up audit has found that recommendations made under the headings of:
 - policies and procedures – were fully implemented as was clarity on roles and responsibilities and staff training;
 - reporting and management information and analysis of causes and reasons for absence – not yet fully implemented, although relevant Delphi updates and a corporate management information reporting tool is being tested and will be implemented as a matter of priority. The HR Corporate Development Team is taking the lead in producing this suite of information according to the correct schedule, and disseminating management information down to the appropriate managers.
 - compliance monitoring – implemented through the provision of information to Directorate Management Teams.
4. The implementation of the new Absence Management Policy and Procedures in October 2007 is part of the first phase of a long-term project aimed at improving sickness absence levels and management across the Council.

Progress has been made and the first phase of work, aimed at managing sickness absence, is now largely completed. It is acknowledged that a significant amount of work remains to be completed, starting with the commencement of phase 2 of the project. The project will therefore need to progress further, combined with a period of embedding the new policy and procedures, before the system can be deemed to operate effectively.

5. The Council's corporate sickness statistic, since the last audit, has shown an improvement in the reported figures. The 2006/07 outturn for number of days lost to sickness per full time equivalent (FTE) was 12.9 days and the equivalent 2007/08 outturn was 9.54 days per FTE.
6. Further to the new policy, sickness absence has been included as an item for addressing within the Single Improvement Plan (SIP), which was approved by Members in June 2008. For 2008/09, progress against the SIP will be monitored via the corporate monitoring cycle, which provides reports to Members on a quarterly basis. In addition, sickness will continue to appear as an item for monitoring within the monthly performance 'Dashboard' which is monitored by CMT.

External Auditor's Letter

7. The external auditor's recommendation to seek out and adopt best practice arrangements for managing and minimising sickness absence is being carried out. Another recommendation, to raise the profile of data quality across the council and improve arrangements to produce accurate reliable data to ensure that council decisions are based on up to date and accurate data, is in the process of being implemented in relation to sickness absence. The external auditor recognised the council's introduction of the Attendance at Work policy as one of a range of robust actions to enhance our capacity for further improvement, writing:
"You have responded well to the issues we raised in the original review, and you are taking steps to develop a more proactive approach to sickness absence through your Attendance at Work policy."

Next Steps

8. In order to further improve levels of sickness absence in the Council, the HR Corporate Development Team is facilitating shared learning and coordinating cross directorate initiatives as well as leading on a range of initiatives and actions, the details of which will be reported to Executive in October.

Consultation

9. The attendance at work project is being developed collaboratively with HR Management Team and discussions have recently been held at the HR Joint Consultative Committee concerning the establishment of a joint working group to ensure trade union involvement in the initiatives.

Options

10. This paper is an update for information only.

Analysis

11. Whilst the significant improvement in the Council's sickness absence levels is encouraging, further work is required in order to achieve further reductions and ensure that absence levels do not 'bounce'. It is anticipated that by taking an approach which seeks to manage sickness absence and also maximise attendance, the Council will be able to achieve significant and sustained improvements in attendance levels whilst also modernising working practices and enabling a more flexible and responsive workforce.

Corporate Priorities

12. The City of York's own strategies promote this approach through our:
 - Corporate value – supporting and developing people and encouraging improvement in everything we do.
 - Direction statement – working across boundaries to benefit the people of York.
 - Corporate priority - Improve the health and life styles of the people who live in York; seeking to promote healthy lifestyles and physical activity
 - Key action – to develop the council's role as an employer in improving the health and well-being of employees

Implications

13. **Financial** - contained within the body of the report.

Human Resources (HR) - contained within the body of the report.

Equalities - contained within the body of the report

Legal - no implications.

Crime and Disorder - no implications.

Information Technology (IT) - contained within the body of the report.

Property - no implications.

Other - no implications.

Risk Management

14. The risk score for this issue is 20, placing the issue in the high category. Implementation of initiatives in this report will reduce the risk to medium in the short term and low in the long term.

Recommendations

15. Audit and Governance Committee is asked to:

1) Note the work which has been undertaken in this area.

Reason: In order to achieve significant and sustained improvements in attendance levels.

Contact Details

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Human Resources
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Chief Officer Responsible for the report:

Heather Rice
Director of People and Improvement

Report Approved



Date *10 September
2008*

Specialist Implications Officer(s): n/a

For further information please contact the author of the report

Background Papers:

Attendance Management Policy, Procedure and Guidelines – available in the Council's HR Manual

Annexes:

None



Audit and Governance Committee

24 September 2008

Report of the Assistant Director (Audit and Risk Management)

Follow Up of Internal Audit Recommendations

Summary

1. This report sets out the progress made by departments in implementing those agreed audit recommendations which were due to have been implemented by 31 August 2008.

Background

2. In June 2006, the Audit and Governance Committee approved the process to be followed in reviewing and reporting on progress made by service departments in implementing agreed internal audit recommendations. In accordance with this process reports are brought to Committee for members consideration every six months setting out progress, together with details of any outstanding recommendations that require referral to the Committee for further action. This report is based on follow up work by the Internal Audit Service. All recommendations are reviewed once their agreed implementation date has passed. The review is carried out using a combination of questionnaires completed by departments, risk assessment, and by further detailed examination by Internal Audit where appropriate.

Consultation

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

Follow Up of Recommendations

4. A total of 69 recommendations were followed up as part of this review. A summary of the priority of these recommendations is included in figure 1, below.

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

Priority of Recommendations	No. of Recommendations Followed Up
1 (High)	8
2 (Medium)	31
3 (Low)	30
Total	69

5. Figure 2 below provides an analysis of the recommendations which have been followed up, by Directorate.

Figure 2: Recommendations followed up by Directorate

Priority of Recommendations	No. of Recommendations Followed Up by Directorate					
	Chief Executives	City Strategy	HASS	LCCS	Resources	Neighbourhood Services
1 (High)	1	3	2	1	0	0
2 (Medium)	2	4	4	14	7	0
3 (Low)	0	2	6	17	5	1
Total	3	9	12	32	12	1

6. Of the 69 recommendations, 8 (12%) had been superseded (for example by business developments or because of cessation of service). Of the remaining recommendations, 49 (71%) had been satisfactorily implemented.
7. In 9 cases (13%), the recommendations had not been implemented (although progress had been made in some cases). These were referred back to the relevant service manager or assistant director. Following this, a revised implementation deadline has been agreed. These will be followed up again after the revised deadline, and if necessary will proceed to the next stage of the approved escalation procedure.
8. In three cases (4%), the reasons given for not progressing the recommendation were not considered satisfactory, and the escalation process for these outstanding recommendations has now commenced. All three recommendations are at stage 3 of the escalation process (see Annex 1) and have been referred to the service manager for a response. None of the recommendations are yet at the stage for member referral.

Conclusions

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

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** – 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

14. The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and Members. This in turn would adversely impact on the Council's CAA Organisational Assessment score for the Use of Resources.

Recommendations

15. Members of the Audit and Governance Committee are asked to:
 - consider the progress made in implementing audit recommendations as reported above (paragraphs 4 – 8).

