

#### Notice of meeting of

#### **Audit & Governance Committee**

То:	Councillors Pierce (Chair), Brooks (Vice-Chair), Crisp, Jamieson-Ball, Scott, Kirk and R Watson
Date:	Tuesday, 31 March 2009
Time:	5.30 pm
Venue:	The Guildhall, York

#### **AGENDA**

#### Note:

As agreed at previous meetings, the Chief Internal Auditor and District Auditor (Audit Commission) will be present in the meeting room from 5:00 pm to provide a private briefing for Members, if required.

#### 1. Declarations of Interest

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

#### **2. Minutes** (Pages 3 - 14)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 13 January 2009.

#### 3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the remit of the Audit and Governance Committee can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is **Monday, 30 March** at **5:00 pm.** 





## **4. Audit and Governance Committee Forward Plan 2009** (Pages 15 - 18)

This report presents the future plan of reports expected to be presented to the Committee during 2009/10.

## 5. Annual Audit Letter 2007/08 - Audit Commission (Pages 19 - 40)

This report introduces the Annual Audit Letter for 2007/08 prepared by the Audit Commission, together with the Council's response.

# 6. Financial Planning and Monitoring: Audit Commission Report (Pages 41 - 66)

This paper introduces a report prepared by the Audit Commission summarising the findings from a review of the Council's financial planning and financial monitoring procedures. The report on the financial planning process is based on the 2008/09 budget that was prepared between September 2007 and February 2008.

#### 7. Corporate Governance Review 2009 (Pages 67 - 80)

This report provides the background and early draft outcomes of the recently completed Corporate Governance review, consisting of a self assessment against the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework (2007) and outcomes from annual assurance questionnaires completed by each directorate.

#### 8. Risk Management Monitor Quarter 4 2008/09 (Pages 81 - 108)

This report presents the corporate risk management monitor for the fourth quarter of 2008/09 and invites Members to raise any questions or concerns they may have in relation to the risks contained within the monitor.

#### 9. Follow Up of Audit Recommendations (Pages 109 - 132)

This report sets out the progress made by the Council in implementing agreed internal audit recommendations and summarises the progress made to address recommendations raised by the external auditor.

#### 10. Draft Audit Plan Consultation (Pages 133 - 140)

This report seeks Members' views on the priority of internal audit work for 2009/10, to inform the preparation of the annual audit plan. A final version of the plan will be presented to the next Audit and Governance Committee.

#### 11. Risk Management Policy and Strategy (Pages 141 - 156)

This report presents the Council's Corporate Risk Management Policy and Strategy for discussion and comment. The Policy and Strategy set out the Council's commitment to managing risk and support the organisation's overall governance arrangements.

# 12. Control of Assets and Draft Asset Disposal Procedure Rules (Pages 157 - 170)

This report presents the Council's draft asset disposal procedure rules for discussion and comment and outlines the improvement actions planned to improve the control of assets as agreed at the last Audit and Governance Committee meeting. The procedure rules set out the Council's commitment to good stewardship of its assets, including guidance in relation to lost and stolen items.

#### 13. Urgent Business

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

#### **Democracy Officer:**

Name: Fiona Young Contact details:

- Telephone (01904) 551027
- E-mail fiona.young@york.gov.uk

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

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

Contact details are set out above.



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- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

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#### Further information about what's being discussed at this meeting

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#### **Access Arrangements**

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#### **Holding the Executive to Account**

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

#### **Scrutiny Committees**

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

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City of York Council	Committee Minutes
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	13 JANUARY 2009
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS (VICE- CHAIR (PRESENT FOR THE ITEMS UNDER MINUTES 26-37), CRISP, JAMIESON-BALL, SCOTT (PRESENT FOR THE ITEMS UNDER MINUTES 26- 37), KIRK AND R WATSON
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) ALISTAIR NEWALL (AUDIT COMMISSION)

#### PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

#### 21. CHAIR'S REMARKS

The Chair welcomed Cllr Jamieson-Ball, who had replaced Cllr Moore on the Committee following Cllr Moore's appointment to the Executive.

#### 22. 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. However, Cllr Jamieson-Ball indicated for the record in respect of agenda item 13 that he had taken the initial decision to progress the Shared Service as Executive Member for Corporate Services (Minute 33 refers).

#### 23. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 24 September 2008 be approved and signed by the Chair as a correct record.

#### 24. PUBLIC PARTICIPATION

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

#### 25. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN 2009

Members considered a report which presented a forward plan of items to be considered by the Audit and Governance Committee during 2009/10.

The plan, attached as Annex A to the report, included items for consideration at the next four meetings of the Committee, plus a general training event to be held in February / March and half day training event on the Statement of Accounts to be held prior to the meeting in June 2009.

Officers confirmed that the dates, times and length of the training events would be arranged to suit Members.

- RESOLVED: (i) That the forward plan for the Committee up to January 2010 be noted.
  - (ii) That the training events be welcomed and that Members look forward to receiving further details of the proposed arrangements.

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

#### 26. USE OF RESOURCES 2007/08: AUDIT COMMISSION REPORT

Members considered a report which presented the findings of the Audit Commission (AC) following their Use of Resources Assessment for the financial year 2007/08.

The AC's review had focused on five themes – Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. Details of the scores on these themes were under embargo from external publication until 23 February 2009 and consequently were classed as confidential information under Section 100B (3) (a) of the Local Government Act 1972. This item was therefore discussed in private.

In summary, the AC's report concluded that the Council had continued to perform well in its use of resources and highlighted a number of areas to consider in preparation for the new Use of Resources Assessment under the Comprehensive Area Assessment (CAA) regime. The new Assessment and CAA were described in the report at item 9 on the agenda (Minute 29 refers). The Council was already responding to many of the AC's findings in priority areas, as evidenced by other reports brought to the Audit and Governance Committee.

- RESOLVED: (i) That the report, and the progress being made by the Council in addressing the areas for improvement, be noted.
  - (ii) That the Working Group set up to consider the new Scrutiny and decision-making arrangements for the Council be recommended also to review the arrangements for managing the Council's asset base.<sup>1</sup>

REASON: To ensure the maintenance of an effective internal control environment at the Council.

#### **Action Required**

1. Inform the Scrutiny working group of this recommendation SA

## 27. THE AUDIT OF THE FINANCIAL STATEMENTS 2007/8 – A PROGRESS REPORT

[See also under Part B minutes]

Members considered a report which identified the main conclusions of the Audit Commission (AC) in respect of the 2007/08 financial year audit and outlined action taken and planned in response to the AC's recommendations.

The AC had concluded that the Council had not adequately addressed the issues highlighted in the 2006/07 audit and that improvements were needed to the planning of the financial statements closedown process, the quality and timeliness of supporting working papers, the communication between finance and property services and the asset register spreadsheets.

During the past three months, a significant programme of work had been developed to address the AC's concerns and to establish a more regularised format for the accounts closure process. Improvements already under development were highlighted in paragraphs 5 to 11 of the report. An action plan setting out the work completed or ongoing to address each issue was attached as Annex 1. Members were invited to consider whether any further action was required.

The Chair indicated that it would be helpful to receive brief updates between meetings on the actions in the project plan referred to in Annex 1 (R1, R3, R4 and R5).<sup>1</sup>

- RESOLVED: (i) That the work currently ongoing to address the major concerns of the Audit Commission in respect of the production of the Annual Accounts be noted.
  - (ii) That the action plan in respect of proposals to improve the production of the 2008/09 final accounts be noted.

REASON: To ensure the implementation of appropriate action in response to the issues raised by the Audit Commission.

#### **Action Required**

1. Arrange for Chair to receive progress updates on project SA plan

#### 28. RISK MANAGEMENT MONITOR QUARTER 3 2008/09

Members considered a report which presented the corporate risk management monitor for the third quarter of the 2008/09 financial year.

The monitor, attached as Annex A to the report, set out the position on key corporate risks (KCRs) at the end of the third quarter. It was noted that the Council was now far better at considering and identifying risk as part of its normal business processes, although there was still work to be done inm this area. Attention was drawn to the following risks identified as 'critical' in the monitor:

- KCR 0001 implementation of new pay and grading structure
- KCR0002 unsuccessful delivery of accommodation review project
- LCR 0003 failure of waste management strategy partnership

In respect of current risk issues, the Executive had asked all directorates to review their services in the light of the economic downturn. Members were invited to consider whether to recommend the inclusion of child protection in the corporate risk register, in view of the introduction of more stringent government regulations in this area following the death of Baby P in Haringey. It was noted, however, that the overall performance of Children's Services in York had been judged as 'outstanding' in the 2008 Joint Area Review and Annual Performance Assessment.

RESOLVED: (i) That the contents of this report, and progress made during 2008/09, be noted.

REASON: To indicate the Committee's awareness of the progress made to date in respect of the risk management agenda and framework at the Council.

(ii) That further information in respect of the risk issues around Child Protection be brought to the next meeting.<sup>1</sup>

REASON: To enable the Committee to decide whether they should recommend that Child Protection be added to the corporate risk register.

(iii) That a report be received at the next meeting in respect of risk no. KCR 0003 (waste management strategy) from the risk owner, who is also requested to attend the meeting. <sup>2</sup>

REASON: To provide assurance that key risks are being appropriately managed by the organisation.

(iv) That Officers be asked to review the entry under risk no. KCR 0002 (accommodation review project) and ensure that details of the revised entry are brought to the next meeting.<sup>3</sup>

REASON: To satisfy Members that the information included on the monitor in respect of this risk is accurate and up to date.

#### **Action Required**

1. Schedule a report to the next meeting to include this	SA
information	
2. Ask risk owner to report to and attend the next meeting	SA
3. Include this information in report to the next meeting	SA

## 29. COMPREHENSIVE AREA ASSESSMENT AND USE OF RESOURCES ASSESSMENT 2009

Members considered a report which provided an overview of the new Comprehensive Area Assessment (CAA), including the new Use of Resources Assessment and internal preparations to address any risk areas.

The CAA would come into effect in April 2009, replacing the CPA, JARs, APAs and social care star ratings with an annual assessment identifying key risks to achieving priority outcomes or service delivery. It would focus on delivering outcomes in partnership and would be heavily influenced by the views of residents and service users. It would comprise an 'Area Assessment' examining the effectiveness of local services and an 'Organisational Assessment' focusing on how well the Council delivered value for money.

Steps being taken to prepare for the CAA were set out in paragraph 18 of the report. They included the establishment of a senior level CAA Steering Group, revisions to the recording and reporting of performance indicators and a review of performance against the KLOE areas to be used in the Organisational Assessment. An action plan would be developed to address low scoring areas.

In response to questions from Members, Officers confirmed that systems would be established as quickly as possible to record the information required but that the relevant guidance from the Audit Commission had only been received in November 2008.

- RESOLVED: (i) That the requirements of the new Comprehensive Area Assessment, and the work ongoing to meet the requirements of the new process, be noted.
  - (ii) That the Committee express its concern to the Audit Commission regarding the late issue of guidance on the CAA. 1

REASON: So that the Committee is aware of new corporate inspection processes and associated requirements, in order to ensure that future assurances can be gained, particularly in relation to the Organisational Assessment (Use of Resources).

#### **Action Required**

1. Inform the Audit Commission of the Committee's remarks SA

#### 30. DATA QUALITY POLICY AND PROGRESS REPORT

Members considered a report which presented a draft corporate Data Quality Policy and outlined progress made towards implementing the Audit Commission's recommendations from January 2008.

The seven recommendations provided by the Audit Commission (AC) to improve data quality across the Council were set out in paragraph 5 of the report. The draft Policy produced to address these recommendations was attached at Annex A. Key principles of this Policy had been agreed by the Council's Directorate Management Teams and discussions were ongoing to ensure continuous improvement of directorates' approach to data quality.

Further planned improvements included the creation of an 'information systems integrity check framework', due to commence in 2009, a review of the roles and responsibilities of officers dealing with performance data, and a review of additional recommendations recently received from the AC.

Members commented that there was a need to be more specific about some of the terms used in the draft Policy, and not to use the words 'data' and 'information' interchangeably.

RESOLVED: (i) That, subject to the above comments, the draft Data Quality Policy be endorsed for onward approval by the Executive. 1

REASON: To raise the profile of data quality, develop a high level commitment to improving data quality and ensure a consistent approach.

(ii) That progress be monitored through annual reports. <sup>2</sup>

REASON: To strengthen data quality review and reporting arrangements, and in particular reporting of outcomes to senior Officers and Members.

#### **Action Required**

- 1. Schedule item on the Forward Plan for the Executive to SA consider the draft Policy
- 2. Schedule annual progress reports on the Committee's SA forward plan

#### 31. FOLLOW UP OF AUDIT COMMISSION RECOMMENDATIONS

Members considered a report which set out action being taken by the Audit and Fraud service to follow up the recommendations of the Audit Commission (AC) and progress made to date.

In September 2008, the Committee had asked Internal Audit to follow up and report on action taken in response to AC recommendations. Historically, AC reports had been issued directly to responsible officers and no central record was held. The current exercise therefore covered all AC reports issued since 2005/06. 14 reports requiring follow up had been identified, containing 86 recommendations.

An overview of results to date was attached as Annex 1 to the report. Work was ongoing to identify action taken in relation to each recommendation and a further update on progress would be brought to the Committee in March, as part of the regular six-monthly internal audit follow-up report. Officers confirmed that this would provide a more detailed account than the current report of progress on each of the recommendations.

RESOLVED: That the progress made, and the results of the follow up of the Audit Commission's recommendations, be noted.

REASON: To enable Members to monitor the implementation of Audit Commission recommendations as part of their responsibility

for governance arrangements at the Council.

#### 32. AUDIT AND FRAUD MID TERM MONITOR

Members considered a report which detailed progress made in delivering the Council's internal audit and fraud work plan for 2008/09, approved by this Committee on 13 May 2008.

Two of the priorities for the service were to deliver at least 90% of the Audit Plan and to ensure that Internal Audit continued to retain its 'managed audit' status with the Audit Commission. Although only 51% of the Plan had been completed to date, it was anticipated that the 90% target would be achieved. Details of the audits completed and reports issued were provided in Annex 1 to the report. Details of variations to the Plan approved by the Head of Internal Audit to accommodate a shortfall in resources caused by sickness absence and staff vacancies were provided in Annex 2.

Details of counter fraud work undertaken in accordance with the Plan were set out in Annex 3. As in previous years, most of this work related to suspected fraudulent Housing and Council Tax benefit claims.

Members expressed concern at the reduction in planned work indicated in Annex 2, particularly in the current financial climate, when there was an increased risk of fraud. Officers noted that much of this work had been

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deferred rather than abandoned and that the situation was expected to improve once the Shared Service had been established.

RESOLVED: (i) That the results of the audit and fraud work undertaken to date during 2008/09 be noted.

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

(ii) That the variations to the 2008/09 Audit Plan approved to date by the Head of Internal Audit be noted.

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

(iii) That the potential risk of the reduction in planned work outlined in Annex 2 be brought to the attention of the Executive Member for Corporate Services. <sup>1</sup>

REASON: So that Members can be assured that the Council's audit and fraud control arrangements will not be compromised by lack of resources.