Reason

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

Contact Details

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Report Approved

Date 9th September
2008

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

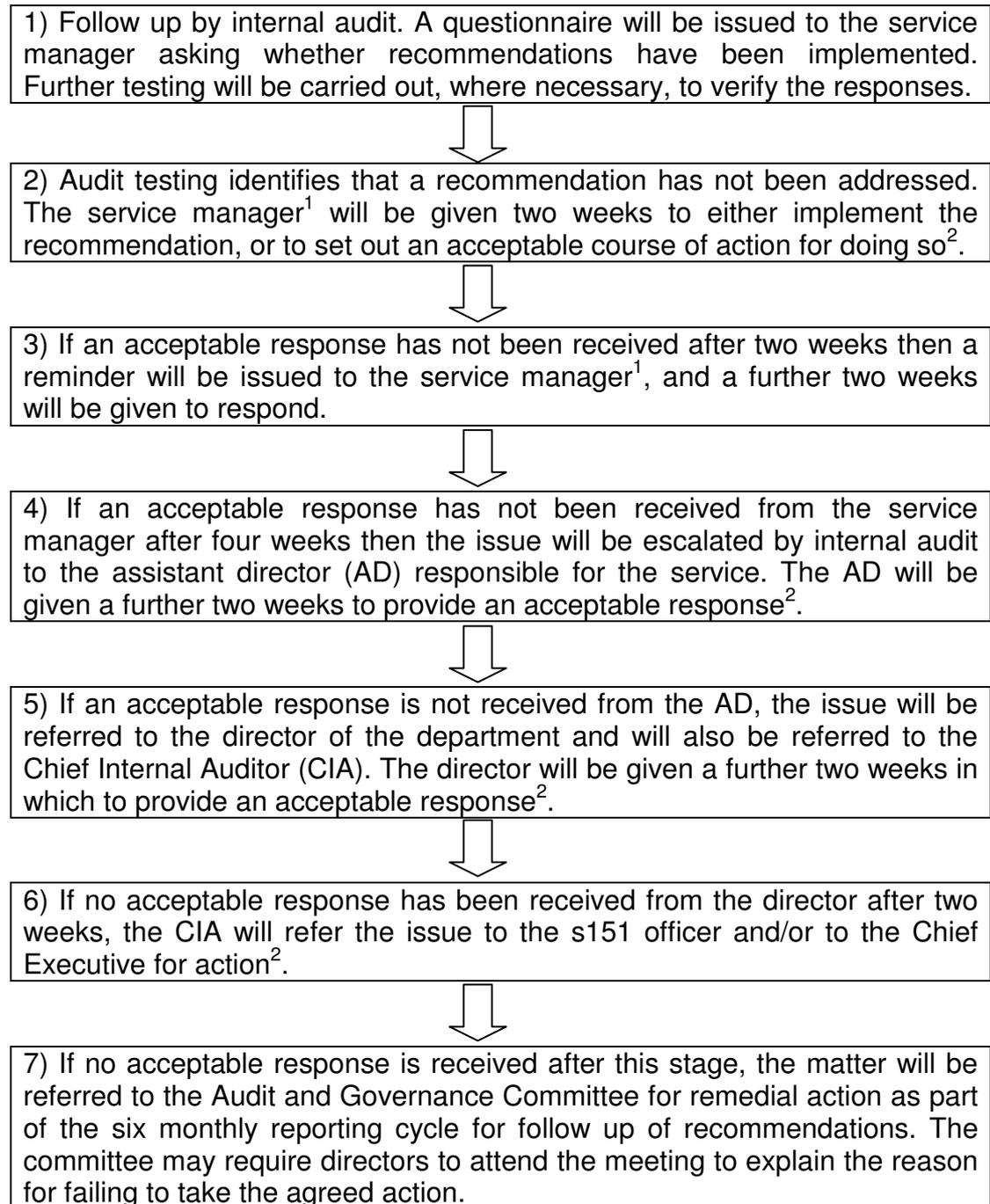
Background Papers:

None

Annexes

Annex 1 – Escalation process for unaddressed recommendations

Escalation Procedure for Unaddressed Internal Audit Recommendations



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

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

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Audit and Governance Committee

24 September 2008

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

Annual Monitoring Report: Breaches and Waivers of Financial Regulations 2007/08

Summary

1. The purpose of this report is to inform members about unauthorised breaches of the council's Financial Regulations during the 2007/08 financial year and any waivers of Financial Regulations approved by the S151 Officer during the year. The requirement to report on these matters is specified within the Constitution and Financial Regulations.

Background

2. The council's Financial Regulations set out the procedures and standards for financial management and control that must be followed by officers and members. Compliance with the Regulations helps to ensure that:
 - there are robust systems of financial management and control
 - the finances of the council are safeguarded from unnecessary risk
 - the council achieves value for money in its procurement of goods and services.
3. As part of its role, Internal Audit is responsible for preparing an annual report to members detailing any known breaches of the Regulations along with any waivers from the Regulations approved by the S151 officer. Breaches are identified through various means including direct notification to the Director of Resources by officers, and routine audit work. In addition, a separate audit review is carried out to identify procurement related breaches. This review compares payments made to suppliers against contract details held by departments.

Consultation

4. Details of the breaches of Financial Regulations set out below and in the annexes have been forwarded to chief officers and other relevant officers for comment, prior to inclusion in the report.

Breaches of Financial Regulations

5. Figure 1 below shows the number of breaches of Financial Regulations reported in 2006/07 and 2007/08.

Figure 1 – Numbers of breaches of Financial Regulations 2006/07 and 2007/08

	2006/07	2007/08	Change	
			No.	%
Total number of breaches reported	20	14	-6	-30%
Newly reported breaches	9	5	-4	-44%
No. brought forward from previous year	11	9	-2	-18%

6. The total numbers of breaches of Financial Regulations identified have fallen for a number of years and this trend has continued in 2007/08. In addition, the majority of the new breaches now being identified are of a technical nature rather than due to ignorance of the correct procedures or any deliberate failure to follow them. Details of the new breaches identified are included in annex 1.
7. Good progress has also been made by departments in addressing breaches of Financial Regulations from previous years. Of the 20 breaches reported for 2006/07 eleven had already been addressed at the time of the last annual report (or were not recurring issues) and a further six have subsequently been resolved. Work is underway to resolve the remaining three issues. The results of the follow up of previous breaches is summarised in figure 2 below.

Figure 2 – Follow Up of previously reported breaches of Financial Regulations

Result of Follow Up	No	Notes
Resolved after the last annual report	6	<ul style="list-style-type: none"> City Walls Maintenance Contract – a formal decision not to tender was made by members Taxi contracts – new contracts let from September 2007 3 Breaches in relation to materials for building maintenance – new contract let from September 2007 Agency Staff – new contract let from October 2007
In the process of being resolved	3	<ul style="list-style-type: none"> Tendered bus services are part of a comprehensive report being prepared by officers that will advise on the future procurement and delivery of bus services in York. It is expected that this report will be considered toward the end of the year with new arrangements coming into effect in 2009 Lift maintenance – this contract is in the process of being re-tendered – an OJEU notice was placed in August 2008 Decoration allowance vouchers – the service is working with the Corporate Procurement Team to resolve this issue – it is expected that an OJEU notice will be placed in September

		2008
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Waivers

8. A total of 41 applications for waivers of Financial Regulations were received by the S151 officer in 2007/08. This compares to 42 applications for waivers in 2006/07. All of the applications received were approved.
9. Each approved waiver is detailed in annex 2 to this report for members to note and question the S151 officer on any of the decisions taken by him in respect of these matters under the council's scheme of delegation.

Conclusions

10. The number of new breaches of Financial Regulations has continued to fall in 2007/08. In addition, departments have continued to make good progress in addressing outstanding breaches from previous years. The numbers of waivers requested also remains relatively high (41 in 2007/08 compared to 42 in 2006/07 and 28 in 2005/06). The figures indicate that overall awareness of the Financial Regulations and EU procurement rules continues to increase and that departments are taking action to address issues that arise.

Options

11. Not relevant for the purpose of the report.

Analysis

12. Not relevant for the purpose of the report.

Corporate Priorities

13. This report contributes to the overall effectiveness of the council's governance and assurance arrangements, and to the corporate priority of improving efficiency and reducing waste so as to free up more resources.

Implications

14. The implications are:
 - **Financial** – while there are no specific implications arising from this report, the breaches set out in annex 1 do give rise to financial risks to the council. Although it is not possible to quantify the risks arising from any individual breach identified by Internal Audit, for the purposes of this report a summary of the typical kinds of risks arising are included in the section on risk management below, for information. In addition, an indication of the possible implications of each breach is included in annex 1.

- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - while there are no specific implications arising from this report, the breaches set out in annex 1 do give rise to legal risks to the council. Although it is not possible to quantify the risks arising from any individual breach identified by Internal Audit, for the purposes of this report a summary of the typical kinds of risks arising are included in the section on risk management below, for information. In addition, an indication of the possible implications of each breach is included in annex 1.
- **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

15. There are a number of risks that arise as a result of breaches of Financial Regulations and EU procurement rules, which are detailed in paragraphs 16 to 21 below.
16. The council may be subject to scrutiny from central government and may have grant funding withdrawn if it is found to have breached EU purchasing regulations.
17. Third parties may claim to have been disadvantaged by unfair tendering processes and could raise legal challenges to the award of contracts. There is a risk of financial loss if compensation is subsequently awarded or if contracts are overturned. In this case there is also a threat to the provision of services and the reputation of the council.
18. Any damage to the reputation of the council caused by inappropriate tendering processes may compromise relationships with existing suppliers and make it more difficult to attract new suppliers in the future. Such a situation could hinder the provision of services and may lead to increased costs.
19. There is an increased risk that the council will not achieve value for money in its procurement of goods and services.
20. Poor tendering procedures also increase the risk that fraud or other inappropriate actions may occur.
21. External Audit may challenge the legality of the council's activities, which in turn may result in the publication of reports in the public interest under section eight of the Audit Commission Act (1998).

Recommendations

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

- note the breaches of Financial Regulations identified or otherwise notified to the S151 officer during 2007/08.

Reason

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

- consider the actions taken to address outstanding breaches of Financial Regulations and express a view about further action necessary on those matters that remain outstanding.

Reason

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

- note the waivers of Financial Regulations approved by the S151 officer under the council's scheme of delegation.

Reason

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

Contact Details

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Report Approved

Date 9 September 2008

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 – Newly Identified Breaches of Financial Regulations for 2007/08

Annex 2 - Applications for Waivers of Financial Regulations 2007/08

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Audit & Governance Committee

24 September 2008

Report of the Assistant Director (Audit and Risk Management)

Risk Management Mid-term Report 2008/09

Overview

1. This paper is to inform members of the progress made by the Risk Management Section during 2008/09. It considers the achievements in relation to embedding the Risk Management framework across the organisation, and in particular:
 - i) Progress against the CPA key lines of enquiry
 - ii) Key deliverables of the 2008/09 work plan
 - iii) Use of the council's risk register
 - iv) Risk in committee reports.

Background

2. Risk Management is used to better manage potential opportunities and threats to the achievement of corporate objectives. It forms a key part of the council's corporate governance arrangements and strategic management process.
3. Effective Risk Management acts as an enabler by supporting well informed decision making and it can facilitate sustainable improvements in service delivery. It is fundamental to good management practice and should not be viewed as a separate discipline or be carried out in isolation.

Progress against the CPA key lines of enquiry

4. Risk Management is one element of the Use of Resources block of the current Comprehensive Performance Assessment (CPA) inspection regime and will remain as part of the new Comprehensive Area Assessment (CAA). Each year the Audit Commission review documentation and supporting evidence to determine the score for this area, which has consistently been rated as 2 (Fair). The Audit Commission are currently assessing the 2008 refresh score for Risk Management, the results of which will be reported in the Outturn report to Audit and Governance Committee (A&G) in April 2009. The team have been working with the Audit Commission to deliver the improvements that are required with regard to the risk reporting process to members. It was the score for this key line of enquiry that meant the council failed to meet the minimum requirement for a score

of 3 (Good) during 2006/07. The key improvements required were included in the 'User Guide' Report to A&G in January this year and have been incorporated into the 2007/08 annual risk report to the Executive (October 2008).

Key deliverables of the 2008/09 work plan

5. The primary focus of the 2008/09 Risk Management work plan is to further embed the Risk Management Framework and in doing so ensure compliance and consistency across the council. The critical deliverables of this work plan are establishing a risk review and reporting framework and delivering those actions essential to improving the Council's CPA/CAA score.
6. Key to embedding the framework is ensuring directorates, projects, significant partnerships and the Corporate Management Team (CMT) actively participate and contribute to the risk review and reporting process. Consideration of Risk Management in these areas has improved in comparison to previous years, but further work is planned to address areas where risk is still seen as a separate process and is not fully integrated into existing business processes.
7. A major piece of work delivered by the team this year has been the formal introduction of quarterly Key Corporate Risk (KCR's) monitors to CMT. Introducing this is the first step in developing a corporate wide risk review and reporting process. The Quarter 2 CMT risk monitor is attached at Annex A of this report.
8. The information contained within the monitor has been provided by the relevant risk owners. This information allows CMT to make a judgement and gain assurance on how risks are being managed across the organisation. It is recommended that A&G review the monitor (Annex A) and consider receiving it on a quarterly basis for comment and challenge.
9. With regards to training, this year has seen the service continue to develop and deliver a corporate training and communication programme to officers and members. Further to the programmed training additional training has been provided to officers at their request primarily to individual management teams in Learning, Culture & Children's Services, Resources and Chief Executives Directorate.
10. The team has organised three separate member training sessions during September and October 2008. A total of 11 Members have taken the opportunity to increase their awareness and understanding of Risk Management through booking onto one of these sessions. Taking into account the four Members who attending the same training during 2007/08, this will mean 32 % of Elected Members have received the awareness training they require.
11. The full Risk Management work plan is attached at Annex B of this report.

Use of the council's risk register

12. The council's risk register (Magique) is used to document all of the organisation's significant risks regardless of their business focus (operational, strategic, partnership or project). It is made up of a four tier hierarchy allowing the separation of Corporate, Directorate, Divisional and Service level risks. This provides for each level of the organisation to concentrate on its most significant risks.
13. The responsibility for maintaining the entries within the register rests with each relevant risk owner. It is important that all risks are regularly reviewed and are as complete as possible, and where necessary reported to the appropriate management team as set out in the Risk Management Policy. To support this and help achieve compliance with the policy a consistent risk review and reporting process is currently being rolled out to each Directorate as part of the risk management framework.

Risk in committee reports

14. The council's report writing template includes a Risk Management paragraph to comply with the report writing protocol (Annex C).
15. The Risk Management Section is continuing to monitor the quality of the content of each Risk Management paragraph, compliance with the protocol and provides support and advice to report authors when requested. Exhibit 1 below provides an analysis of compliance with the protocol for quarter one of 2008/09 in respect of committee reports sent to Executive.

Exhibit 1

Directorate	% Reports including a Risk Management paragraph	% Risk Management paragraphs that are compliant
Resources	100	20
City Strategy	100	20
Neighbourhood Services	N/a	N/a
Chief Executives	92.86	42.86
Learning, Culture and Children's Services	100	50
Housing and Adult Social Services	100	100

Options

16. Not applicable.

Corporate Priorities

17. 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 reported in this paper support the actions required to improve the Council's CPA score of 2 for Risk Management to 3 as a minimum .

Implications

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

Risk Management

19. The risk associated with the recommendation of this report is "Failure to provide adequate documentation to achieve a level 3 for risk management in CPA UOR" and was originally assessed at a net level of 18 (high); the action planned to reduce the risk is outlined in Annex B.

Recommendations

20. Audit and Governance Committee are asked to:

- a) note the contents of this report and progress made during 2008/09;

Reason

To raise awareness of the progress made to date in respect of the risk management agenda and framework at the Council.

- b) help promote and embed the risk reporting process by receiving the quarterly risk monitors as a standing item on their agenda for comment and challenge(Paragraph 8).

Reason

To ensure compliance with the Council's Risk Management Policy and help to improve the CPA score.