#### **Action Required**

1. Inform the Executive Member of the Committee's remarks SA

#### 33. SHARED SERVICE - UPDATE REPORT

Members considered a report which informed them of progress made to date by City of York Council (CYC) in developing the shared service initiative with North Yorkshire County Council (NYCC).

An outline business Case and draft implementation plan for the project had been approved by the Executive Member for Corporate Services last March and a further progress report had been presented to the meeting of the Executive Member and Advisory Panel in June.

Good progress had continued to be made to integrate working practices and systems across both Audit and Fraud teams. Development work to 'migrate' NYCC audit staff and data from their existing IT system to the CYC Galileo.net system was largely complete. A draft Business Case had been prepared and was due to be presented to the Executive on 20 January 2009. Staff and union representatives from both authorities had been kept informed of progress. Formal consultation on the proposals had begun last November.

RESOLVED: (i) That the progress made to date in developing the audit and fraud shared service, and the work undertaken to develop the full Business Case / Project Implementation Plan (prior to final Member approval) be noted.

(ii) That the Committee record its thanks and best wishes to Officers for their work and the future success of this project.

REASON: So that the Committee is aware of progress to date.

# 34. AUDIT COMMISSION NATIONAL REPORT: BACK TO FRONT. EFFICIENCY OF BACK OFFICE FUNCTIONS IN LOCAL GOVERNMENT (19:10-19:20)

Members considered a report which provided a brief overview of, and response to, the national review by the Audit Commission (AC), entitled *Back to front. Efficiency of back office functions in local government* and published in October 2008.

The AC's report examined the experiences of councils over the last three-year spending cycle and made recommendations on how to make efficiency gains while retaining service quality. Back office functions were defined as finance, human resources, IT support, procurement, legal services, facilities management, travel services, marketing and communications. The report highlighted the need to move on from 'transactional' and 'transitional' to 'transformational' strategies in order to make sustainable savings in the future.

Recommendations from the AC's report were summarised in paragraph 10. Action taken by the Council to date to respond to government announcements on cashable savings was summarised in paragraph 13. This included entering into an Efficiency Partnership to identify sustainable efficiencies, integrating more services into the York Customer Centre, transforming services through the <a href="Easy@York">Easy@York</a> programme, extending telephone and on-line transactional services and developing shared services with NYCC.

RESOLVED: That the report, and the course of action being undertaken and planned by the Council, be noted.

REASON: To assure the Committee that the Council can meet the challenges of CSR07 and provide services in an efficient, effective and customer-focused way.

#### 35. ASSET INVENTORIES AND DISPOSAL (NON LAND AND BUILDINGS)

Members considered a report which outlined current arrangements in place for asset inventories, reporting thefts and disposal of obsolete equipment, together with plans for improving these procedures. The report did not relate to land and buildings, which were subject to different arrangements.

Under the Council's Financial Regulations, the Assistant Director of Resources (Transformation & Efficiency) was responsible for purchasing, recording and insuring items of IT equipment. Directors were responsible for ensuring such equipment was kept securely, maintaining local

inventories of assets worth more than £500, notifying the CFO and Chief Internal Auditor any loss, liability or damage that might lead to an insurance claim against the Council and ensuring that all acquisitions and disposals were properly recorded. Where goods were stolen, a crime number must be obtained from the police. In the past, not every theft had been reported to Internal Audit or the Insurance Team.

Planned improvements included training to remind Officers of these requirements and improve compliance, and the development of a detailed corporate policy for disposal of non-land and building assets. A draft policy would be brought to the Committee in March 2009.

- RESOLVED: (i) That current arrangements, plans to ensure that Officers are aware of these procedures and other proposed improvements be noted.
  - (ii) That a further report be brought to a future meeting setting out an action plan on the specific improvements proposed and the process for embedding these improvements. <sup>1</sup>

REASON: To ensure that the Committee receives appropriate assurances where possible breaches in the internal control environment are highlighted.

#### **Action Required**

1. Schedule report for a future meeting

SA

#### **PART B - MATTERS REFERRED TO COUNCIL**

## 36. PROPOSED CHANGE TO THE COUNCIL'S CONSTITUTION REGARDING PETITIONS

Members considered a report which outlined proposed constitutional changes to the way in which the Council dealt with petitions submitted by residents and businesses in the City of York area.

The changes had been suggested by Cllr Scott, who had originally intended to put the matter before Full Council by way of a notice of motion but had agreed for it to be brought via the Audit and Governance Committee instead. The proposal was to amend the current arrangements under Standing Order 7 - whereby petitions brought to Full Council were referred to the Executive or appropriate committee to deal with - so as to enable a debate to be initiated at Full Council by means of a petition signed by at least 1,000 residents. It was also suggested that the possibility of introducing an on-line petition facility be examined. However, this would need to be given further consideration by Officers, who had already had preliminary discussions regarding on-line petitioning.

Members were invited to consider the following options:

**Option 1** – recommend a change to Standing Order 7 to provide for 'residents to initiate a debate at Full Council upon any issue touching and concerning the City of York where a minimum of 1,000 residents petition.'

**Option 2** – make no recommendations at this stage but receive a further report following enactment of the Local Democracy, Economic Development & Construction Bill, which includes a new duty on local authorities to respond to petitions.

**Option 3** – not to recommend any changes in relation to petitions.

RECOMMENDED: That Option 1 be agreed and that Standing Order 7 be

amended to provide for 'residents to initiate a debate at Full Council upon any issue touching and concerning the City of York where a minimum of 1,000

residents petition.'

REASON: To enable residents to make an active contribution to

matters affecting the City, in advance of the enactment of Government requirements to respond to petitions.

## 37. THE AUDIT OF THE FINANCIAL STATEMENTS 2007/8 - A PROGRESS REPORT

[See also under Part A minutes]

Members considered a report which identified the main conclusions of the Audit Commission (AC) in respect of the 2007/08 financial year audit and outlined action taken and planned in response to the AC's recommendations.

The AC had concluded that the Council had not adequately addressed the issues highlighted in the 2006/07 audit and that improvements were needed to the planning of the financial statements closedown process, the quality and timeliness of supporting working papers, the communication between finance and property services and the asset register spreadsheets.

During the past three months, a significant programme of work had been developed to address the AC's concerns and to establish a more regularised format for the accounts closure process. Improvements already under development were highlighted in paragraphs 5 to 11 of the report. An action plan setting out the work completed or ongoing to address each issue was attached as Annex 1. Members were invited to consider whether any further action was required.

RECOMMENDED: That authority be given to the Audit and Governance

Committee to approve the Statement of Accounts and

the Annual Governance Statement.

REASON: In accordance with advice given at this and the

previous meeting regarding the practice in other authorities and to address the issues with the current

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approval process highlighted by the Audit Commission.

R Pierce, Chair [The meeting started at 5.30 pm and finished at 7.40 pm].



#### **Audit and Governance Committee**

31 March 2009

Report of the Director of Resources

#### **Audit & Governance Committee Forward Plan 2009**

#### **Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during 2009/10.

#### **Background**

2. There are currently four fixed meetings of the Committee in a calendar year. To assist members in their work, attached at Annex A is the indicative rolling Forward Plan for the next four meetings in 2009/10. This may be subject to change depending on key internal control and governance developments at the time; a rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes. The plan will also include known training/briefing events to support members in their role on the Committee.

#### Consultation

3. A draft plan has been discussed with the Chair of the Committee and key corporate officers.

#### **Options**

4. Not relevant for the purpose of the report.

#### **Analysis**

5. Not relevant for the purpose of the report.

#### **Corporate Priorities**

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

#### **Implications**

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

#### **Risk Management**

8. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, it will also fail to properly comply with legislative and best practice requirements, and its Use of Resources score in future CAA assessments could be adversely affected.

#### Recommendations

9. The Committee's Forward Plan for the period up to March 2010 be noted.

#### Reason

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

10. Members identify any further items they wish to add to the Forward Plan

#### Reason

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

#### **Contact Details**

Annexes

Audit & Governance Committee Forward Plan 2009/10

Author:	Chief Officer Responsible for	the report:
Pauline Stuchfield Assistant Director (Customer Service & Governance) Telephone: 01904 551706	lan Floyd Director of Resources Telephone: 01904 551100	
·	Report Approved   √ Date	17 March 2009
Specialist Implications Officers		
Not applicable		
Wards Affected: Not applicable		All
For further information please contac	t the author of the report	
Background Papers: None		

#### Annex A

#### Audit & Governance Committee Forward Plan 2009/10

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

- 14 Apr or 19 May Interactive training event
- 22 June 2009 Final Accounts training event
- June 2009 Committee

**Draft Statement of Accounts** 

Review of Corporate Governance and Action Plan

Review of Effectiveness of Internal Audit

Audit Commission - Audit & Inspection Plan 2009/10

Risk Management Quarterly Monitoring Report / Annual Report

Internal Audit Plan

Internal Audit Annual Report

Review of Financial Regulations

Audit Commission reports as per agreed Audit & Inspection Plan Audit Commission national reports (if any) Constitutional change reports (if any)

#### September 2009

Annual Governance Report (first under CAA) – Audit Commission

Review of Actions from Previous Annual Governance Report

Corporate Governance Update

Risk Management Quarterly Monitoring Report

Follow-up of Internal and External Audit Recommendations

Breaches & Waivers Annual Report

Internal Audit & Fraud Plan Progress Report

#### Page 18

Audit Commission reports as per agreed Audit & Inspection plan Audit Commission national reports (if any) Constitutional change reports (if any)

#### January 2010

Annual Audit Letter (first under CAA) – Audit Commission

Review of Actions from previous Annual Audit Letter

Data Quality Progress Report

Risk Management Quarterly Monitoring Report

Internal Audit & Fraud Plan Progress Report

Audit Commission reports as per agreed Audit & Inspection plan Audit Commission national reports (if any) Constitutional change reports (if any)

#### March 2010

Review of Corporate Governance and Action Plan

Risk Management Quarterly Monitoring Report

Draft Internal Audit Plan

Risk Management Quarterly Monitoring Report

Draft Audit Commission Audit & Inspection Plan

**Draft Annual Governance Statement** 

Audit Commission reports as per agreed Audit & Inspection plan Audit Commission national reports (if any) Constitutional change reports (if any)



#### **Audit and Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

#### **Annual Audit Letter 2007/08 - Audit Commission**

#### Summary

1. This paper introduces the Annual Audit Letter 2007/08 (see annex) prepared by the Audit Commission together with the council's response.

#### **Background**

- 2. The District Auditor reports annually his independent opinion of the council's arrangements based on an annual programme of work agreed by officers and members. This programme of work must meet the standards set out in the Code of Audit Practice and gives an opinion on the corporate governance arrangements at the council focused across 3 main areas:
  - the opinion given on the council's annual Statement of Accounts (including the Annual Governance Statement);
  - the financial aspects of corporate governance (including financial health, systems of assurance, probity and legality);
  - performance management (including CPA, VFM, performance management information and the Best Value Performance Plan).
- 3. The Letter also summarises key findings and any matters arising from the annual inspection programme and includes the refreshed council's CPA scorecard and a related 'Direction of Travel' statement. The Commission has reported that the council is "improving adequately" and demonstrating a 2 star overall performance for CPA purposes.

#### The council's response

4. A full report was taken to Executive on 17<sup>th</sup> March 2008 relating to the refreshed CPA score and Direction of Travel which included how the council has responded to the aspects of the score card which were rated as 2 (i.e the Corporate Assessment and Social Care (adults)). The report stated that:

"The corporate assessment inspection took place in early 2008 and since then the council has developed a Single Improvement Plan (SIP) to improve organisational effectiveness and address all major areas for improvement. Significant

progress has been made against the milestones detailed in a paper to the Executive dated 30 June 2008 ... The SIP is currently being reviewed and refreshed in preparation for the second year of delivery based on identified areas of organisational effectiveness improvement.....".

"The issues identified by the Commission for Social Care Inspection (CSCI) in the Adult Social Care inspection were not considered to be systemic. There is excellent performance in other areas such as social care clients receiving self-directed support (sometime referred to as direct payments). The CSCI recommendations are being addressed and HASS, working with the government office, have already identified the actions needed to bring performance back up to normal standards in 2009. Its clear that CYC's Adult Social Services are not viewed as a priority for special attention."

5. Key matters raised by the Audit Commission in the Letter are listed below with the action planned/key monitoring processes to ensure they are resolved. Where appropriate, implementation of these items will be monitored by Internal Audit as part of their follow-up of recommendations and reported to this Committee at future meetings:

Paras	Item	Planned Actions/Monitoring
1/14 1/14/38	Adult Services Inspection Corporate Assessment	See Para 4 above See Para 4 above
6	Managing during Economic Downturn	Risk Report to Executive (Apr 09)/ Inclusion on Corporate Risk Register
6 43/46 46 46 46 46 46 46/49	Delivery of Action Plans Final Accounts Project Management Medium Term Financial Strategy Budget Monitoring Asset Management Debt Collection effectiveness Risk Management reporting to members Equalities & Diversity	SIP Monitoring/ A&G Cttee Action Plan to A&G Cttee (Jan 09) All Para 46 items monitored either via the SIP or A&G follow-up of audit recommendations. Also all are still assessed through annual Use of Resources Assessment.
<i>46</i> 49	Procurement Strategy Member/officer culture & relationships	Standards Committee

#### Consultation

6. Not relevant for the purpose of the report.

#### **Options**

7. Not relevant for the purpose of the report.

#### **Analysis**

8. Not relevant for the purpose of the report.

#### **Corporate Priorities**

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

#### **Implications**

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

#### **Risk Management**

11. By not responding effectively to the matters contained in this report, the council will fail to properly comply with legislative and best practice requirements, and its performance in future CAA assessments could be adversely affected.

#### Recommendations

- 12. Members are asked to:
  - a) note the contents of this report and the Annual Letter itself, attached as the annex to this report;

#### Reason

To comply with the statutory requirements for the external audit of the council.

b) acknowledge the council's response to the issues raised by the District Auditor to be monitored Audit & Governance committee at future meetings.

#### Reason

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

#### **Contact Details**

Wards Affected:

Author:	Chief Officer Responsible for the report:			
Pauline Stuchfield Assistant Director (Customer Service & Governance) Telephone: 01904 551706	lan Floyd Director of Resources Telephone: 01904 551100			
	Report Approved	$\sqrt{}$	Date	19 March 2008
<b>Specialist Implications Officers</b>				
Not applicable				

For further information please contact the author of the report

#### **Background Papers:**

See below

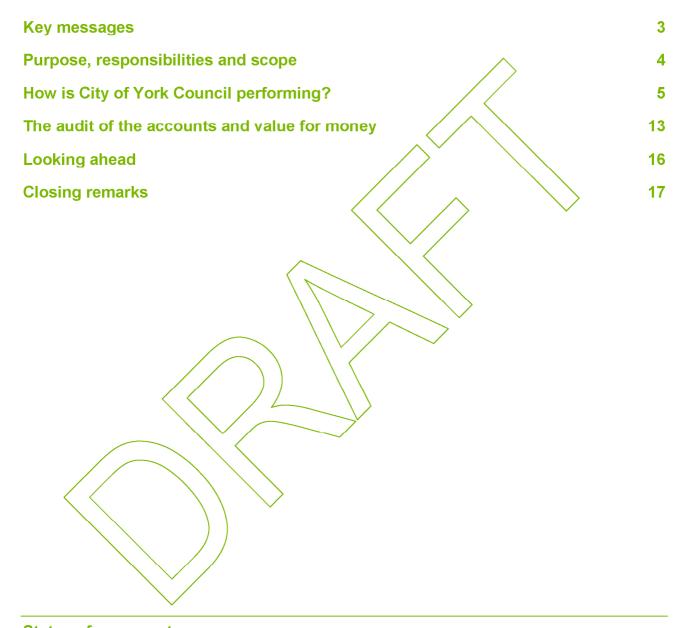
#### **Annex**

Annual Audit & Inspection Letter 2007/08

Annual Audit and Inspection Letter



## **Contents**



#### **Status of our reports**

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

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

# Key messages

- The City of York Council continues to perform well or strongly across a range of service areas such as the environment, housing, children and young people and the use it makes of the resources available to it. These services are important to the communities that it serves. Parts of its services for adults have been criticised by inspectors but plans are in place to deal with their concerns. The Council has also had its score for the Audit Commission's assessment of its corporate capacity updated to reflect our more stringent harder test. We identified a number of areas for improvement including the need to improve its focus on priorities and it is making progress in addressing these.
- It is also working hard and effectively in partnership with other organisations in the area to achieve improvement in jointly agreed priority areas. It has launched its new vision for the City with its partners and worked with them to re-invigorate the strategic partnership for the City, Without Walls. All this activity has made it more likely than ever that residents, businesses and visitors to the City will get better services that more closely match their needs and that help improve their lives.
- The Council can not slacken its pursuit of the plans it has for itself and the area it serves. Working successfully in partnership with others is vital to achieving its aspirations (and those of the people it and its partners serve) and we will be examining this as part of the new Comprehensive Area Assessment which we and our colleague Inspectorates launch in April 2009.
- Residents of York and businesses in the area are dealing with the impact of the current economic downturn. The Council and its partners are already considering the impact of this changed economic environment on themselves and the communities they serve but the Council and its partners will need to remain vigilant in managing risks to plans arising from the recession.
- In the meantime there are a small number of key issues which Councillors should particularly pay attention to over the coming year.

#### Action needed by the Council

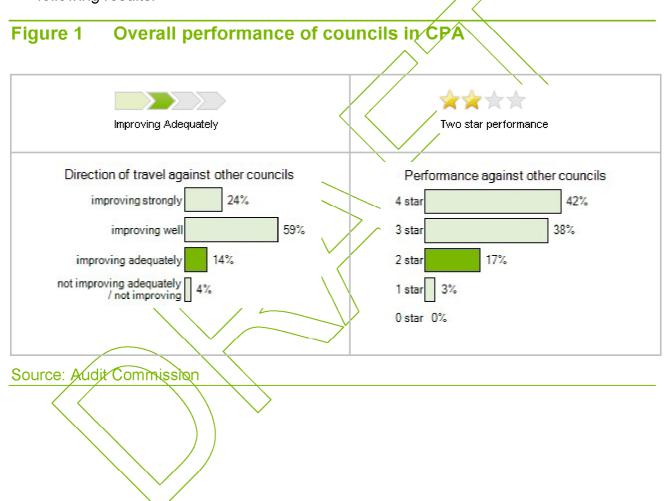
- 6 Councillors should satisfy themselves that sound arrangements are in place to deal with the following issues.
  - 2009 is proving to be a difficult year for all councils due to the national economic downturn. Pressures will increase further as the recession starts to bite. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.
  - The Council has put action plans in place to deliver the improvements that it has identified as being needed. These respond to the results of its own analysis of priorities as well as the various pieces of audit and inspection work described in this Letter. Councillors need to monitor progress on the delivery of these plans and take action when it's needed to put things back on track.

# Purpose, responsibilities and scope

- 7 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at <a href="https://www.audit-commission.gov.uk">www.audit-commission.gov.uk</a>. (In addition the Council is planning to publish it on its website).
- The appointed auditor, John Prentice, is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion);
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is City of York Council performing?

13 The Audit Commission's overall judgement is that the City of York Council is improving adequately and we have classified the Council as two star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.



#### Our overall assessment - the CPA scorecard

#### Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	2 stars
Corporate assessment/capacity to improve	2 out of 4
Current performance	
Children and young people*	4 out of 4
Social care (adults)*	2 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

### The improvement since last year - our Direction of Travel report

#### **Summary**

14 City of York Council is improving adequately. Elements of services for vulnerable adults for example those aimed at improving health, emotional well-being and personal dignity, have declined. The Council has achieved improvement in a number of other priority services and sustained high performance in services for children and young people. It has also contributed to improved outcomes in relation to health, crime and disorder, environment and sustainable transport and, with partners, is making progress on housing and regeneration ambitions. The Council has responded to the findings of the Corporate Assessment by developing a single improvement plan which is giving a sustained focus on improving corporate capacity. Managerial leadership remains strong. Progress has also been made in improving access to services and responding to the needs of diverse communities. Effective political leadership has enabled the Council to work well with partners to define priorities for the future and a range of robust service strategies are being implemented to achieve them. The delay in plans for new office accommodation represents a risk to the future delivery of the Council's ambitions but plans are in place to ensure progress is achieved.

#### How is City of York Council perfor.........

- 15 In our direction of travel work we consider two questions:
  - What evidence is there of the council improving outcomes?
  - How much progress is being made to implement improvement plans to sustain improvement?
- 16 The following sections report our findings in answering those questions.

#### What evidence is there of the council improving outcomes?

- 17 The Council has achieved improvement in a range of priority services. The overall level of improvement with around 61 per cent of national performance indicators improving in 2007/08 is around the average rate of improvement for single tier authorities. Elements of services for vulnerable older people, relating to health and emotional well-being and maintaining personal dignity and respect, have deteriorated.
- 18 The Council sustained its high performance in educational attainment, with particular focus on the most vulnerable children and young people. The number of children below the threshold at each key stage in core subjects has reduced, particularly in the most deprived areas. There has also been an increase in the number of looked after children achieving at least one GCSE pass or equivalent.
- The Council has taken successful action to support the priority for improving the health of local communities. It has continued to expand its schools sports partnerships, which has contributed to achieving an increase in the number of children participating in regular exercise. The percentage of children engaging in two hours per week of high quality PE has increased from 90 per cent to 94 per cent. The health of looked after children is also improving and there has been a reduction in teenage pregnancies.
- There have been notable reductions in the levels of crime and disorder, resulting in an increase in the percentage of people who feel York is a safe place. A targeted alley-gating campaign resulted in a fall in reported crime levels of 68 per cent in the Clifton area in August and September 2008, compared with figures for the same period in 2006. Re-offending rates of Youth Offending Team-supervised offenders fell by twice the target agreed as part of the 'Local Public Service Agreement 2' although they remain at a level significantly above those for similar areas. An external assessment of the Youth Offending Team found the service to be high performing, having shown significant improvement over the last two years to become the strongest performing team in the region. However, the dependency on short term funding presents a risk to sustaining the current level of performance.
- Overall traffic volumes have remained stable and there is a strong focus on encouraging alternative methods of transport. Investment in park and ride schemes has resulted in usage steadily increasing between 2003/04 and 2006/07, although there was a reduction in passenger numbers in 2007/08 as the result of the introduction of the concessionary fares. Following successful initiatives to increase walking and cycling usage, York has been awarded Cycling City status, which has attracted £3.86 million in external funding to increase cycling further over the next three years.

#### ..... .s City of York Council performing?

- The volume of waste recycled increased to a level which is amongst the highest quartile of councils nationally. The volume of waste collected has reduced and the cost of waste collection and disposal remains within the lowest quartile for councils nationally. Satisfaction with the service continues to increase. Good progress is being made in improving the condition and appearance of the city's housing estates and street scene. Street cleanliness is improving and parks, play areas and public spaces are of a high standard. The improvement in environmental performance and public satisfaction whilst keeping costs low illustrates the Council's robust approach to value for money, which remains one of its key strengths.
- There has been continued improvement in some aspects of housing performance. Re-let times reduced significantly to 19 days which is amongst the top performing quartile of councils nationally. The proportion of non-decent homes continued to fall from 11 per cent to 10 per cent. However, the rate of improvement is below that achieved elsewhere resulting in the Council falling from top quartile to second quartile. There was a deterioration in performance regarding homelessness, where the length of stay in hostel accommodation increased to more than 9 weeks which is worse than the national average.
- The Council has contributed towards ensuring local communities have the skills and knowledge to access employment. The percentage of young people not in education, employment or training (NEETs) fell-from 5.9 per cent in 2006/07, to 3.9 per cent in 2007/08. There was also an increase in the number of adults achieving basic literacy, numeracy and IT qualifications, and young people gaining vocational qualifications. These actions have contributed to a narrowing of income differentials across the city.
- However, progress against wider economic priorities has been impacted on by the current economic downturn, which is also placing increased pressure on the social housing stock and housing waiting lists. Progress continues to be made towards the decent homes standard but plans to provide additional housing including affordable housing units have been delayed. It is anticipated that the supply of affordable homes will not meet targets over the next two years.
- However, the Council and its partners have responded positively to the economic downturn by taking a range of actions to mitigate its impact. These include actions to support business confidence, engaging with developers to support the local housing market, promoting the Credit Union and benefits take up, and the Kingsway pilot project to provide specific support to people in the most deprived area of the city. The Council is also working with two neighbouring authorities and three housing associations on the Golden Triangle partnership which is providing support to households who are having difficulty getting onto the property ladder or are having difficulties paying their existing mortgages.

## How much progress is being made to implement improvement plans to sustain improvement?

- 27 Progress is being made with actions to strengthen the Council's approach to dealing with equalities and diversity and improve access to services. Good progress has been made in carrying out Equality Impact Assessments in priority services, with a view to incorporating actions into 2009/10 service plans. The format of the Social Inclusion Working Group is being reviewed to ensure it is accessible to representatives of all community groups, and staff reference and engagement groups are being developed. The Council has also delivered language training aimed at the increasing Polish community and increased engagement with 'Black and Minority Ethnic' communities to address health issues. However, planned training for front line staff and managers has been delayed to 2009/10 due to lack of resources. The Easy@York project has continued to improve access to services, along with the Council's ability to respond to service requests.
- The Council and its partners have robust plans for improving. The Sustainable Communities Strategy (SCS) setting out their ambitions for the city for the period from 2008 to 2025 was agreed in September 2008, along with the Local Area Agreement (LAA) which sets targets and provides the focus for action over the next three years. The SCS was based on a good understanding of local needs, following an extensive consultation process.
- The Council has reviewed its Corporate Plan to ensure alignment with the SCS and has developed a range of robust service strategies to underpin the delivery of all community priorities. They are supported by action plans and funding from a range of sources. Progress is being made relating to the newly prioritised issue of climate change through an environmental sustainability strategy and a carbon management programme as the Council moves towards developing an integrated climate change strategy. The Local Transport Plan 2006/11 has been rated as 'excellent' by the Department of Transport, and includes major projects to extend the existing park and ride network. As part of their approach to community safety, partners have agreed an Anti-Social Behaviour Strategy to ensure actions to deal with this issue are better co-ordinated and have maximum impact. The Council's housing strategy has a clear focus on achieving decency standards and increasing the supply of affordable housing and an updated homelessness strategy has recently been agreed. Plans are in place for joint commissioning of care services for older people with the PCT, although strategies to support the wider independence of older people are not vet fully developed.

#### ..... .s City of York Council performing?

- 30 The Council has taken action in a number of areas to implement its service strategies. New facilities such as the Danesgate Skills Centre and Learning Centres in Acomb and New Earswick opened in 2008 to provide increased access to lifelong learning opportunities, resulting in increased participation in adult learning programmes. The Council has also entered into a Multi Area Agreement (MAA) with a number of other councils to focus on the issues of skills and transport links on a regional basis. Access to external funding has enabled the Council to enhance its support to children and families through Parenting Programmes which have supported 248 families. Additional action groups have been set up through the Active York partnership to engage with schools to increase participation in physical activity and improve health. The Council is also working with the Schools Food Trust to promote healthy school meals. The recent annual primary school conference included a School Food Partnership workshop to discuss how issues such as sustainability can be taken into account in order to comply with enhanced criteria for Healthy Schools status, currently enjoyed by a large proportion of the city's schools. The Council is also increasing the supply of new, energy efficient housing and recently opened a new homeless hostel.
- 31 The Council has also continued to build on the strong plans in place to deal with the economic challenges facing the city through the recent creation of the Business Forum. The forum has a wide membership drawn from across the city and has enabled partners to develop a co-ordinated response to the particular challenges presented by the current economic downturn.
- 32 The Council has responded positively to the findings of the Corporate Assessment report published in June 2008. It has developed a Single Improvement Plan which provides a single focus for developing organisational capacity. Early progress has been made in developing a corporate approach to workforce development, strengthening service and financial planning processes, reviewing scrutiny arrangements and reviewing the effectiveness of community engagement. Action is also being taken to ensure that recent reductions in sickness absence levels can be sustained.
- 33 The Council is strengthening its corporate management to make best use of its capacity. The management team, supported by the Corporate Leadership Group, is providing good leadership to ensure a joined up approach to deal with cross-cutting issues through the 'York Business Model'. Political leadership remains effective and has supported the reshaping of community priorities.
- 34 The Council is leading a review of the themed partnerships within the LSP to ensure they have the capacity to deliver the outcomes required. Action planning is underway for each of the themed partnerships and the Council has made funding available through its LPSA performance reward grant to fund partnership initiatives. The Council is also investing in new IT systems to improve efficiency and capacity. These include new financial management and performance management systems as well as new systems in adult care services and improved broadband access.

### How is City of York Council perfor......

The Council is taking steps to improve its asset management, although some significant issues remain to be addressed. The Council is making progress in increasing the community use of assets and has begun to develop asset management plans for local areas which will deal with localised issues to improve access to services. The Single Improvement Plan also includes actions to strengthen management of the capital programme. However, the office accommodation project remains a major risk to the Council. The delay in plans for the Hungate development after a significant period of investment and negotiation is creating additional financial pressures, hindering plans for improving access to services and preventing improvement in the Council's environmental performance. The Council has worked well to develop new plans to take its ambitions forward for Hungate and its own accommodation strategy.

### **Service inspections**

An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from the Commission for Social Care Inspection (CSCI) and Ofsted.

# CSCI's annual performance assessment of social care services for adults

- 37 We have taken account of CSCI's findings in our direction of travel report. Their annual assessment examines the Council's performance in two key areas: delivering outcomes; and, capacity to improve. In delivering outcomes CSCI rated the Council as adequate overall with four of the seven areas it examined being adequate and three good. The areas of good performance were making a positive contribution; freedom from discrimination and harassment; and, economic well-being. CSCI rated the Council's capacity to improve adult social care as uncertain.
- 38 CSCI noted key strengths across all the areas that it reviewed. It also identified key areas for further development which the Council is working on. In particular the assessment drew from an inspection of *Independence Wellbeing and Choice for Older People undertaken by CSCI in June 2008*. The inspection rated safeguarding older people as adequate, personalising services for older people as adequate and preventative services as good. Inspectors judged the capacity for improvement as being uncertain because of a range of factors including the impact of a recent reorganisation of part of the services provided to older people.
- 39 The Council has developed and is implementing plans to address these problems. We will consider the Council's progress in completing our new joint assessment of its management of performance that will be published in the autumn of 2009.