Contact Details

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Report Approved

Date 11th September 2008

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Risk Management User guide & Key risk monitoring report
Risk Management Policy & Framework

Annexes

Annex A Quarter 2 Key Corporate Risk monitor.
Annex B Work plan for 2008/09.
Annex C Officer Guidance for Committee reports

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KCR 0001 - Implementation of new pay & grading structure

Implementation of the pay & grading review 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).

	RES	CS	NS	CE	LCCS	HASS
1. Inability to retain staff	20	19	19	15	14	14
2. Inability to recruit staff	12	19	19	15	9	14
3. Potential industrial action	14	14	19	10	6	13
4. Decline in customer service	13	14	13	10	8	9
5. Increase staff absence	6	14	14	15	9	9
6. Reduced staff productivity	13	15	15	15	14	14
7. Inability to contribute to corporate priorities	8	13	19	15	14	14
8. Reduced staff morale	15	14	13	15	14	15
9. Potential legal challenge	14	14	22	9	14	19

Resources**1. Lack of continuity and increased demands on management within ITT****20**

Cause - This has been a problem in ITT

Consequence - and results in the need to use more consultants and in turn this increases costs.

Conclusion**Tolerate****City Strategy****1. Inability to retain staff****19**

Cause - Poor outcome for staff in pay & grading review

Consequence - Loss of staff will adversely affect service delivery. This has got business, financial and customer consequences.

Conclusion**Treat****Actions****Due Date**

Identify affected posts

30/10/08

Review job descriptions

30/10/08

Consideration for market supplement for some posts

On hold

2. Inability to recruit staff**19**

Cause - The uncertainty surrounding the future pay and grading of posts.

Consequence - In some cases this could adversely affect service delivery. This has got business, financial and customer consequences.

Conclusion**Treat****Actions****Due Date**

Identify affected posts

30/10/08

Review job descriptions

30/10/08

Consideration for market supplement for some posts

On hold

Neighbourhood Services

1. Inability to retain key frontline and support staff

19

Cause - The removal of bonus payments to many key front line staff has seen many of the staff in these areas see their total pay reduced. If these staff leave we may find difficulty in recruiting.

Consequence - Inability to deliver key public services in areas such as refuse/recycling, highway maintenance, street cleansing and ground maintenance.

Controls

Mitigation Strategy

Owner

Geoff Derham

Conclusion**Treat****Actions**

Look at job design, training and development of staff

Due Date

01/04/09

2. Detrimental effect on contribution to corporate priorities

19

Cause - If we cannot attract and retain staff in a competitive environment

Consequence - Services such as waste/recycling are key corporate services and are one of the council's key corporate priorities. Failure to recruit and retain staff in this area may make the priority unacheivable.

Controls

Mitigation Strategy

Owner

Geoff Derham

Conclusion**Tolerate**

3. Detrimental impact on residents

19

Cause - Strike action taken by staff in the directorate

Consequence - Services that directly affect the public, such as refuse/recycling, highway repairs and street cleansing, may be severely disrupted if staff engage in industrial action.

Conclusion**Tolerate**

7. Inability to contribute to Corporate Priorities

19

Cause - A possible reduction in efficiency, productivity and/or an increase in staff absence

Consequence - This will have an affect on our ability to continue deliver many of the Council's frontline services, several of which, waste and recycling for example, are key priority services for the Council

Conclusion**Tolerate**

9. Financial risk through potential legal challenges to the new pay structure

22

Cause - The council may be exposed to challenges over its proposed new pay structure. It may be that some claims will be made that we will require sensitive and delicate discussions with staff, trade unions and solicitors. The council may be at risk from serious financial loss if some of the claims were to be pursued and upheld.

Consequence - If the new pay structure were to come under challenge from large numbers of staff, there will be serious financial implications to the directorate and the council. These are difficult to quantify until the scale of any challenge is known but would run into millions of pounds

Controls

Transparent and fair pay structure

Owner

Geoff Derham

Conclusion**Tolerate**

Housing & Adult's Social Services**9. Potential legal challenge****19**

Cause - This relates to protected hours agreements in care homes.

Consequence - Resolution could incur a total cost of £10k in compensation payments to the group of staff

Conclusion**Treat****Actions****Due Date**

HASS DMT to decide on resolution option

12/09/08

Other associated high and critical risks**Resources****a Reputational damage if payroll system fails to make correct amendments****22**

Cause - If the payroll system fails to make correct amendments

Consequence - This would cause reputational damage, extra workload. The Council would possibly have to pay compensation and would reduce morale amongst staff

Conclusion**Treat****Actions****Due Date**

1. Work plan
2. Contingency plan

b Failure to align budgets and funding**19**

Cause - This is made increasingly difficult due to constant movement because of appeals and leavers and starters

Consequence - This could result in overspends if the funding is wrong and have a knock on affect to other projects such as FMS and setting the budget for 09/10 and balancing the accounts

Conclusion**Treat****Actions****Due Date**

1. Project plan to align budgets

Learning Culture & Children's Services**c Potential for Industrial Action in Schools****18**

Cause - Successful implementation of P&G in schools will depend upon close working between LA and headteachers who will need to manage the communications with and response of staff.

Consequence - Key groups of staff will suffer some detriment (some TA's, key Admin Staff) - which may lead to disaffection and potential industrial action (particularly given recent NUT action).

Controls**Owner**

Clear communication with headteachers

Kevin Hall

Conclusion**Tolerate**

KCR 0002 - Unsuccessful delivery of accommodation review project

Efficiencies and facilitation of cultural change through rationalisation to one-site operations. The project relies and has interdependencies with other programmes of work such as FMS replacement and Easy@york.

Project Work Streams

	1	2	3	4	5	6
1. Land	8	8	8			
2. Construction	14	13	6			
3. Planning	13	8	14	23		
4. Change	20	19	14	14	14	
5. Financial	9	8	14	6	13	
6. Property	16	16	15	9	8	15
7. Marketing & Communications	9					
8. Procurement	6	6				

Planning**3.4 Failure to achieve planning approval****23**

Cause - Failure to achieve planning permission for a building that meets the operational needs of the council, the overall budget provision and timescales for delivery.

Consequence - Delays and consequent costs incurred on the project if permission is refused.

Controls

Staged development design and approvals

Owner

Maria Wood

Conclusion**Treat****Actions**

Presentation to planning committee

Due Date

05/09/08

Review of site options to produce short list of sites for evaluation

05/09/08

Change**4.1 Change Management****20**

Cause - Lack of corporate direction/vision in terms of corporate change to enable service provider to influence the design process and achieve the wider benefits.

Consequence - non-achievement of the wider benefits of relocation and Impact on the future use of the Guildhall, St Antony's and 50 York Road

Controls

Develop a corporate cultural change agenda

Owner

Neil Hindhaugh

Conclusion**Treat****Actions**

Organisational change agenda

Due Date

08/01/07

Produce paper for CMT on new ways of working

28/04/08

4.2 Failure to maximise the benefits of relocation**19**

Cause - If the new building does not respond to the business needs of the organisation and achieve the level of benefits defined in the business case.

Consequence - The Council would fail to achieve the operational efficiencies and improvements in customer service provision anticipated. Reputational risk.

Conclusion**Treat****Actions**

Investigation of business and customer needs

Due Date

31/03/10

Property

6.1 Value of property capital receipts

16

Cause - The achievement of net capital receipts to the value of that contained within the projects financial model.

Consequence - Could affect the NPV and Early years deficit on project

Controls

Agree a sale with delayed possession
Identify the mid value of property

Owner

John Urwin
John Urwin

Conclusion**Treat****Actions**

Maximise value of properties

Due Date

6.2 Delay of capital receipt from Yearsley Bridge

16

Cause - Aims of other CYC strategies may delay the achievement of capital receipt. Net Capital receipt £3m.