### Ofsted's annual performance assessment of services for children and young people

40 Ofsted's latest assessment (the Annual Performance Assessment (APA)) of the City of York Council's performance in this area said the following.

"The City of York Council consistently delivers outstanding services. The council has made good progress in responding to the recommendations made in the 2007 APA and Joint Area Review (JAR) report published in June 2008.

The council has built on significant achievements to further its outstanding provision. It has maintained its level of outcomes for enjoying and achieving, staying safe, making a positive contribution and achieving economic well-being. Of particular note are: the continued upward trend in learners' educational attainment across all key stages, when figures are already above national average; the overall quality of childcare and the improvement in young children's development; the quality of the schools; and the preparation for young people for adult life, with nearly all young people leaving school entering further employment, education or training.

The council accords a high priority to looked after children and young people, with notable success in securing and supporting stable, longer-term placements. The recent JAR inspection judged that inclusion services in schools were excellent.

Since the 2007 APA the council and its partners have further improved the outcomes for children and young people with respect to being healthy. For example, the council has worked hard to achieve some reduction in the rates of teenage pregnancy, though for 16- to 18-yearolds this remains an aspect to target. The council is ranked highly nationally for its commitment and success in the Healthy School standard.

The council's capacity to improve is outstanding. The leadership team, new at the time of the 2007 APA, have shown that they can deliver on their vision. They have clear priorities for continued improvement, established through extensive consultation, and enjoy strong partnerships and support to realise these. The council represents very good value for money."

# The audit of the accounts and value for money

- 41 Your appointed auditor, John Prentice, reported separately to the Audit & Governance Committee on the issues arising from the 2007/08 audit and has issued:
  - his audit report, on 1st October 2008, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
  - his report on the Best Value Performance Plan confirming that the Plan has been audited.
- The audit was more difficult than in previous years, with particular problems with the quality and availability of working papers, and this resulted in:
  - the audit opinion being given late, and
  - the council being charged an additional £11,000 as a result of the additional time and work required to audit the statements.
- The key issues for the council to address are around project planning and project managing the production of the financial statements, and ensuring that the financial statements are supported by good quality comprehensive working papers. Based on the progress so far, the council has begun to address these issues, although it is not possible to comment further until the audit of the 2008/09 financial statements commences in July 2009.

#### **Use of Resources**

- The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
  - Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 45 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

### Table 2

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment by the Audit Commission	3 out of 4

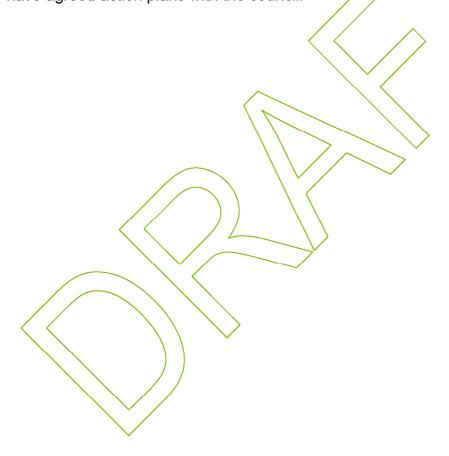
Note: 1 - lowest, 4 = highest

### The key issues arising from the audit

- 46 The audit identified some key issues which are summarised below.
  - Financial reporting the council needs to address the significant weaknesses in producing the financial statements, as reported in the appointed auditors' Annual Governance Report. The council also needs to improve the accessibility and availability of council documents (for example agendas and minutes of council meetings, and the financial statements and annual report).
  - Financial management the council needs to improve the content and communication of the medium term financial strategy, and improve the financial monitoring reporting to members in terms of the frequency, timeliness and sophistication of the reporting. The council also needs to improve its arrangements for managing its assets in particular around the asset records and the information held that should be used to make decisions.
  - Financial standing the council needs to improve the monitoring of the budget to ensure that they are aware of all significant overspends and underspends, and can take appropriate decisions to manage the financial position through the year. Improvements are also needed in the effectiveness of the debt collection policies.
  - Internal control improvements are needed with the reporting of risk management to members, in particular to ensure that members with responsibility for risk management have sufficient information to discharge their responsibilities.
  - Value for money the council continues to deliver generally strong services for a relatively low level of council tax. Improvements are needed in the approach to equalities and diversity, and in demonstrating the impact and outcomes from the procurement strategy.
- 47 Further details are provided in my report on the Use of Resources issued to the council in December 2008.

### **Advice and Assistance work**

- 48 During 2008 we concluded a review of the council's ethical governance arrangements. that we undertook using our Advice and Assistance powers. The council asked us to review their arrangements to gauge how effective they were, and to inform the future direction. We carried out
  - a review of council policies and procedures;
  - a survey of council members and senior officers; and
  - workshops with senior officers and with members.
- 49 The key findings from this review were that generally the council has a good level of awareness of ethical governance issues, although there are improvements required in the awareness of equalities legislation and member/officer culture and relationships. We summarised these issues in three reports, one from each stage of the review, and have agreed action plans with the council.



# Looking ahead

- 50 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 51 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 52 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.



# Closing remarks

- This letter has been discussed and agreed with the Chief Executive and the Director of Resources. A copy of the letter will be presented at the Audit & Governance Committee meeting on 31 March 2009. Copies of this letter need to be provided to all Council members.
- Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

# Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	October 2008
Value for money conclusion	October 2008
Final accounts memorandum	December 2008
Annual audit and inspection letter	March 2009

The Council has taken a positive and constructive approach to audit and inspection work, and Lwish to thank the Council's staff for their support and cooperation during the audit.

### Availability of this letter

This letter will be published on the Audit Commission's website at <a href="https://www.audit-commission.gov.uk">www.audit-commission.gov.uk</a>, and also on the Council's website.

Michael Newbury

Comprehensive Area Assessment Lead

March 2009

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### **Audit and Governance Committee**

31st March 2009

Report of the Director of Resources

# Financial Planning and Monitoring: Audit Commission Report

## **Summary**

1. This paper introduces a report (see annex) prepared by the Audit Commission summarising the findings from a review of the Council's financial planning and financial monitoring procedures. The report on the financial planning process is based on the 2008/09 budget that was prepared between September 2007 and February 2008.

### **Background**

- 2. This review of medium term financial planning and the budget monitoring process is one of seven areas that the Audit Commission highlighted in its Use of Resources Assessment for 2007/08. These areas are where the Council needs to focus attention in preparation for the new Use of Resources Assessment under the Comprehensive Area Assessment (CAA) regime which will begin this year.
- 3. In summary the report concludes that the council has an established and well understood financial planning and monitoring system in place which is very detailed and methodical, however the council now needs to focus on more corporate wide and cross cutting issues. The report acknowledges the progress made since the last budget process, notably the recruitment of an efficiency partner to look for savings and efficiencies across the council. The key areas covered by the recommendation include;
  - The role of members in the process;
  - Clearer links to council priorities;
  - Zero based budget reviews;
  - Aligning of timetables and production of a budget manual;
  - Extension of budget consultation and improved communication of results;
  - Budget holders should take a more active role in the process;
  - A standardised methodology for projecting budget variances
  - Reporting of the actual position at a point in time in addition to a forecast outturn;
  - A review of the level of which variances should be reported;
  - Review arrangements for budget carry forwards;
  - Ensuring adequate resources in place to deliver new arrangements;

### **Council Response**

4. The council is already responding to the majority of these findings in terms of efficiency, budget monitoring and regulation. The recommendation relating to zero based budgeting is not one that the council agrees with, reviews of service areas will be undertaken as part of the efficiency review programme and therefore will not be undertaken separately. Improvement actions will also be monitored, where appropriate, through the council's Single Improvement 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 encouraging improvement in everything we do.

# **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 future CAA assessments could be adversely affected.

### Recommendations

11. Members of the Audit and Governance Committee are asked to note the report and the progress the council is making in addressing the areas for improvement in the report.

#### Reason

To ensure the improvement in the financial planning and financial monitoring arrangements within the council..

### **Contact Details**

Author:

Addion	Cinci Cincol Responsible	ioi ino roporti
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	Report Approved   √ Da	ate 17 <sup>th</sup> March 2009
<b>Specialist Implications Officers</b>		
Not applicable		
Wards Affected:		All $\sqrt{}$

Chief Officer Responsible for the report:

For further information please contact the author of the report

# **Background Papers:**

See below

### **Annex**

Audit Commission Review of Financial Planning and Monitoring Report.

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City of York Council
Audit 2008/09

Date

# **Contents**



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.

# Introduction and Background

- 1 Financial planning and monitoring is a key element in delivering strategic objectives, and continually improving services.
- 2 The Audit Commission's discussion paper World Class Financial Management, published in 2005, referred to financial planning as dominating the financial cycle in public authorities. Reflecting that

"It consumes a significant amount of time, effort and resources, but often results only in a relatively minor shift of resources at the margins"

- Financial planning and monitoring have featured heavily in the Audit Commission's Key Lines of Enquiry (KLOE) for the use of resources assessments in the past few years, and will continue to be strongly represented in the new 2008/09 KLOE supporting the CAA organisational assessment.
- Our assessment of the financial planning and monitoring in the last two years has been that the Council is only meeting minimum standards, and that there is much room for improvement. In particular, in the last two years there have been significant amounts of unexpected underspends at the year end, and these have been considerably larger than the level forecast at the end of January in the year.
- In recent times there has been an increasing focus on financial planning and monitoring from the Audit Commission and CIPFA, with publications such as World Class Financial Management, and Improving Budgeting: Modernising the Cycle. These focus public bodies on challenging the existing methods of planning and monitoring, and champion a more progressive approach.
- As the Council embeds its single improvement plan, within which it has identified the need to improve the budget setting and monitoring approaches, having a modern, responsive and effective financial planning and monitoring framework will be crucial in ensuring that the council can deliver its strategic priorities and respond to the financial challenges that will be presented.

Audit Commission November 2005

CIPFA March 2008

# Audit approach

- 7 The scope and objectives of our review are set out in the project brief, and focused on two key elements of financial management:
  - Financial planning and
  - Financial monitoring.
- 8 Primarily the work concentrated on the arrangements relating to the annual budget, but also made connections to the medium term financial strategy, the corporate and service planning processes, and risk management as appropriate.
- 9 The review included obtaining an understanding of how you set and monitor the annual budget through interviews with key officers in the Directorates and Corporate Finance, and a review of documentary evidence. This included considering the process at different levels and stages, from budget holder involvement, through departmental reviews, corporate involvement and direction, and the role of Members. Strengths and weaknesses of the arrangements were then identified, and form the basis of this report.
- 10 The outcomes of this review will inform our use of resources assessment for 2008/09 and an initial view of the council's arrangements against the 2008/09 KLOE is included in this report.



# Main conclusions

- 11 The Council has an established and well understood financial planning and monitoring system in place. The design of the system is geared towards identifying and monitoring efficiencies and savings in a very detailed and methodical way on a service by service level, rather than focusing on more corporate wide and cross directorate efficiencies.
- The Council has recognised the difficulties in continuing with this approach and taken positive action by recently employing an efficiency partner to look for savings across the Council, as well as beginning to review and revise the existing financial planning and monitoring arrangements.
- Our review of the financial planning and monitoring arrangements acknowledges these proposed changes, but has also identified a number of additional areas for improvement to be considered, and these are outlined in the relevant sections below.
- 14 There are two Use of Resources KLOE directly relevant to financial planning and monitoring;
  - KLOE 1.1: Does the organisation manage its finances effectively to deliver its strategic priorities and secure sound financial health?
  - KLOE 1.3: Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?
- 15 Based on the areas relevant to financial planning and monitoring on which each KLOE focuses, our initial view on the Council's arrangements (for 2008/09) is summarised in Appendix 1.
- We have made a number of recommendations in the report, to strengthen the arrangements, and these are summarised in the Action Plan at Appendix 2. We shall discuss these with officers and agree the action plan.



# Financial Planning Findings

- 17 In recent years the Council has operated within a tight financial framework, which is outlined in the Medium Term Financial Strategy (MTFS), and the 2008/09 financial planning process reflects this.
- The MTFS provides the starting point for the following year's budget, giving an indication of the funding gap the Council anticipates it will have to manage over the next 3 years, and incorporating key known or expected financial pressures as well as the level of Government and Council Tax funding likely to be available. Indicative amounts for increases in employment costs, inflationary pressures, and the percentage savings that will be required are set out in the MTFS.
- Directorate Finance Managers all indicated an awareness of the MTFS, and the linkages to the budget parameters set by Corporate Finance for the financial planning process they undertake. As well as this, the Finance Managers all described the same broad process being undertaken when developing their budgets for the following year, as follows:
  - The financial planning process starts in July/ August and finishes with the full Council meeting in February;
  - The current years budget less one-off growth, pressure and savings items forms the base budget for the following year;
  - Savings and growth proposals, along with cost pressures, are considered and developed by the Directorate finance team in conjunction with budget holders and service managers; and
  - In 2008/09 these proposals and pressures were then considered by the Directorate Management Team (DMT), Budget Panels, and Executive Member Advisory Panels (EMAPs), before being collated into a balanced budget by the Corporate Finance team for agreement by Executive, and subsequently review, consideration and agreement by full Council.
- The process for setting the budget is resource intensive, time consuming and predominantly focused on identifying savings against a set base position. Ultimately this means that the cost pressures increase, whilst savings become more difficult to identify, each year that the process is undertaken.
- 21 For the overall Council budget, the methodology actively promotes a short term approach, with the emphasis on the next financial year rather than the medium term objectives of the service and ultimately the Council as a whole, (although a less short term approach is being taken in some areas, such as schools, where the DSG regulations specifically require budgets to be set over the medium term). It also assumes that the way in which the services contribute to corporate priorities and are being provided is largely correct, although accepting they may not be as efficient or cost effective as they could be. Nevertheless, the Neighbourhood Services Directorate has started to review some services using a zero based budgeting approach in recent years (refuse services in 2007/08 and public toilets in 2008/09), as a methodology for

### **Financial Planning Findings**

- determining whether the base budget is correct, i.e. by building the budget up again from a zero base. Leisure, Culture and Children's Services and Housing and Adult Social Services have also carried out a selection of base budget reviews over a number of years. This approach can challenge the robustness of the base budget. Adopting a corporate approach to this, and periodically applying it across all directorates, incorporating an element of external or peer challenge, would increase the robustness of the exercise and potentially identify further efficiencies and savings.
- We are pleased to note that the Council has recognised the limitations of continuing with a year on year council wide savings target that is applied to all Services/ Directorates. It has recently appointed an 'efficiency partner', with a view to taking a more corporate wide approach to the significant areas where savings could be found, but also recognising that services need to still be given a small efficiency target of between 1% and 1.5% to ensure that complacency does not creep in, and managers continue to challenge their income and expenditure targets.
- Discussions with the Finance Managers indicated that the budget setting process for the financial year 2008/09 was particularly lengthy and problematic. Particular points noted were as follows:
  - Budget panels were intended to provide some initial scrutiny and challenge to the savings, pressures and growth items proposed, but few decisions were actually made as the cross party nature of the panels made it difficult to get agreement;
  - EMAP budget meetings are considered to be a purely consultative part of the
    process, setting out what is proposed for the Directorate, rather than scrutinising or
    considering and agreeing the proposals in any detail. Nevertheless, these
    meetings do make the detailed proposals public for the first time in the process;
  - The Executive meeting is primarily a means of setting the proposed balanced budget to go to Council;
  - An extensive and lengthy debate was held by Council which resulted in several amended versions of the balanced budget being produced and considered before the final version was agreed, but ultimately this did not change significantly from the original version.
- We understand that the Council is considering enhancing the pre-decision scrutiny arrangements, and this is going to include replacing EMAPs with more theme based Scrutiny Panels. In establishing the Terms of Reference for these panels, the Council needs to ensure that their role in financial planning is clear. For example, ensuring that the scrutiny functions have a pro-active role to consider, challenge and agree on significant elements of the budget will help to improve the budget agreement process and reduce the time taken for Council to reach an agreed balanced position, and enable members to confirm that the proposed budget is in line with the overall strategic financial direction that they have set.
- Whilst Members can debate and amend proposals within the Council meeting, the focus is around the proposed balanced budget and lists of other proposals either already rejected by Executive, not recommended for adoption by officers, or options that could be done instead of those included in the balanced budget. Whilst these lists of savings, growth and pressure proposals give some opportunity for Members to

- change the budget, and its effect on the level of Council Tax, around the margins, there is little evidence of a fundamental debate about whether the budget proposals are realistic and sustainable and will deliver the council's strategic priorities.
- The extent to which the financial planning process is integrated with other policies and procedures in the council is mixed, as set out in detail below.