Consequence - Could Affect the NPV and Early years deficit of Project

Controls

Resolve to allow receipt from Yearsley Bridge to offset reprovision of service costs
Monitor service review in order to finalise timescales for future sale

Owner

John Urwin
John Urwin

Conclusion**Treat****Actions**

Secure part of the site sale to YAS

Due Date

30/09/08

KCR 0003 - 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

Project Work Streams

	1	2	3	4	5
1. Project Delivery	14	6	14	6	14
2. Planning Consent	21	18	14	23	13
3. Procurement	18	17	13	13	6
4. Financial	23	17	6	21	19
5. Leadership & communication	13	20	12	22	19
6. Partnership	19	6	13	14	

Planning Consent

1. Failure to secure approval for development plan document (DPD)	21
<i>Cause</i> - This is a NYCC risk.	<i>Consequence</i> - Less likelihood of success of the planning application.
Controls CYC has offered support to NYCC	Owner Bill Woolley
Conclusion	Treat
2. Failure to secure and/or demonstrate adequate consultation	18
<i>Cause</i> - This is to be completed as part of the statutory consultation on planning.	<i>Consequence</i> - This could cause judicial review and objections.
Conclusion	Tolerate
4. Failure to secure planning consent	23
<i>Cause</i> - Failure to secure planning consent on any of the selected sites. If there is not enough of preparation to ensure the site is the most appropriate and all the required testing has been complete. Environmental Impact assessments etc.	<i>Consequence</i> - This could result in non-delivery of project
Controls Identification of suitable alternative sites	Owner Bill Woolley
Conclusion	Treat
Actions Audit the preparation and LDF process	Due Date 31/10/08

Procurement**1. Potential challenge of process****18**

Cause - If one of the bidders think the evaluation has been inappropriate.

Consequence - The Council could be sued and incur costs and therefore may not be able to award the contract.

Controls

Audit of process to ensure it is robust

Owner

Bill Woolley

Conclusion

Tolerate

2. Lack of market capacity and interest**17**

Cause - A lack of market capacity and interest, nationally and in local area causes procurement delays or dissatisfaction with quality of bids.

Consequence - Insufficient interest could lead to lack of quality bids

Conclusion

Tolerate

Financial**1. Planning delays could lead to increased costs****23**

Cause - Due to the cost of lan filling being higher than the cost of the treatment facility any delay in the construction and operation of the facility will cause increased costs.

Consequence - This could lead to planning delays and increased costs.

Conclusion

Treat

2. Solution is unaffordable**17**

Cause - The Government have imposed penalties designed to reduce the amount of BMW going to landfill and these penalties are prohibitive and the Council cannot achieve the reduction in BMW to landfill without a disposal facility. The cost of this facility highly significant but lower than the penalties.

Consequence - The Council will be subject to penalties which will cost even more.

Controls

Highlight as a budget requirement in MTFS
The Council has signed up to closing the affordability gap

Owner

Bill Woolley
Bill Woolley

Conclusion

Tolerate

4. Insufficient budget**21**

Cause - Insufficient budget in order to fund project requirements.

Consequence - The procurement will be delayed or might not occur or the contract could be inappropriate.

Conclusion

Treat

Actions

Approval for increased budget to support project is required
Application for growth bid

Due Date

Bill Woolley
Bill Woolley

5. Possible enquiry would lead to increased costs**19**

Cause - If there is a planning inquiry.

Consequence - Increased costs due to delay to the construction.

Conclusion

Treat

Leadership & Communication

2. Negative perception of treatment plants and technologies

20

Cause - Failure to communicate to stakeholders regarding the benefits and requirement for a treatment site.

Consequence - This could result in protests and lead to delays in project. This could lead to objections of planning permission.

Controls

Communication Strategy
Communication Plan

Owner

Bill Woolley
Bill Woolley

Conclusion

Tolerate

4. Project terminated

22

Cause - The project could be deemed unacceptable by Council Executives.

Consequence - This would leave the Council exposed to increasing landfill costs, including landfill

Controls

Communication Strategy

Owner

Bill Woolley

Conclusion

Treat

Actions

Contract negotiations with preferred bidder

Due Date

02/03/09

5. Lack of continuity in the strategic leadership of the project

19

Cause - The Council does not react quickly enough to ensure continued strategic leadership and input into the project from City of York Council's perspective.

Consequence - This could result in the project being delivered to North Yorkshire County Council's requirements without City of York Council's requires being included and we will have to sustain the impact of this for the duration of the 25 year contract

Conclusion

Treat

Partnership

1. Failure to agree back to back agreement

19

Cause - There are factors such as costs and political issues that could affect this risk.

Consequence - The Council will not have access to a disposal facility.

Conclusion

Treat

KCR 0007 - Failure to deliver the Local Area Agreement

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.

Limited awareness of LAA within Council and amongst stakeholders**18**

Cause - If LAA's stakeholders do not buy-in to it and have a comprehensive understanding of its goals and aspirations

Consequence - This could affect the Council's reputation and have a detrimental affect on the CPA score.

Controls

Agreed approach with the Partnership's Executive Delivery Board
Communication with CMT
Communication with Members

Owner

Roger Ranson
Roger Ranson
Roger Ranson

Conclusion**Treat****Actions**

Partnership launch event

Due Date

24/09/08

Lack of agreement of ownership for performance information and management**18**

Cause - An uncertainty between partners as to who was leading on certain indicators. A lack of action plans to achieve outcomes.

Consequence - There will be financial penalties for not achieving targets and affects to our reputation in the eyes of the partners and central government. This could have greater repercussions in the future once we move to the CAA inspection regime.

Controls

Work programme
Working relationships within the LSP
Agreed process for distribution of LPSA2 monies

Owner

Roger Ranson
Roger Ranson
Roger Ranson

Conclusion**Tolerate**

KCR 0009 - Failure to coordinate significant programmes of change

Organisation fails to coordinate and manage a range of interlinked corporate initiatives that are designed to change the way in which the organisation operates and behaves. These include easy@york, Admin accom and a range of supporting projects. Failure to coordinate change activity will lead to difficulty in resourcing multiple strands of activity, may lead to actions being missed and ultimately not to being able to occupy Hungate.

KCR 0010 - Failure to ensure Business Continuity

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 legal, financial and reputational risk.

	RES	CS	NS	CE	LCCS	HASS
1. Inability to ensure staff welfare	13	18	13	9	18	14
2. Inability to contact staff	19	18	14	8	12	12
3. Inability to provide statutory services	19	9	19	13	18	12
4. Inability to deliver services	9	13	14	12	18	13
5. Inability to prioritise & allocate resources	9	18	19	13	18	12
6. Failure to recover most time critical IT application	9	13	14	18	13	13
7. Increased staff costs	9	14	14	4	8	8
8. Increased accommodation costs	9	14	14	4	8	8
9. Increased equipment costs	9	15	14	4	8	8
10. Loss of data (hard copy)	9	14	14	18	18	9

Resources

2. Inability to contact staff 19

Cause - Lack of staff contact information held by some senior management and a failure to maintain those records we do have

Consequence - This could affect the business recovery and also attract negative press coverage

Controls

Death in service payment details

Owner

David Walker

Conclusion

Treat

Actions

Complete BCP's for all Divisions

Due Date

31/03/09

3. Inability to provide statutory services 19

Cause - If there is a lack of leadership in regards to Business Continuity across the organisatin as a whole and/or a lack of knowledge of corporate BCP and how divisional plans feed into it.

Consequence - Inability to pay vulnerable people welfare benefits.

Controls

BCP in place for Revenues and Benefits Services

Owner

David Walker

Conclusion

Treat

Actions

Identify the BCP co-ordinator for Revenues and Benefits Services

Due Date

30/09/08

City Strategy

1. Inability to ensure staff welfare

18

Cause - If the directorate does not have a system that informs them of who is at work on any given day and a major incident occurred they would not be able to ensure their staffs welfare because they would not know who is potentially affected by any given event.

Consequence - This may cause problems when trying to account for members of staff and in communicating with them.