### Integration with Strategic, Corporate and Service Planning

The different timetables for service and budget planning makes it difficult for them to be integrated because although the service plan cycle starts in October, budgets are not finalised until the following February. Finance Managers views ranged from them being either not fully integrated, to them being done in isolation to one another. Individual savings proposals are considered for their impact on service/corporate priorities, and the report to Council does include an analysis of resource utilisation compared to priorities. However the use of the current year as a base for the following year can make it more difficult to shift resources between priorities or from non-priorities to priorities, as it relies on the assumption that the majority of the budget will continue to be applied in the same way it has been in the past, i.e. budgets are largely historical rather than being driven by corporate priorities.

### Integration with Risk Management

Clearer links need to be made between corporate and service priorities, the risks of not achieving them and budgetary impacts throughout the process. Risk is predominantly considered in a narrow way in most aspects of the financial planning process, but is considered in more detail within the service planning process. Rather than actively considering and taking account of the risks in the register, and using these to adjust and shape the following years budget, the current approach is to consider upcoming risks in the MTFS that might have an impact going forward, and to include a contingency for any unexpected or uncertain items of expenditure in the current budget.

### Income Charging

Income charging is considered alongside expenditure budgets by the directorate finance managers, as it is seen as one of the key ways in which additional savings can be generated. Although a standard percentage increase is suggested in the MTFS, there is a recognition that this should be adjusted where relevant to the service.

### **Capital**

There is a separate process in place to determine and set the capital budget for the year, although capital resources are limited. Evidence from the finance managers and within the reports to committees shows that this is considered alongside the revenue budget.

### **Information Technology**

31 This is undertaken as a completely separate process whereby a fixed budget is set for the whole Council and Directorates then bid for funding for particular projects. These bids are prioritised based on priority and contribution to corporate and service needs,

### **Financial Planning Findings**

and funding allocated accordingly. The approach helps to ensure that funding is allocated according to priority and in line with the Council's IT Strategy.

#### **Human Resources**

- Vacancy and establishment management is always considered as a savings area, but Finance Managers appreciate that it involves taking more complex and difficult decisions than in other areas. A standard paragraph has been included in all the EMAP reports, which links to the overall needs of the Council as a whole, e.g. options such as redeployment, retraining, etc are discussed in summary. However, by effectively devolving the implementation of the Human Resources Strategy to the directorates in this way, there is a risk that decisions are actively driven by, and focused on, budget needs rather than the wider human resource needs of the Council to deliver the service standards and strategic priorities.
- We have identified a number of similarities and some differences in the approach to budget planning from the discussions with the Finance Managers.
- There is little corporate guidance in relation to the processes and procedures that should be undertaken to plan and manage budgets. The constitution contains an overview of the process, but this is brief and does not clearly outline the responsibilities of budget holders, managers, and finance teams. The Housing and Adult Social Services Directorate has developed a full budget manual and distributed this to budget holders and managers in the directorate. The budget manual builds on the brief guidance in the constitution and gives clear instruction on the processes for budget planning, monitoring and delegated authority to be applied, and the relevant responsibilities, in order to try and promote consistency of approach. Discussions with Finance Managers in other Directorates indicated that this budget manual is not widely publicised or known about, but would be a welcome addition to the process.
- 35 Some directorates undertake scenario planning/modelling, whereas others do not use this process. Where it is done it concentrates on areas that are volatile in terms of patterns of income or expenditure, or are considered to be high risk. Wider use of scenario modelling would help
  - increase the transparency of, and demonstrable challenge to, the decision making process;
  - facilitate further discussion of the options being considered;
  - identify any key risks to achieving the expected budget outcome; and
  - allow consideration at an early stage of possible corrective action to be taken if the 'worst case' scenario emerged (or indeed the opportunities that could be taken from a 'best case' scenario developing).
- The level of budget holder involvement in the budget setting process varied between the directorates. Some don't consult with budget holders prior to the budget being set, whereas others, such as Neighbourhood Services, take a more consultative approach. The approach taken is partly dependent on the type and complexity of budget and the budget holders understanding of the considerations involved (e.g. service priorities and

- statutory developments), but continuing to increase budget holder involvement will help to develop their ownership of the budgets.
- 37 The Council holds extensive and wide ranging consultation with the public through a variety of means. The main methods for the 2008/09 budget were by way of an internet survey, paper surveys distributed to householders, and a public meeting were they could discuss budget proposals and try and develop a balanced budget by way of an interactive exercise that intended to demonstrate some of the difficult decisions the Council has to take. Overall, 8% of residents responded to the postal and internet survey, and discussions with the Finance Managers underlined that this consultation did lead to specific budget decisions being made, for example, an increase being made to non-resident parking charges, previously thought to be unpopular. However, although the results of the consultation questions are published, clearer links to the decisions that are subsequently made by Council should also be published to enhance this process further. Consultation with partners is less well developed, and partners are not routinely involved in discussions about setting the council's budget, they are more likely to be informed of the outcome of the process.
- 38 Within the Directorates, the finance team ensure that the budgets are fully loaded onto the FMS system and are communicated to the relevant budget holders once they have been set. For the Council as a whole, the communication of the finalised budget to non-financial staff and the public is more limited. The Council's website only outlines the overall effect of the budget decisions on the level of Council Tax for the following year and this is mirrored in the staff newsletter. Improving the communication of the budget internally and externally will enable the council to clearly demonstrate the decisions that have been made, how this impacts on services, and further promote an open and transparent process.
- 39 The budget is not reported to Members in a similar format to the accounts (e.g. using the BVACOP headings in the Income and Expenditure account) and therefore the impact on the financial statements cannot be clearly seen or discussed. Only the Housing Revenue Account, Collection Fund and Dedicated Schools Grant are considered separately to the remaining budget, which is primarily analysed in terms of movement from the prior year and an analysis into portfolio headings. The advantage of assimilating the budget into a format similar to that used for the financial statements is that, if it is also monitored in this format, it should help to provide a clear trail from the prior year statements and to the following year's statements of the impact of particular budget decisions taken.

#### Recommendations

- Consider periodically using zero based budgeting for all service areas as a way of challenging the robustness of the base budget and identifying additional efficiencies and savings. This process should include an element of external or peer challenge.
- R2 The member scrutiny process should actively consider, challenge and agree on significant elements of the budget in advance of Council, so that the time taken to approve the final budget can be reduced.

### **Financial Planning Findings**

- R3 The role of Members in the budget setting process should be clearly set out and adhered to. This should focus on setting the strategic financial direction for the council and scrutinising the proposed budget to ensure that it is in line with that direction.
- R4 Clearer links need to be made between corporate and service priorities, the risks of not achieving them and budgetary impacts throughout the process.
- R5 The budget setting and service planning timetables should be more closely aligned.
- R6 Develop and circulate a council budget manual to enhance and clarify the guidance in the constitution.
- R7 Consider adopting best practice by analysing the budget in a similar format to that of the financial statements, e.g. using BVACOP headings.
- R8 The final budget should be clearly communicated to non-financial Council staff and the public in more detail than currently.
- R9 Budget setting consultation should be extended to include the Council's key partners.
- R10 Clear links should be made and published between the consultation results and the decisions made by Council in relation to the final budget.
- R11 Wider use of scenario modelling when setting individual budgets should be considered.
- R12 Finance staff should continue to encourage budget holders to take a more active role in planning the budgets they will be responsible for in the following year.



# **Financial Monitoring Findings**

- 40 Financial monitoring is primarily achieved via a devolved system whereby the Directorate finance teams take the lead on managing the agreed budgets, reporting upwards through DMT, CMT, EMAPs and the Executive.
- 41 All the Finance Managers were fully aware of the process and importance of financial monitoring in ensuring that Council finances are managed effectively and within the resources agreed. Nevertheless, the frequency of monitoring and procedures in place varied from directorate to directorate as follows;
  - Housing and Adult Social Services monthly monitoring is undertaken from July with budget holders and DMT, with three monitor reports to Members produced between September and March, and a June outfurn report.
  - Learning, Culture and Children's Services all budgets are monitored in detail on a quarterly basis and high risk or volatile budgets are also monitored in detail each month. A small number of budgets, such as out of city placements are continuously monitored, and a 'light touch' approach to monitoring is applied each month to all of the remaining budgets not included above.
  - City Strategy, Chief Executive's and Economic Development budget holders are provided with a monthly report, but formal detailed monitoring was only carried out by DMT at the same intervals as the member reporting cycle (as for HASS above).
  - Resources arrangements are the same as for City Strategy, Chief Executive's and Economic Development above, although a third monitor report is not being produced in 2008/09.
  - Neighbourhood Services a formal budget monitoring timetable has been put in place which details the separate stages of the production of the information and reporting to budget holders, assistant directors and DMT on a monthly basis, as well as the member reporting intervals as above.
- 42 In 2008/09, the first reports to EMAPs were in September, with reporting to Executive from October. The 'Monitor 1' EMAP reports sometimes state that they are for the first quarter (e.g. HASS), but others say that projections are based on the actual figures to date (e.g. LCCS), so it is unclear exactly what period they cover or whether they are comparable. Nevertheless, this does mean that it is at least five months into the year before Members receive any full updates on the budgets. The spacing of the reporting (i.e. primarily between September and January) also means that a lot of information is presented in a short period of time, which inevitably imposes a heavy workload on Directorate staff at the same time they are starting to develop the following years budget.
- 43 The Corporate Finance team has recently developed a formal budget monitoring timetable proposing a monthly report to DMT and Corporate Management Team (CMT) between July and April, and more timely quarterly reports to Executive in July, November/December, February/March and June for the outturn. Having a formal and more frequent timetable of reports should improve awareness of budget issues across

### **Financial Monitoring Findings**

- all the directorates. In the case of CMT, this should also build on the dashboard report, presented since August 2008, that shows variances from the last monitor report for each portfolio area.
- 44 The frequency of the monitoring by each Directorate outlined above indicates that the new timetable could present additional challenges in some areas. It is important that the Council ensures that the Finance Managers have sufficient resources to be able to deliver the new budget monitoring arrangements proposed.
- 45 Monitoring of the budget above DMT level is almost exclusively based on projected variances against the original budget. Discussions with Finance Managers has shown that there is no set methodology for producing these projections, rather they tend to be based on a combination of some or all of the following:
  - the current actual level of the variance at the point in time that the projection is being done:
  - experience of the trends for that budget during the year or in previous years;
  - known commitments or anticipated developments that will have an impact on the budget in the remainder of the financial year.
- 46 Although this recognises the different local circumstances that might apply to particular budgets, it also allows a variation in the approach, and therefore the consistency and quality of the work undertaken, that could lead to under or over projection and a lack of comparability between the positions of the Directorates or even the individual services. Within the Directorates, actual position to date is sometimes used to challenge the robustness of the projections and promote consistency. If the actual position to date were also reported alongside the projections for individual service areas at all levels, this could promote improved scrutiny of the realism of the projections against the explanations provided for the variances in the report. City Strategy EMAP reports do currently include the actual position in an appendix, but this is not overtly compared to, and explained in the context of, the projections in the narrative.
- The Constitution states that variances above £50,000, or £10,000 where the variation is greater than +/- 2% above the agreed budget, should be reported. In practice, on a net budget of £117m, this means that the reports are lengthy and, although very detailed, this could promote too much emphasis on minor issues rather than the overall picture. With the new reporting timetable to DMT and CMT, and the revised scrutiny arrangements, there is an opportunity to improve the way in which some of the issues are 'filtered' out, so that Executive can concentrate more on the key issues. Some progress has already been made in this regard during 2008/09 in that the Executive reports since September now omit some of the more minor issues.
- 48 The reports submitted to EMAP differ in style and content from Directorate to Directorate, although the type of information reported is the same. To address this, we are pleased to note that Corporate Finance are suggesting a standard template be adopted for the final 2008/09 monitoring reports, although this still concentrates on projections of variances rather than actual positions.
- 49 Although financial and non-financial information is reported to EMAP and Executive together in a single report, the linkages between the data are currently not being made

- in a clear and consistent way. The standard template for EMAP mentioned above, together with the proposed new reporting timetable, and more formal meetings between the Director of Resources and other Directors to help identify areas of performance that are affected by revenue and capital budgets (and vice versa), are proposals currently being made to CMT to improve these links.
- 50 Discussions with Finance Managers indicated that all budget holders have access to the FMS system, but that their use of the current system is sporadic and most rely on the directorate finance teams for the relevant monitoring information or any specific reports they may require. All the Finance Managers were hopeful that this would improve with the introduction of the new FMS system later this year, and it is seen by many as a key way in which they can facilitate improved budget holder ownership of the budgets. To this end, it is therefore important that comprehensive training is provided at all levels. In addition, Finance Managers also poped that the new system will speed up the monitoring and reporting process.
- 51 The constitution contains a comprehensive virement procedure and a standard section has been included in the report to Executive for virements over £250,000 (although not in the proposed template for the final Monitor report). In practice, all the Finance Managers stated that virements between budgets are rare. Whilst a budget holder might move funds between the subjective headings within the overall budget head, managers prefer over and under spends to remain where they are on individual budgets so that a full picture of the spend against the budget can be determined for the year and then used to inform the following years budget setting process.
- 52 Budget monitoring within the Council is predominantly centred on the current financial year, and there is little consideration in the monitoring reports of the medium term. Directorates can request a carry forward of funding at the year end if it has been identified for a particular purpose, and any such carry forwards have to be approved by Executive. This approval invariably occurs in the June (budget outturn) Executive meeting, however this is not particularly timely or effective as often the carry forwards are for continuing projects which they expect to complete during April and May.
- 53 There is no scheme in place for Directorates to be able to retain additional underspends that have arisen through positive management action or other efficiencies within the services. This increases the risk of encouraging a 'spend it or lose it approach, whereby directorates rush to spend the remainder of their budget before the year end, (i/e. if they cannot identify a specific purpose for them and carry forwards are unlikely to be agreed for that area, as outlined in the paragraph above), Having a separate scheme to retain a proportion of the underspends could therefore encourage more strategic decisions to be made, and actively discourage the short term usage of remaining funds.
- 54 As discussed in the financial planning section, the budget is not reported in a similar format to the financial statements, and although there is some reporting of such as arrears and reserves, there is no reporting of other key balance sheet items such as creditors, or any forecasting of cash flow. Due to the way in which the position is reported through the year (i.e. by projecting to the year end), and the fact that the reports do not include an analysis using BVACOP headings, it is also difficult to identify a clear trail between the results reported internally through the year and the results reported externally in the financial statements.

#### Recommendation

- R13 Ensure that sufficient resources are in place to deliver the proposed new budget monitoring and reporting timetables.
- R14 A standardised methodology for projecting variances to the year end should be put in place to ensure consistency of approach and comparability of reported figures.
- R15 The actual position of the budget to date should be reported in monitoring reports alongside projections at all levels to promote further scrutiny of the realism of the projections.
- R16 The Council should consider increasing the level for variances reported to Executive so that the reports are more concise and concentrate on key areas.
- R17 Comprehensive training needs to be provided for the new FMS system at all levels to ensure that the monitoring and reporting process is quicker and more timely, and to help facilitate more budget holder ownership of the budgets.
- R18 Proposals for budget carry forwards should be formally considered and approved by Executive earlier in the year.
- R19 Consider the merits of introducing a scheme for directorates to retain some of the savings they generate in excess of those needed to balance the budget in order to promote more strategic thinking over the medium term and reward good practice.
- R20 Consider adopting best practice by monitoring the budget, and reporting the budget outturn analysed across BVACOP and other financial statement headings as relevant.



# Appendix 1 – Use of Resources

#### Table 1 **Initial view on Use of Resources KLOE**

KLOE	KLOE Focus	Summary of initial views
1.1	Integrates financial planning and service planning processes on a medium to long term basis; Engages local communities and other stakeholders in the financial planning process; Manages spending within available resources and is financially sound over the medium term; and Recognises individual and collective responsibilities for financial management and develops financial skills.	The service and financial planning processes are linked, but could be improved by more closely aligning the timetable for each.  Whilst local communities are consulted with in a variety of formats, and there is some evidence that their views have been taken into account, more consideration needs to be given to engaging with and involving other stakeholders more, such as key partnerships.  Spending has been maintained within resources in the past few years, albeit with large and unexpected underspends at the year end. This may be a consequence of reporting projected variances rather than actual positions.  Budgets are devolved to directorates, but the approach does not encourage corporate council-wide efficiencies. The current FMS system acts as a barrier to effective budget holder ownership of the budget.
1.3	Produces relevant, timely and reliable financial monitoring and forecasting information; Uses financial and related performance information to monitor performance during the year; Produces reports that are clear, relevant and concise to support strategic decision making.	Financial monitoring doesn't start until July in most Directorates, and Members do not receive any formal quarterly reports until September/ October. Above Directorate Management Team (DMT) level, reports only contain projections to the year end rather than actual amounts for that period, but there is no set guidance for how these projections should be produced. This could therefore lead to inconsistent calculations and incomparable data

KLOE	KLOE Focus	Summary of initial views
		between departments.
		Financial and non-financial information is reported together to Members, although the links between these areas are not as clear as they could be. Work is currently underway to try and improve this.
		Budget monitoring reports to EMAPs and Executive are lengthy, and the low level for reporting variances against individual service budgets (£50,000) does not help this position. The budget setting process is long and complex, and Council spent considerable time debating and agreeing the final budget for 2008/09.

Use of Resources 2008/09 - Overall Approach, Audit Commission May 2008



# Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R1 Consider periodically using zero based budgeting for all service areas as a way of challenging the robustness of the base budget and identifying additional efficiencies and savings. This process should include an element of external or peer challenge.	1	AD Corporate Finance	No	Not agreed, the process for reviewing budgets and achieving improved efficiency and effectiveness will be through the efficiency programme, and this will ensure proper robust analysis of how services are currently delivered and opportunities for change and improvement.	
10	R2 The member scrutiny process should actively consider, challenge and agree on significant elements of the budget in advance of Council, so that the time taken to approve the final budget can be reduced.	3	AD Corporate Finance	Yes	This is already being developed and the earlier finish time to the Budget Council meeting in February 2009 should be noted.	On-going
10	R3 The role of Members in the budget setting process should be clearly set out and adhered to. This should focus on setting the strategic financial direction for the council and scrutinising that the proposed budget to ensure that it is in line with that direction.	2	AD Corporate Finance	Yes	The Council's constitution sets out Members roles and responsibilities regarding the budget process, however this will need to be revised in light of the new member scrutiny arrangements.	Summer 2009
11	R4 Clearer links need to be made between corporate and service priorities, the risks of not achieving them and budgetary impacts throughout the process.	3	Head of Financial Planning	Yes	The refreshed corporate strategy will allow for greater clarity in terms of linkages, and the introduction of longer term financial planning will also build upon these.	Summer 2009
11	R5 The budget setting and service	2	Head of Financial	Yes	Finance and performance are now within the	Summer

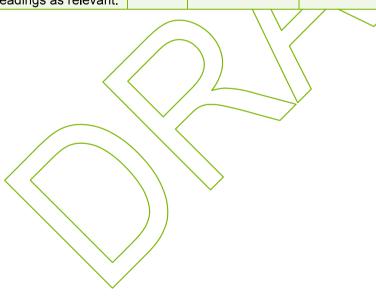
# Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	planning timetables should be more closely aligned.		Planning		same directorate and this will ensure greater integration.	2009
11	R6 Develop and circulate a council budget manual to enhance and clarify the guidance in the constitution.	2	Head of Financial Planning	Yes		Summer 2009
11	R7 Consider adopting best practice by analysing the budget in a similar format to that of the financial statements, e.g. using BVACOP headings.	1	Head of Financial Planning	Yes	A review of this proposal will be undertaken to consider its feasibility, appropriateness and Member/Chief Officer requirements for management account reporting.	Summer 2009
11	R8 The final budget should be clearly communicated to non-financial Council staff and the public in more detail than currently.	2	Head of Financial Planning	Yes	Need to liaise with Marketing and Communications, however there is already a lot done on the budget and any additional communication will need to consider the level of detail to ensure it is effective.	Autumn 2009
11	R9 Budget setting consultation should be extended to include the Council's key partners.	2	Head of Financial Planning	Yes		Autumn 2009
11	R10 Clear links should be made and published between the consultation results and the decisions made by Council in relation to the final budget.	3	Head of Financial Planning	Yes	This was done for the 2009/10 budget and will now continue.	Feb/Mar 2010
11	R11 Wider use of scenario modelling when setting individual budgets should be considered.	1	Head of Financial Planning/ Departmental Finance Managers	Yes	Corporate guidance needs to be issued so they are conducted in a similar way.	Summer 2009
11	R12 Finance staff should continue to encourage budget holders to take a more active role in planning the budgets they will be responsible for in the following year.	2	Departmental Finance Managers	Yes	This could be emphasised during the training given for the roll out of the new financial management system.	Summer/ Autumn 2009
14	R13 Ensure that sufficient resources are in	3	AD Corporate	Yes	Impact of reporting requirements to scrutiny	June 2009

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	place to deliver the proposed new budget monitoring and reporting timetables.		Finance		meetings as well as corporate reports needs to be assessed. – there has been full dialogue and as such this is already in hand.	
14	R14 A standardised methodology for projecting variances to the year end should be put in place to ensure consistency of approach and comparability of reported figures.	2	AD Corporate Finance / Corporate Finance Manager	Yes	To be agreed with departmental Finance Managers to ensure that meets departmental needs as well.	June 2009
14	R15 The actual position of the budget to date should be reported in monitoring reports alongside projections at all levels to promote further scrutiny of the realism of the projections.	1	AD Corporate Finance	Yes	The detail of information provided as part of the budget monitoring framework will be reviewed during Summer 2009 to coincide with the development of reporting capabilities on the new Financial Management System. The level of analysis (including both 'variance todate' and 'projected out-turn variance') will be assessed to ensure an appropriate level of detail is provided within reports to key stakeholders.	Sept 2009
14	R16 The Council should consider increasing the level for variances reported to Executive so that the reports are more concise and concentrate on key areas.	2	AD Corporate Finance / AD Customer Service and Governance	Yes	Reports have already been simplified to ensure key messages are highlighted, and further work is ongoing as part of budget monitoring development.	On-going
15	R17 Comprehensive training needs to be provided for the new FMS system at all levels to ensure that the monitoring and reporting process is quicker and more timely, and to help facilitate more budget holder ownership of the budgets.	3	AD Corporate Finance	Yes	Agree.	Spring/ Summer 2009
15	R18 Proposals for budget carry forwards should be formally considered and approved by	2	AD Corporate Finance	Yes	Normally carry forward requests are considered when the overall position is known, which is the outturn report in June. In year	Summer 2009

# Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Executive earlier in the year.				they are highlighted in the monitor reports. This will be looked at as part of the review of Financial Regulations.	
15	R19 Consider the merits of introducing a scheme for directorates to retain some of the savings they generate in excess of those needed to balance the budget in order to promote more strategic thinking over the medium term and reward good practice.	1	Director of Resources / AD Corporate Finance	Yes	Work to be done on allowing directorates a % carry forward of underspending as being a 'given' – this to be considered in update of Financial Regulations.	Summer 2009
15	R20 Consider adopting best practice by monitoring the budget, and reporting the budget outturn analysed across BVACOP and other financial statement headings as relevant.	1	Head of Financial Planning	Yes	A review of this proposal will be undertaken to consider its feasibility, appropriateness and Member/Chief Officer requirements for management account reporting.	Summer 2009



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### **Audit and Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

### **Corporate Governance Review 2009**

### Summary

1. This report provides the background and early draft outcomes of the recently completed Corporate Governance review, consisting of a self assessment against the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework (2007) and outcomes from annual assurance questionnaires completed by each directorate. The requirements of the CIPFA/SOLACE framework were presented in a report to this committee on 24 September 2007 (see annex A).

### **Background**

- 2. During February and March 2009 a series of workshops have been held with a range of senior officers across the Council to 'baseline' the Council's corporate governance arrangements against the standards set by CIPFA/SOLACE in the Good Governance framework.
- 3. The definition of Governance used in the framework is defined by the following six core principles which should underpin the governance arrangements of all public bodies:
  - a clear definition of the body's purpose and desired outcomes
  - well-defined functions and responsibilities
  - an appropriate corporate culture
  - · transparent decision making
  - a strong governance team
  - real accountability to stakeholders.
- 4. The Corporate Governance review will inform the following:
  - the drafting of the Annual Governance Statement (AGS) 2008/09 (to be reported to Audit & Governance Committee on 29<sup>th</sup> June 2009);
  - the Single Improvement Plan (SIP) Refresh currently underway (to be reported to CMT/Executive in April/May 2009);
  - the redrafting of the CYC Business Model (which will interpret the Council's framework illustrated in the annex in operational terms for all staff and managers);
  - the evidence base for the Use of Resources Assessment 2009.

- 5. The early outcomes of the work indicate the following areas are likely to be highlighted for attention in the AGS and the Single Improvement Plan Refresh:
  - HR (ongoing from 2008 SIP)
  - Equalities (ongoing from 2008 SIP)
  - Scrutiny (ongoing from 2008 SIP)
  - Partnership governance (including Risk Management)
  - Business Continuity
  - Project management
  - Customer strategy
  - Ethical agenda & decision-making.
- 6. Once finalised, the more detailed outcomes of the governance review will be reported to Audit & Governance Committee in June alongside the AGS, including a summary of how action plans will be monitored at each A&G committee meeting.
- 7. The AGS is currently still being drafted and needs to take account of the governance review to validate its content. Other work is still yet to be completed such as the review of the effectiveness of Internal Audit and the Internal Audit Outturn work to inform the Head of Internal Audit's opinion, which will all take place after the end of the financial year. A useful diagram to depict how the AGS is constructed is shown in annex B to the report.

### Consultation

8. A range of senior corporate officers have been involved in the review of corporate governance. Directorates have also submitted annual assurance statements which cover service input to the review.

# **Options**

9. Not relevant for the purpose of the report.

# **Analysis**

10. Not relevant for the purpose of the report.

# **Corporate Priorities**

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

# **Implications**

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

### **Risk Management**

13. By not responding effectively to the matters contained in this report, the council will fail to properly comply with legislative and best practice requirements, and its performance in future CAA assessments (particularly organisational assessments) could be adversely affected.

### Recommendations

- 14. Members are asked to:
  - a) note the early findings of the Corporate Governance Review;

### Reason

To understand the council's internal control environment and potential areas for attention .

b) acknowledge that the developing AGS and the Corporate Governance detailed findings and action plans will be brought to the June and future meetings.

#### Reason

To ensure relevant assurances are provided for members to support the Annual Governance Statement, including the effective management and follow-up of key action to be taken to support on-going development and improvement work at the council.

**Chief Officer Responsible for the report:** 

#### **Contact Details**

**Author:** 

Pauline Stuchfield Assistant Director (Customer Service & Governance) Telephone: 01904 551706	Ian Floyd Director of Resources Telephone: 01904 551100			
	Report Approved	$\sqrt{}$	Date	19 March 2009
Specialist Implications Officers	6			
Not applicable				
Wards Affected:				AII √

For further information please contact the author of the report

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## **Background Papers:**

See below

### **Annex**

Report to A&G 24<sup>th</sup> September 2007 – The Local Code of Corporate Governance CYC's Annual Governance Statement Framework Annex 1

Annex 2



### **Audit and Governance Committee**

24 September 2007

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

### The Local Code of Corporate Governance

### **Summary**

1. The purpose of this report is to present a draft Local Code of Corporate Governance, for consideration by Members. The report also provides Members with details of the new requirement to prepare an Annual Governance Statement, to be published as part of the Statement of Accounts.

### **Background**

- 2. In June 2007, the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a revised Framework on Corporate Governance. The new Framework replaces the previous CIPFA/SOLACE and is intended to build on the Good Governance Standard for Public Services drawn up by the Independent Commission on Good Governance in Public Services. The Framework represents best practice in local government and is designed to help local authorities develop and maintain appropriate governance arrangements. Under the terms of the new Framework all local authorities are encouraged to review their existing corporate governance arrangements, prepare a local code of corporate governance (based on the Framework) and publish an annual statement.
- 3. The Accounts and Audit Regulations 2003 (as amended 2006) imposed a legal requirement on all local authorities to publish an annual Statement on Internal Control (SIC) as part of their Statutory Accounts. The new Annual Governance Statement recommended by the Framework will satisfy the legal requirement to publish a SIC.

### The Draft Code of Corporate Governance

- 4. The CIPFA/SOLACE Framework identifies six core principles necessary to support good governance, as follows;
  - a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
  - b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of Members and officers to be effective:
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The Framework document in turn, outlines a series of supporting principles and provides examples of best practice. Local authorities are recommended to develop and maintain a local code of governance, and to report publicly on the extent to which the code has been complied with.