Controls

Staff contact cards

Owner

Damon Copperthwaite

Conclusion

Treat

2. Inability to contact staff

18

Cause - This could be caused if the directorate does not have an up-to-date contact list of all its members of staff.

Consequence - This will have an effect on the directorate ability to recover and continue its business. This will also impact on general staff welfare issues.

Controls

Business Continuity Plans for some service areas

Owner

Damon Copperthwaite

Conclusion

Treat

Actions

Complete all service area BCP's

Due Date

30/09/08

5. Inability to prioritise & allocate resources

18

Cause - The directorate needs to consider the priority of services and how scarce resources could be allocated in the event of a major incident.

Consequence - This exercise, if undertaken after the event, could cause delays and affect the speed and cost at which the directorate recovers its business.

Conclusion

Treat

Actions

Complete all service area BCP's

Due Date

30/09/08

Neighbourhood Services

3. Inability to provide statutory services

19

Cause - Service Areas do not currently have complete and updated BCPs

Consequence - Council would suffer reputational damage

Conclusion

Treat

Actions

Complete Business Continuity Plans

Due Date

31/12/08

5. Inability to prioritise & allocate resources

19

Cause - As Business Continuity plans are not complete and the business impact assessment

Consequence - Potential delays to recovering the service.

Conclusion

Treat

Actions

Complete BCP including analysis of staff resources required

Due Date

31/12/08

Chief Executives

6. Failure to recover most time critical IT application

18

Cause - If services fail to provide information to ITT to inform the disaster recovery plan

Consequence - This could lead to a lack of continuity and a breach of a statutory requirement (electoral register, modgov, DSG).

Controls

Directorate BCP complete

Owner

Quentin Baker

Conclusion

Tolerate

10. Loss of data (hard copy)

18

Cause - Most data held by the directorate is in hard copy only. A disaster could result in total loss of this information.

Consequence - Legal, HR and democratic services files could be lost and we would be unable to replicate the information and be unable to meet contractual or statutory deadlines and obligations.

Controls

Arrangements in place to receive copies from clients and archives etc

Owner

Quentin Baker

Conclusion

Treat

Actions

Procure a case management system

Due Date

01/04/09

Implement information governance system within directorate

01/04/09

Learning, Culture & Children's Services

1. Inability to ensure staff welfare

18

Cause - Potential difficulty in accounting for and communicating with staff.

Consequence - Reputational damage and potential litigation.

Controls

Emergency contact cards issued to all managers

Owner

Kevin Hall

Conclusion

Tolerate

3. Inability to provide statutory services

18

Cause - If the directorate cannot contact staff.

Consequence - This may cause problems in trying to continue the business.

Controls

DMT emergency response

Owner

Kevin Hall

Conclusion

Tolerate

4. Inability to deliver services

18

Cause - Key risk is potential loss of school through fire or asbestos.

Consequence - Short term loss of service whilst temporary provision is made on the site or students redirected to other schools.

Controls

DMT emergency response

Owner

Kevin Hall

Conclusion

Tolerate

5. Inability to prioritise & allocate resources**18**

Cause - This could be caused if the directorate does not have an up-to-date contact list of all its members of staff.

Consequence - This exercise, if undertaken after the event, could cause delays and affect the speed and cost at which the directorate recovers its

Controls

DMT emergency response

Owner

Kevin Hall

Conclusion

Tolerate

10. Loss of data (hard copy)**18**

Cause - If the directorate does not have back-ups for hard copy data.

Consequence - Staff records are kept on the premises and there are no other copies.

Controls

Fire cabinets

Owner

Kevin Hall

Conclusion

Tolerate

KCR 0011 - Failure to effectively govern and manage partnerships

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.

	WW	SYP	EP	LCY	Y@L	YE	IY	YOK	HC	FP	VY	CC	SC	YPO
1. Unbudgeted financial liability to partnership	N/a	8	N/a	6	8	N/a	N/a	8	8	8	12	1	14	18
2. Inadequate governance arrangements	8	8	N/a	2	8	8	8	8	8	14	6	1	8	12
3. Failure to achieve stated outcomes	14	8	N/a	14	14	14	6	13	14	9	14	21	13	12
4. Failure to manage performance and add value	18	2	N/a	8	13	13	N/a	13	13	4	13	N/a	13	12
5. Inability to demonstrate stakeholder consultation	19	2	N/a	13	9	8	6	6	9	13	6	21	9	12
6. Inadequate medium term financial stability	N/a	14	N/a	19	N/a	N/a	N/a	13	14	13	14	21	20	9
7. Reputational impact of partnership activities	14	12	N/a	8	8	14	N/a	8	8	14	8	N/a	13	9
8. Ability to demonstrate Value for Money in use of funds	N/a	2	N/a	8	N/a	N/a	N/a	6	N/a	2	6	N/a	14	N/a

Without Walls

4. Failure to manage performance and add value

18

Cause - If the lead partner does not implement an appropriate way of working, such as joint commissioning or another effective way of working in partnership, with all partners who have an input towards any given target.

Consequence - This could mean we don't achieve the 60% required to receive the performance reward. This could also adversely affect the partners CAA score in the new inspection regime, if it is perceived we are not working in partnership effectively. This would also have a reputational impact.

Conclusion

Treat

WW = Without Walls
SYP = Safer York
EP = Economic Partnership
LCY = Learning City York

Y@L = York@Large
YE = York Environment
IY = Inclusive York

YOK = YorOK Board
HC = Healthy City
FP = Future Prospects

VY = Visit York
SC = Science City
CC = City Centre
YPO = Yorkshire Purchasing Organisation

Without Walls

5. Inability to demonstrate stakeholder consultation

19

Cause - This is a perception measure and can be very difficult to influence. Election turn out results are going down and in general, participation from the community is limited.

Consequence - With effect from April 2009 there is a statutory duty to involve the community in planning services. This is to be used as a success measure in the LAA. If we fail to do this, it could have a reputational impact once we are under the CAA inspection regime.

Conclusion

Treat

Learning City York

6. Inadequate medium term financial stability **19**

Cause - Insecurity of funding streams, in particular from the LSC (Learning Skills Council). Consequence - Loss of dedicated resource to service the partnership and this could result in an inability to progress the priorities of the board.

Controls
2008/09 Budget in place **Owner**
Pete Dwyer

Conclusion **Tolerate**

City Centre

3. Failure to achieve stated outcomes **21**

Cause - The partnership is to be dissolved from 26 September 2008. Consequence - The partnership's stated outcomes will not all have been achieved before it is dissolved.

Conclusion **Tolerate**

5. Inability to demonstrate stakeholder consultation **21**

Cause - The partnership is to be dissolved from 26 September 2008. Consequence - Consultation with private sector businesses will cease.

Conclusion **Tolerate**

6. Inadequate medium term financial stability **21**

Cause - The partnership is to be dissolved from 26 September 2008. Consequence - Funding to deliver the action plan will cease in September 2008.

Conclusion **Tolerate**

Science City York

6. Inadequate medium term financial stability **20**

Cause - A lack of external funding to undertake core activities in Science City York. Funding ends in March 2009. Consequence - Impact on the local economy and potential issues in terms of staff.

Controls
Bid for European funding
Discuss with Yorkshire forward re continued funding **Owner**
Roger Ranson
Roger Ranson

Conclusion **Tolerate**

Yorkshire Purchasing Organisation

1. Financial liability to Yorkshire Purchasing Organisation **18**

Cause - There is possibility that no dividend will be paid in 2007. Potential call on authority for any shortfall. Consequence - This would result in budget shortfalls across departments (~£135K). Also if the organisation moves into deficit the Council will be liable for one thirteenth of any loss incurred.