5. A draft Local Code of Corporate Governance has been prepared, detailing the arrangements which the Council currently has in place. It has been structured around the six core principles outlined in the CIPFA/SOLACE Framework. For each principle, the draft Code details the Council's existing governance arrangements. These arrangements take various forms including policies, structures, processes and procedures. The overall responsibility for each element of the governance framework is identified. Furthermore, the draft Code identifies the arrangements for monitoring ongoing compliance with, and the effectiveness of these arrangements. A copy of the draft Code is attached as annex 1 for information.

### The Annual Governance Statement

- 6. From 2007/08, local authorities will be required to prepare and publish an Annual Governance Statement in accordance with the revised Framework. The preparation of this Statement will ensure that the Council meets the requirements of the Accounts and Audit Regulations, as outlined at paragraph 3.
- 7. As with the preparation of the SIC, Internal Audit will be responsible for conducting an annual review of the Council's governance arrangements and internal control environment. Any areas of significant control weakness which are identified will be published in the Annual Governance Statement and the Code of Governance will be updated, as necessary.
- 8. Members of the Audit and Governance Committee will be required to scrutinise the content of the Annual Governance Statement prior to its publication.

### **Actions Required**

9. In preparing the draft Code of Governance, it is evident that a few areas may need to be strengthened to ensure that the Council complies fully with the requirements of CIPFA/SOLACE Framework. Further work is however needed to identify the specific actions, if any, which are required to achieve

- compliance. A further report will be brought to Members once this work is complete
- 10. In the 2006/07 SIC, partnership governance arrangements were identified as a significant control weakness. The Code highlights the importance of partnerships in respect of each of the six core principles, and particularly the need to:
  - a) ensure that partnerships provide value for money;
  - b) clarify the legal status of each partnership and the respective responsibilities of partner organisations;
  - c) agree shared values as the basis for decision-making.
- 11. Work is ongoing to improve partnership governance arrangements, with progress being monitored by the Officer Governance Group.

### **Conclusions**

12. In preparing a Local Code of Corporate Governance, the Council is formalising its commitment to demonstrate good governance. Furthermore it will enable the Council to meet current legislative requirements.

### **Options**

13. Not relevant for the purpose of the report.

### **Analysis**

14. Not relevant for the purpose of the report.

### **Corporate Priorities**

15. 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**

- 16. 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**

- 17. The Council will fail to properly comply with the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 18. The Council will fail to comply with legislative requirements if it does not publish a Statement on Internal Control with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Statement on Control was not sufficiently robust. This in turn would adversely impact on the Council's Comprehensive Performance Assessment (CPA) score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

#### **Recommendations**

- 19. Members of the Audit and Governance Committee are asked to:
  - Consider and endorse the draft Code of Corporate Governance as presented at Annex 1.
  - Note the intention to prepare an action plan to address any identified weaknesses in the Council's existing governance arrangements.

### Reason

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

#### **Contact Details**

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Helen Lowndes Principal Auditor VFM Audit and Risk Management Telephone: 01904 552944	Liz Ackroyd Assistant Director (Audit and Risk Management) Telephone: 01904 551706		
	Report Approved    Date 7/9/07		
Specialist Implications Officers Not applicable			
Wards Affected: Not applicable	All 🗸		

For further information please contact the author of the report

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### **Background Papers:**

Delivering Good Governance in Local Government – Framework 2007 (CIPFA/SOLACE)
The Good Governance Standard for Public Services 2004 (Independent Commission on Good Governance in Public Services

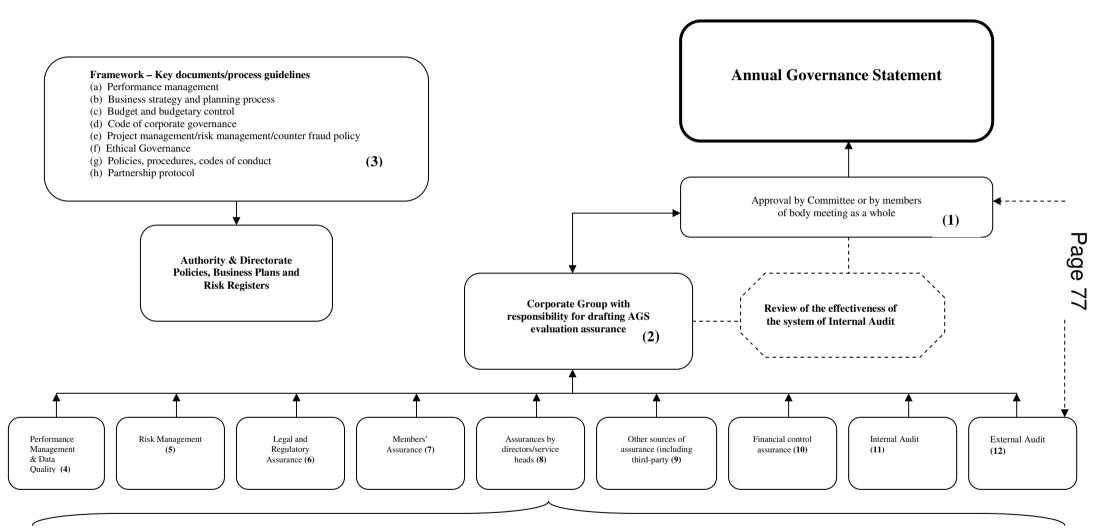
### **Annexes**

Annex 1 - Draft Code of Corporate Governance

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### **ANNEX**

### CITY OF YORK COUNCIL'S ANNUAL GOVERNANCE STATEMENT FRAMEWORK



Ongoing assurance on adequacy and effectiveness of controls over key risks

### Assurance Sources:

- (1) This AGS is approved by the Audit & Governance Committee
- (2) The Officer Governance Group (OGG)chaired by the Director of Resources will produce the AGS
- (3) Internal arrangements exist for developing, monitoring and reviewing these key documents and processes which include CMT and Executive, Officer Governance Group, Audit & Governance Committee, Standards Committee and Council where appropriate e.g. adoption of Member Code of Conduct. Protocols and Procedures are set out in the Council Constitution.
- (4) CMT, Audit & Governance Committee/Executive
- (5) OGG Group, CMT, Audit & Governance Committee/Cabinet
- (6) Compliance with Rules and Procedures in the Constitution and the Annual Assurance Statement signed by Service Directors
- (7) Reports to Audit & Governance Committee and Executive
- (8) Annual Assurance Statement signed by Directors
- (9) External inspection Reports
- (10) Performance monitoring reports (including financial performance), compliance with Financial Procedure Rules and Annual Assurance Statement signed by Directors
- (11) Internal Audit reports on review of arrangements and the opinion of the Head of Internal Audit in the AGS
- (12) External Audit Reports including the Annual Management Letter and Direction of Travel Statement

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### **Audit & Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

## Risk Management Monitor Quarter 4 2008/09

### Overview

1. This paper presents to members the corporate risk management monitor (Annex A) for the fourth quarter 2008/09. The risk monitor is reviewed by Council Management Team (CMT) on a quarterly basis and this report provides the opportunity for members to raise any questions or concerns they may have in relation to the risks contained within the monitor.

## Background

- 2. At Audit & Governance Committee (A&G) on 24 September 2008 members approved recommendation b) of the Risk Management Mid-Term monitoring report to receive the corporate risk monitor on a quarterly basis. The purpose of this is to allow A&G members to make a judgement and gain assurance on how risks are being managed across the organisation.
- 3. Effective Risk Management is important to the council as it 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.

### **Current Issues**

- The current economic downturn continues to make the headlines and since the last monitor to A&G in January the team have been coordinating an exercise aimed at identifying any associated risks and issues to the council. This work was requested by Executive in October 2008 and a detailed report on the risks and issues identified will be presented to Executive in April 2009. The work to complete this task is still ongoing and the outcomes will be reported to A&G as part of the 2008/09 outturn report in June 2009.
- At A&G in January one of the topical risk issues highlighted was in relation to child protection following the death of Baby P in Haringey. The Quarter 3 report set out that 'the overall performance for Children's Services in York has been judged as outstanding.(Joint Area review

2008; Annual Performance Assessment 2008). The joint area review indicated that the risk at York seemed to be low but in the light of new more stringent regulations being introduced by government and the inherent risks of child protection A&G asked for some assurance that risks were being actively managed. Annex B to this report provides an extract from the relevant department's risk register to assure A&G members that the risks are being well managed.

### Quarter 4 Risk Monitor

- The risk monitor at Annex A of this report sets out the position of the key corporate risks (KCRs) at the end of the fourth quarter 2008/09. The monitor is complete in terms of accurately reflecting the information recorded in the Council's risk register (Magique) however, risk owners in some cases still need to consider describing their risks in more detail clearly setting out both existing controls and additional actions required to better manage them.
- A&G commented in January that some of the risks seemed to be out of date and that risk control actions had passed beyond due dates without becoming formal controls. The current monitor attached at Annex A reflects the work undertaken by officers to update their risks. There is limited resource within risk management (1 FTE) to coordinate this work across the council as a whole and some risk control actions still remain out of date however these are now in the minority.
- While A&G will need to review the monitor (Annex A) in full they may wish to consider in more detail the critical (red) risks, these include the following:

### KCR 0001 Implementation of the new pay & grading structure

Neighbourhood Services risk 9 (Legal Challenge)

# KCR 0002 Unsuccessful delivery of accommodation review project

- Design & Planning Risk 3.1 (Planning Approval)
- Transformational Change 4.1 (Change Management)
- Challenge to Procurement 8.1 (Procurement)
- Requirements not delivered 8.2 (Procurement)

### KCR 0003 Failure of waste management strategy partnership

- Planning Consent risk 4 (Failure to secure consent)
- Financial risk 1 (Increased costs)
- Financial risk 4 (Insufficient Budget)
- Financial Risk 6 (Inability to Secure Private Finance)
- Leadership & Communication risk 4 (Termination)

## Review of Risk by A&G

9 Members agreed in January 2009 that whilst the risk monitor (Annex A) provided headline information around key corporate risks they would like to consider certain areas of risk in more detail. As a result of this a more comprehensive report on the risks associated with the Waste PFI project was requested for this meeting (Annex C). Following the presentation of this report members may wish to suggest a further detailed risk report from another area for consideration at A&G in June 2009.

## **Options**

10. Not applicable.

## Corporate Priorities

11. 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 corporate priorities. The key development issues reported in this paper support the actions required to improve the Council's CAA (Use of Resources) score of 2 for Risk Management to 3.

## **Implications**

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

## Risk Management

13. 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).

## Recommendations

- 14. 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) consider the evidence presented to manage the risks relating to child protection and the Waste PFI project and whether any further assurances or follow-up action is required;

### Reason

To provide assurance that key risks are being appropriately managed by the organisation

c) suggest a further detailed risk report for A&G in June as set out at Para

### Reason

**Background Papers** 

To provide assurance that key risks are being appropriately managed by the organisation.

### **Contact Details**

Author:	Chief Officer Responsible for the report:		
David Walker Head of Financial Procedures Phone 01904 552261	Pauline Stuchfield Assistant Director of Resources (Customer Services & Governance)		
	<b>Report Approved</b>		
Specialist Implications Officer(s	s) Not applicable		
Wards Affected Not applicable	All		
For further information please contact	t the author of the report		

Risk Management Mid-term Report 2008/09 Risk Management Monitor Quarter 3

### **Annexes**

Annex A Quarter 4 Key Corporate Risk monitor. Annex B Children's Services Risk Register

Annex C Waste PFI Risk Report

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On hold

## Key Corporate HISK IVIOTILOT Q4 2008-09

### KCR 0001 - Implementation of new pay & grading structure

Consideration for market supplement for some posts

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).

issues etc).	
	RES CS CE LCCS HASS
1. Inability to retain staff	<b>20 19</b> N/a <b>15</b> N/a <b>14</b>
2. Inability to recruit staff	18 19 12 10 N/a 14
3. Potential industrial action	N/a 14 N/a N/a N/a 6
4. Decline in customer service	6 14 N/a 10 N/a 9
5. Increase staff absence	6 14 6 15 N/a 9
6. Reduced staff productivity	13 15 N/a 15 N/a 14
7. Inability to contribute to corporate priorities	8 13 N/a 15 N/a 14
8. Reduced staff morale	15 14 N/a 15 N/a 15
9. Potential legal challenge	14 14 22 9 N/a 12
10. Financial costs to school budgets	20
11. Significant budget overspend	14
Resources	Risks Last Reviewed: 20/02/2009
1. Lack of continuity and increased demands on m	anagement within ITT 20
<u>Cause</u> - This has been a problem in ITT	<u>Consequence</u> - and results in the need to use more consultants and in turn this increases costs.
Conclusion	Tolerate
2. Difficulties recruiting into professional posts	18
<u>Cause</u> - A lack of clarity as to what the future pay will be	<u>Consequence</u> - This leads to difficulties recruiting into professional posts at lower levels
Controls In-house training scheme	<b>Owner</b> Pauline Stuchfield
Conclusion	Tolerate
City Strategy	Risks Last Reviewed: 26/11/2008
1. Inability to retain staff	19
<u>Cause</u> - Poor outcome for staff in pay & grading review	<u>Consequence</u> - Loss of staff will adversely affect service delivery. This has got business, financial and customer consequences.
Conclusion	Treat
Actions Identify affected posts Review job descriptions	Due Date 30/10/08 30/10/08

### Page 88

### Key Corporate Hisk IVIOIIII Q4 2008-09

Annex A

#### 2. Inability to recruit staff

19

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

<u>Consequence</u> - 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 iob descriptions 30/10/08 Consideration for market supplement for some posts On hold

#### Neighbourhood Services

#### Risks Last Reviewed: 23/02/2009

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

Cause - The council may be exposed to may be that some claims will be made that we will there will be serious financial implications to the require sensitive and delicate discussions with be at risk from serious financial loss if some of the would run into millions of pounds claims were to be pursued and upheld.

Consequence - If the new pay structure were to challenges over its proposed new pay structure. It come under challenge from large numbers of staff, directorate and the council. These are difficult to staff, trade unions and solicitors. The council may quantify until the scale of any challenge is known but

Controls Owner Transparent and fair pay structure Geoff Derham Conclusion **Tolerate** 

### Learning, Culture & Children's Services

#### Risks Last Reviewed: 24/02/2009

#### 10. Financial costs to school budgets

20

Cause - SEN allowance dispute/grading of Teaching Assistants in Special Schools

Consequence - Financial costs to school budgets/redundancies/industrial action/reputational damage

Conclusion **Treat** Actions **Due Date** Negotiations with trade unions/schools Ongoing

### 11. Significant budget overspend

14

Cause - Unbudgeted allowances - Leisure and Consequence - Significant budget overspend requiring corrective action Library staff

Controls Owner Application to Corporate Finance to meet additional costs arising Charlie Croft 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
1. Land Assembly	8 8 14
2. Design & Construction	19
3. Design & Planning	23 8
4. Change Management	19 14
5. Financial	8
6. Property Disposals	16 14 15 10 15
7. Marketing & Communications	14 19
8. Procurement	22 21 19
Design & Construction	Risks Last Reviewed: 17/02/2

2009

19

#### 2.1 Onerous conditions on planning permission

Cause - Developers design does not fully reflect the local planning guidelines.