Controls
Constitution controlling Governance of organisation
Representation on the management committee
Officer Group **Owner**
David Walker
David Walker
David Walker

Conclusion **Tolerate**

Risk Management work plan 2008/09

Work stream	Progress/Comments	Target Date	Owner	Priority	Status
Framework					
Establish a corporate risk reporting process	Key Corporate Risks are reported to CMT quarterly. Work in progress with Directorates	March	CR	Critical	WIP
Review framework, including key documents and guidance	Framework documents are under constant review	August	CR	Medium	WIP
Publish Risk Management Policy	Policy to be sent to Executive Committee in October for approval	September	CR	Low	WIP
Publish revised Risk Management Strategy	Strategy to be sent to Executive Committee in October for approval	September	CR	Low	WIP
Publish Risk Management guidance	Publish on intranet	September	CR	Low	Complete
Establish or review standard procedures and issue guidance for consideration of risk within the following business processes: -					
· Service planning		September	CR	Medium	
· Performance Management	Awaiting outcome of restructure before commencing	2008	CR	Medium	On hold
· ITD bid documents	ITD bid forms amended and passed to Business Development Team to review	June	CR	Medium	WIP
Risk Register					
Update and review all entries in risk register and save trend	Work is on-going to review and update entries in the risk register	March	CR	High	WIP
Link risks to Corporate Strategy	Directorate and Corporate risks are being linked to elements of the Corporate Strategy	March	CR	High	WIP

Risk Management work plan 2008/09

Risk Register continued					
Increase number of Magique users	Additional licences cannot be issued due to a lack of funding	On-going	CR	Medium	On hold
Undertake annual risk identification sessions with each DMT & CMT	Work in progress with CMT at quarterly monitoring sessions	September	CR	Medium	WIP
Update Magique user guide	User guide has been reviewed, but may require further amendments in the future	On-going	CR	Low	WIP
Update Risk Assessment page on Magique		June	CR	Low	
Develop 'opportunities' section of Magique		January	CR	Low	
Partnerships					
Develop partnership questionnaire and issued to lead officers of significant partnerships.	Action agreed in principle with Partnership Team and Grants & Partnership's Officer	August	CR	High	WIP
Update risk register with outcome of questionnaire and review with lead officers.		September	CR	High	
Training & Communication					
Review and update Officer Training material	Revised slides and training material	April	CR	High	Complete
Deliver Officer Training	Training delivered to a total of 17 officers to date	T&C	CR	High	WIP
Deliver Member Training	Dates arranged for 02/09, 18/09 & 02/10	T&C	DW	High	WIP
Provide Magique training	Training provided on an ad hoc basis	T&C	CR	High	WIP

Risk Management work plan 2008/09

Training & Communication continued					
Publish News & Jobs articles	First article published on 15 July	T&C	CR	High	WIP
Review webpage	Review completed 18/06/08	On-going	CR	Medium	WIP
Develop relationship with Directorate Risk Management champions	Meeting held on 21/07/08	On-going	CR	Medium	WIP
Develop e-learning training	Licences not yet available to start this	June	CR	Medium	On hold
Development Work					
Update corporate forms including Risk Management	Need to identify a definitive list	March	CR	Medium	
Complete Directorate & Divisional Business Continuity Plan		March	DW	Low	
Undertake a Risk Management benchmarking exercise		January	CR	Low	
Review Member Champion remit		June	CR	Low	
Additional items					
Conduct full review of Resources' risks	Most service areas reviewed and meetings to be arranged with AD's.	July	CR	Medium	WIP

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City of York Council Risk Management Paragraph for Committee Reports

1. New risks can arise as a result of a recommendation and existing risks can also be present and may form part of the reason for taking a committee report to members.
2. **Risk Management requirements**
All committee reports must include the following information: -
 - a. An overview of the risk/s, this can be in your own words or copied from the Council's risk register, and how they will be managed. This can be included in the main text of the report or the Risk Management section.
 - b. One of the standard paragraphs as provided in this guidance document (highlighted in grey) to be included in the Risk Management section.
 - c. If any of the risk scores are rated as high an excerpt from the Council's risk register is also required as an Annex.
3. **Risk Management considerations**
The report author needs to consider: -
 - a. Information on existing risks in relation to the recommendation, refer to paragraph 4.
 - b. Information on new risks as a result of the recommendation being accepted, refer to paragraph 5.
 - c. If no risks exist or could emerge as a result of the recommendation, refer to paragraph 6.
4. **Existing risks:** - those the council is already exposed to
 - a. **Provide information explaining the identified risk/s.**
This should include the **cause** (how it could happen) the **event** (what could happen - risk) and the **consequence** (impact on the council).
 - b. **Explain how the recommendation will either prevent or mitigate the risk/s.**
Prevention addresses the cause – reducing the likelihood and mitigation reduces the consequence – reducing the impact.
 - c. **These risks should already be documented within the Council's risk register if this is not the case then they must be added.** Contact [Claire Rogers](#) Ext 1156 to do this.

- d. **Ensure the risk scores in the risk register are up-to-date and use the net score to determine which of the following standard paragraphs to use. See [Risk Rating Matrix](#) and [Risk Criteria](#).**
- e. **If the net risk rating is below 16: -**
- “The risk/s associated with the recommendation of this report are recorded in the Council’s risk register and are assessed at a net level below 16.”
- f. **If the net risk rating is 16 or above: -**
- “The risk/s associated with the recommendation of this report are recorded in the council’s risk register and are assessed at a net level of 16 or above. Therefore, full details of the risk/s can be found at Annex X.

Attach a copy of the ‘Committee Report Annex’ report produced from Magique, refer to paragraph 30 of the Magique User Manual available on the [Risk Management Webpage](#).

5. **Potential risks: -** those the council could become exposed to
- a. **Provide information explaining the potential risk/s.**
This should include the **cause** (how it could happen) the **event** (what could happen – risk) and the **consequence** (impact on the council).
- b. **Establish the gross risk score.**
This is the inherent risk impact and likelihood, see [Risk Rating Matrix](#) and [Risk Criteria](#).
- c. **If the gross score is below 16**
Include the following standard paragraph: -
- “The risk/s associated with the recommendation of this report are assessed at a net level below 16.”
- d. **If the gross score is 16 or above**
The following steps must be completed.
- e. **Provide additional information of the action to be taken to prevent and/or mitigate the risk/s.**
This should include an explanation of how the risk will be managed if the recommendation is accepted.
- f. **Provide a target risk score.**
The target risk score demonstrates how the potential risk will be managed to an acceptable level if the recommendation is implemented, see [Risk Rating Matrix](#) and [Risk Criteria](#).

Include the following standard paragraph: -

“The risk/s associated with the recommendation of this report are assessed at a net level of 16 or above. Therefore, should the recommendation be accepted full details of the risk/s will be recorded in the Council’s risk register.

g. **Documentation within Magique is only necessary for those risks associated with the decision made.**

Once a decision is taken, and before its implementation, it is necessary to document the risk/s in the Council’s risk register. Contact [Claire Rogers](#) Ext 1156 to do this.

6. **No risks exist or could emerge.**

This option should only be chosen if you are confident that there are no risks members should consider in relation to the recommendation in your report. An example of this is a report issued for information only.

a. **Confirm there are no existing or potential risks or include the following standard paragraph: -**

“There are no identified existing or potential risks associated with this report.”

If you have any queries concerning the use of this guidance please contact Claire Rogers the Council’s Risk Manager Officer on Ext 1156.

Risk Rating Matrix

Table 1

Impact					
Catastrophic	17	22	23	24	25
Major	12	18	19	20	21
Moderate	6	13	14	15	16
Minor	2	8	9	10	11
Insignificant	1	3	4	5	7
	Remote	Unlikely	Possible	Probable	Highly Probable
	Likelihood				

Risk Evaluation Table

Table 2

Colour	Score	Assessment	Required Action
	1 – 5	Very Low (tolerate)	Periodic passive monitoring
	6 – 10	Low (tolerate)	Regular monitoring
	11 – 15	Medium (tolerate)	Frequent regular monitoring
	16 – 20	High (treat)	Constant active monitoring, action plan and measures to be put in place to reduce exposure
	21 – 25	Critical (treat)	Requires immediate action

Risk Assessment Criteria for Impact

	Financial Impact	Compliance & Regulation Impact	Local Community & Target Customer Base	 Authority Reputation	Health & Safety
Catastrophic	> 25% of budget	Action in national court. Imprisonment of employees	>25% affected	National media coverage	Multiple deaths
Major	10-25% of budget	Action in national court. Major fine	Larger group affected (10-25%) or smaller group for more than 6 months	National media coverage	Single death/ multiple serious injury
Moderate	5-10% of budget	Action in local court. Substantive fine	Larger percentage affected (5-10%) or small % for 3-6 months	Local media coverage	Serious injury
Minor	2-5% of budget	Local restrictions or minor fine	Limited to a small percentage (<5%) and for a short duration (< 3 months)	Little or no media coverage	Single serious injury
Insignificant	>2% of budget	Notification of non-compliance but no further action	Little impact outside the Council itself	Little impact outside the Council itself	Minor injuries

Risk Assessment Criteria for Likelihood

Highly Probable	More likely to occur or will occur more often
Probable	
Possible	
Unlikely	
Remote	

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Audit & Governance Committee

24 September 2008

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

Application of Regulation of Investigatory Powers Act 2000 (RIPA)

Summary

- 1 This report proposes a response to a letter from the Chairman of the Local Government Association following media comment on councils' application of the Regulation of Investigatory Powers Act 2000 (RIPA).

Background

- 2 Between April and June 2008 there was a series of press reports about councils carrying out surveillance of individuals, carrying the implication that this was an excessive use of state power and an unreasonable intrusion into privacy. Reports were not well-informed and even the BBC referred to RIPA as an "anti-terror law". Several information requests were made to the council about its use of surveillance, access to communications data, and application of RIPA.
- 3 The Chairman of the Local Government Association, Sir Simon Milton, wrote to all councils on 20 June asking that the council satisfy itself "that the use of these powers is only being authorised...at the appropriate senior political... level". The letter goes on to suggest a reconsideration of what is, and is not, a reasonable application of RIPA and invites a reply. The full text is at annex A. He remarked that public confidence in councils' proper use of their powers is at risk.
- 4 All City of York authorisations in the last three years have concerned benefits fraud or trading standards offences, except for one child protection case. There have been no local complaints of abuse of power.
- 5 This report seeks to assure York citizens that the council achieves a proper balance between maintenance of personal privacy, and the protection of public funds and of the rights of others. The annual report to Corporate Services EMAP summarises RIPA authorisations and thus provides oversight of the procedure.

Consultation

- 6 The options have been circulated among RIPA authorising officers for comment. These dozen or so officers have delegated power to authorise surveillance, conditionally on having had suitable specialist training. All have done so, many of them twice. Two are assistant directors, and the remainder report to ADs and thus have appropriate seniority for this task. All supported option 3.

Options

- 7 Option 1 is to devise a set of non-trivial matters, against which surveillance may be authorised by qualified officers.
- 8 Option 2a is to devise a set of trivial matters, against which surveillance may **not** be authorised. Option 2b is to permit surveillance of them in exceptional circumstances.
- 9 Option 3 is to leave matters as they are, ie that certain senior officers (identified by the Director of Resources and subject to having undertaken suitable training) may authorise surveillance; and record their reasoning about necessity and proportionality in the central record.
- 10 Option 4 is to review the list of delegations to authorise surveillance, perhaps to include either directors or even members, in place of the service managers currently identified.

Analysis

- 11 The LGA letter discusses how surveillance must be proportionate to the seriousness of the matter under investigation, and that carrying out surveillance for trivial purposes – or those “not considered a crime by the public” - undermines public confidence. It goes on to identify dog fouling and littering as likely to fail a proportionality test.
- 12 Option 1 risks omitting some matter that cannot then be investigated fully without the delay of first adding it to the list. Option 2 risks creating a buffer zone around an arbitrary set of “trivial “ matters but leaving others to the discretion of authorising officers; in practice 2b is probably a return to the status quo. Option 4 risks delay in gaining authorisation, and in there being too wide a gap between the work of an investigation and its supervision. Authorisation should be close enough for necessity and proportionality to be easily understood, but distant enough for independent judgement. It would be unusual for directors or members to take part in operational processes, especially when a procedure has been independently inspected and appears to be working well.
- 13 This leaves option 3, status quo, which is recommended.

Implications

- 14 Option 3, involving no change to a well-established procedure, has no material implications.

Corporate priorities

- 15 The recommendation will contribute to the following corporate objective:
....to provide clear, consistent direction to the organisation

Risk Management

- 16 The strategy is aimed at reducing the risks associated with non-compliance with the Act or codes of practice. No new risks are introduced by these recommendations.

Recommendations

- 17 It is recommended that the Committee:
- leaves the procedure and decision-making structure unchanged.
 - notes that members have the opportunity to challenge the use made of RIPA
 - replies to the LGA to confirm that the review has taken place.

Contact Details

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Assistant Director of Resources (Audit & Risk
Management)

Report Approved

Date

9th September
2008

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Inspection Report, August 2007; Office of the Surveillance Commissioner

Annexes:

- A Letter from Sir Simon Milton, Chairman of the Local Government Association, 20 June 2008 (transcript): [Local Government Association.doc](#)

Local Government Association

From the Chairman of the Association, Sir Simon Milton

20th June 2008

Dear Colleague

As you know, the use by councils of surveillance powers under the Regulation of Investigatory Powers Act (RIPA) has attracted a substantial amount of publicity. Most of this has been negative and also often grossly inaccurate: but the news stories have also stimulated public debate and comment concentrating on the line that councils are misusing their powers. The overall effect in terms of the reputation of local government had regrettably been quite damaging.

Parliament clearly intended that councils should use the new powers, and generally they are being used to respond to residents' complaints about fly tippers, rogue traders and those defrauding the council tax or housing benefit system. Time and again, these are [the] just the type of crimes that residents tell us that they want to see tackled. Without these powers, councils would not be able to provide the level of reassurance and protection local people demand and deserve.

The Act also requires that the powers should only be used when "necessary and proportionate to prevent or detect a criminal offence" and you will all know of the examples where councils have been criticised for using the powers in relation to issues that can be portrayed as trivial or not considered a crime by the public.

My purpose in writing is to ask that you satisfy yourself that the use of these powers is only being authorised after the most careful consideration at the appropriate senior political and managerial level. It would also be helpful if you could review existing permissions to ensure that their continuance meets the "necessary and proportionate" test. Perhaps you might consider reviewing these powers annually by an appropriate scrutiny committee or panel of your council which could invite evidence from the public. Whilst it is a matter for each council to determine for its area, our advice is that, save in the most unusual and extreme of circumstances, it is inappropriate to use these powers for trivial matters.

The leaders of the four political groups at the LGA and I have discussed this issue, in conjunction with the Local Authorities Co-ordinators of Regulatory Services (LACORS), and, specifically, we do not consider dog fouling or littering as matters which fall within the test of "necessary and proportionate"

The LGA and LACORS are working with the Government, police chiefs and the Chief Surveillance Commissioners to clarify some of the details of the legislation and make sure it is clear when and how surveillance should be used. By their nature, surveillance powers are never to be used lightly but it is important that councils don't lose the power to use them when appropriate. It is not right that councils are being tarred with accusations of using 'anti-terror' powers to investigate local crime when they are doing nothing of the sort. Equally it is important that they use these powers carefully and appropriately and we will be working with you to help enable that.

I hope you will be able to help in the manner I have suggested. Obviously in writing to you I am doing so with the support of all four group leaders here: we would be pleased to hear from you if you have any comments following your review or further suggestions on how as a sector we might ensure that councils' use of these new powers has general public support.

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