Consequence - Significant delay to programme resulting in increased costsdue to re-negotiation and lease extensions. Developer terminates agreement. Recommencement of procurement process. Abort procurement process

Controls Owner Consultation and feedback from Planning lan Asher Conclusion **Treat** Actions **Due Date** 30/04/09 Pre-planning consultation by developers

### Design & Planning

Risks Last Reviewed: 17/02/2009

#### 3.1 Failure to achieve planning approval

Cause - Developer solution fails to take into consideration the local planning conditions for the site they have selected. (massing, height, access, materials etc.)Sufficient strength of feeling from third party objections.

Consequence - Delays and consequent costs incurred (lease extensions, re-negotiations) on the project if permission is refused. Developer terminates agreement. Recommencement or abolition of the procurement process.

Controls	Owner
Staged design development and approvals	lan Asher
Clearly defined development brief	lan Asher
Planning policy	lan Asher
Conclusion	Treat
Actions	Due Date
Awareness of planning policy	02/08/09
Pre planning consultation by developers	08/05/09

#### Change Management

#### Risks Last Reviewed: 17/02/2009

### 4.1 Failure of the organisation to implement the corporate transformational change agenda reflected in the new HQ design brief

Cause - If the organisation does not effectively coordinate and implement the transformational change agenda, due to a lack of future vision, transformational change programme.

Consequence - The Council will fail to achieve the operational efficiencies and improvements in customer service provision, anticipated in the direction and robust implementation of a corporate business case. The project will deliver a new head quarters building that is ineffective and inefficient.

Controls Office of the future project Owner Sandra Herbert

Treat

### Conclusion **Property Disposals**

#### Risks Last Reviewed: 17/02/2009

### 6.1 Value of property capital receipts obtained are less than the values used in the projects budget.

Cause - Market conditions or planning restrictions.

Consequence - Increased prudential borrowing required to cover the deficit.

Controls Identify the mid value of property Owner John Urwin

Conclusion Actions Maximise capital reciept

**Due Date** 30/12/09

Treat

### Marketing & Communications

#### Risks Last Reviewed: 17/02/2009

### 7.2 Leaks to the media

19

amongst those involved or those informed of the outcome of the procurement process due to misinformation or for political gain or nuisance.

<u>Cause</u> - Lack of awareness of procurement rules <u>Consequence</u> - Reputation damage to CYC and the project. Breach of procurement rules and confidence or commercial confidentiality potentialy jepodising the procurement process, and requiring compensation to developers.

Owner Limit access to information and ensure confidentiallity status of documents Sandra Herbert Conclusion Treat Actions NYE Brief of members and senior officers on procurement rules

#### Risks Last Reviewed: 17/02/2009 **Procurement**

#### 8.1 Challenge to the procurement process

Cause - Actual or perceived breach of the procurement rules

Consequence - Significant delayIncrease in costs, requirement for specialist advice, compensation payments. Potential abort of the process. Damage to council reputation.

Controls Owner EU Procurement rules and CYC process lan Asher External legal advice lan Asher Supplier contract management system (No, Yes) lan Asher Conclusion Treat **Actions Due Date** Robust tender documents 22/05/09

#### 8.2 Developers unable to meet the requirements of the development brief

Cause - Developers are unable to comply with the Consequence - Reduction in scope. - size and/or brief due to council aspirations, as outlined in the design brief, exceeding the budget.

quality.Less effective building due to increase in staff density resulting in negative feedback and staff dissatisfaction. Abort procurement process. Reputational damage to CYC.

)

#### 8.3 Too many bidders withdraw from the procurement process

19

Cause - Bidders regard the development brief, heads of terms, or invitation to participate in dialogue unacceptable or unachieveable.

Consequence - Significant delay to programme, increases in construction or developemnt costs caused by those delays, I cost and delays in seeking external legal advice, abort and recommence procurement process or negotiate with single bidder, go back to Hungate, compromise the project scope.

Controls	Owner
Professional advice to ensure specification is achieveable	lan Asher
Control negotiation during tender dialogue phase	lan Asher
Dialogue with developers to understand their concerns	Ian Asher
Conclusion	Treat
Actions	Due Date
Refine Specification during dialogue	22/05/09

### 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 6
1. Project Delivery	14 6 14 6 14 14 14 14 14 14 14 14 14 14 14 14 14
2. Planning Consent	13 18 14 23 14 14 14 14 14 14 14 14 14 14 14 14 14
3. Procurement	18 6 13 13 13 <b>13</b>
4. Financial	23 17 6 21 19 20
5. Leadership & communication	13 20 12 22 19
6. Partnership	19 11 13 14
Planning Consent	Risks Last Reviewed: 24/02/2009
2. Failure to secure and/or demonstrate adequate co	onsultation 18
<u>Cause</u> - This is to be completed as part of the statutory consultation on planning.	<u>Consequence</u> - This could cause judicial review and objections.
Conclusion	Tolerate
4. Failure to secure planning consent	23
<u>Cause</u> - 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.	<u>Consequence</u> - This could result in non-delivery of project
Controls Identification of suitable alternative sites	<b>Owner</b> Bill Woolley
Conclusion	Treat
Actions Audit of the preparation process	<b>Due Date</b> 30/06/09
Procurement	Risks Last Reviewed: 24/02/2009
1. Potential challenge of process	18
<u>Cause</u> - If the losing bidder deems the evaluation has been inappropriate	<u>Consequence</u> - The Council could be sued and incur costs and therefore may not be able to award the contract
Controls Auditable trails of documentation	<b>Owner</b> Bill Woolley
Conclusion	Tolerate
Financial	Risks Last Reviewed: 24/02/2009
1. Planning delays could lead to increased costs	23
<u>Cause</u> - Due to the cost of land filling being higher than the cost of the treatment facility any delay in the construction and operation of the facility will cause increased costs.	<u>Consequence</u> - This could lead to planning delays and increased costs.
Controls Work with bidders and NYCC planners	Owner Bill Woolley
Conclusion	Tolerate

<u>Cause</u> - The Government have imposed penalties	Consequence - The Council will	be subject to
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.	penalties which will cost even m	<del>.</del>
Controls Highlight as a budget requirement in MTFS The Council has signed up to closing the affordability	v qap	Owner Bill Woolley Bill Woolley
Conclusion	. 9	Tolerate
l. Inability to fund the procurement		2
<u>Cause</u> - Insufficient budget in order to fund project requirements.	<u>Consequence</u> - The procurement might not occur or the contract of inappropriate.	
Conclusion		Treat
Actions Application for growth bid		<b>Due Date</b> 20/01/10
. Possible enquiry would lead to increased costs		1
Cause - If there is a planning inquiry.	<u>Consequence</u> - Increased costs construction.	due to delay to the
Controls Project programme includes time for planning debate Work to ensure the site is deliverable	9	Owner Bill Woolley Bill Woolley
Conclusion		Tolerate
6. PFI funding becomes unavailable		2
<u>Cause</u> - Bidders are finding it difficult to secure the loans required to fund the investment, due to the current economic climate	<u>Consequence</u> - This could result delays or even in the project have terminated.	
Conclusion		Treat
Actions Look into alternative ways of funding the project		<b>Due Date</b> 30/06/09
eadership & Communication	Risks Last Re	viewed: 24/02/20
. Negative perception of treatment plants and techn	nologies	20
<u>Cause</u> - Failure to communicate to stakeholders regarding the benefits and requirement for a treatment site.	Consequence - This could result lead to delays in project. This considerations of planning permission	ould lead to
Controls Communication Strategy Communication Plan		Owner Bill Woolley Bill Woolley
Conclusion		Tolerate
Conclusion		2:
		o tha Causail
	<u>Consequence</u> - This would leave exposed to increasing landfill co	
I. Project terminated <u>Cause</u> - The project could be deemed		
1. Project terminated <u>Cause</u> - The project could be deemed  unacceptable by Council Executives.  Controls		sts, including landf Owner

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

19

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

<u>Consequence</u> - 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

Actions Due Date
Additional resource to be allocated to project (AD Corporate Finance) 02/03/09

Partnership	Risks Last Reviewed: 24/02/2009
. Failure to agree back to back agreement	19
<u>Cause</u> - There are factors such as costs and political issues that could affect this risk.	<u>Consequence</u> - The Council will not have access to a disposal facility.
Conclusion	Treat
Actions This will require strategic support	Due Date TBC

### 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.

#### **Economic Development**

Risks Last Reviewed: 26/11/2008

### Limited awareness of LAA within Council and amongst stakeholders

18

Cause - If LAA's stakeholders do not buy-in to its goals and aspirations

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

Controls Owner Agreed approach with the Parternship's Executive Delivery Board Roger Ranson Communication with CMT Roger Ranson Communication with Members Roger Ranson Conclusion Treat **Due Date** Actions Partnership launch event 24/09/08

### Lack of agreement of ownership for performance information and management

18

action plans to achieve outcomes.

<u>Cause</u> - An uncertainty between partners as to <u>Consequence</u> - There will be financial penalties for who was leading on certain indictors. A lack of 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			Owner
Work programme			Roger Ranson
Working relationsh	ips within the LSP		Roger Ranson
Agreed process for	r distribution of LPSA2	monies	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 organsiation 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.

#### Accommodation Project

Risks Last Reviewed: 17/02/2009

### 1. Failure of the organisation to implement the corporate transformational change agenda reflected in the new HQ design brief

<u>Cause</u> - If the organisation does not effectively coordinate and implement the transformational change agenda, due to a lack of future vision, transformational change programme.

Consequence - The Council will fail to achieve the operational efficiencies and improvements in customer service provision, anticipated in the direction and robust implementation of a corporate business case. The project will deliver a new head quarters building that is ineffective and inefficient.

### 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.

	$\aleph$	SYP	ЕР	ΓCΥ	Y@L	ΥE	≥	YOK	오	윤	≽	SC	YPO
1. Unbudgeted financial liability to partnership	N/a	8	N/a	6	8	N/a	N/a	8	8	8	12	14	18
2. Inadequate governance arrangements	8	8	N/a	2	8	8	8	8	8	14	6	8	12
3. Failure to achieve stated outcomes	14	8	N/a	14	14	14	6	13	14	9	14	13	12
4. Failure to manage performance and add value	18	2	N/a	8	13	13	N/a	13	13	4	14	13	12
5. Inability to demonstrate stakeholder consultation	19	2	N/a	13	9	8	6	6	9	13	2	9	12
6. Inadequate medium term financial stability	N/a	14	N/a	19	N/a	N/a	N/a	13	14	13	15	20	14
7. Reputational impact of partnership activities	14	12	N/a	8	8	14	N/a	8	8	14	6	13	14
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	14	N/a
Without Walls Risks Last Reviewe	d: 26/11	/2008	Wit	hout V	Valls			ı	Risks L	_ast Re	viewe	d: 26/1	1/2008

18

## 4. Failure to manage performance and add value

Cause - If the lead partner does 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 not implement an appropriate way don't achieve the 60% required to receive the performance reward. This could also adveresly 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  Actions Due Date  Review of Strategic Partnerships 31/03/09																																
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### 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 sucess measure in the LAA. If we fail to do this, it could have a reputational

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Conclusion			Tolerate
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Actions			Due Date
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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

arning City York		Risks Last Reviewed	Science City York	Risks Last Reviewed
Inadequate medium term financi	al stability	19	6. Inadequate medium term financia	stability 20
<u>Cause</u> - Insecurity of funding streams, in particular from the LSC (Learning Skills Council).	and this could res	oss of dedicated be the partnership bult in an inability to rities of the board.	<u>Cause</u> - 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 2008/09 Budget in place		Owner Pete Dwyer	Controls  Bid for European funding  Discuss with Yorkshire forward re c	ontinued funding
Conclusion		Tolerate	Conclusion	Tolerate
orkshire Purchasing Organisation	n Risks Last R	Reviewed: 18/02/2009		
Financial liability to Yorkshire P	urchasing Organis	ation 18		
<u>Cause</u> - There is possibility that no dividend will be paid in any given year.	· · · · · · · · · · · · · · · · · · ·	This would result in across departments		
Controls Constitution controlling Governance Representation on the management Officer Group		Owner David Walker David Walker David Walker		
Conclusion		Treat		

Due Date

31/03/09

Actions

CYC Cllr Members lobbying YPO in terms of some dividend being paid in 2008/09

### 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.

<b></b>		RES	CS	SZ	CE	SOOT	HASS
1. Inability to ensure staff welfare		<mark>13</mark>	18	13	9	N/a	14
2. Inability to contact staff		19	18	14	8	N/a	12
3. Inability to provide statutory services		19	9	19	13	N/a	12
4. Inability to deliver services		9	13	14	12	18	13
5. Inability to prioritise & allocate resources		9	18	19	13	13	12
6. Failure to recover most time critical IT application		9	13	14	13	13	13
7. Increased staff costs		9	14	14	4	N/a	8
8. Increased accommodation costs		9	14	14	4	N/a	8
9. Increased equipment costs		9	15	14	4	N/a	8
10. Loss of data (hard copy)		9	14	14	18	12	9
Resources			Risks L	ast Re	viewe	d: 26/1	1/2008
2. Inability to contact staff							19
<u>Cause</u> - Lack of staff contact information held by some senior management and a failure to maintain those records we do have	Consequence recovery and	*******					
Controls Death in service payment details				Owne David	r Walke	r	
Conclusion				Treat			
Actions Complete BCP's for all Divisions				<b>Due</b> D			
3. Inability to provide statutory services							19
<u>Cause</u> - 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 welfare benef		ability t	o pay v	rulneral	ble peo <sub>l</sub>	ple
Controls BCP in place for Revenues and Benefits Service	s			Owne David	r Walke	r	
Conclusion				Treat			
Actions Identify the BCP co-ordinator for Revenues and I	Benefits Servic	es		<b>Due D</b> 30/09/			

City Strategy	Risks Last Reviewed: 26/11/200
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 occured they would not be able to ensure their staffs welfare because they would not know who is potentially affected by any given event.	<u>Consequence</u> - This may cause problems when trying to account for members of staff and in communicating with them.
Controls Staff contact cards	<b>Owner</b> Damon Copperthwaite
Conclusion	Treat
2. Inability to contact staff	18
<u>Cause</u> - This could be caused if the directorate does not have an up-to-date contact list of all its members of staff.	<u>Consequence</u> - 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 area	Owner s Damon Copperthwaite
Conclusion	Treat
Actions Complete all service area BCP's	<b>Due Date</b> 30/09/08
5. Inability to prioritise & allocate resources	18
<u>Cause</u> - The directorate needs to consider the priority of services and how scarce resources could be allocated in the event of a major incident.	<u>Consequence</u> - 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	<b>Due Date</b> 30/09/08
Neighbourhood Services	Risks Last Reviewed: 24/02/200
3. Inability to provide statutory services	19
<u>Cause</u> - Service Areas do not currently have complete and updated BCPs	<u>Consequence</u> - Council would suffer reputational damage
Conclusion	Treat
Actions Complete Business Continuity Plans	<b>Due Date</b> 31/03/09
5. Inability to prioritise & allocate resources	19
<u>Cause</u> - As Business Continuity plans are not complete and the business impact assessment	<u>Consequence</u> - Potential delays to recovering the service.
Conclusion	Treat
Actions Complete BCP including analysis of staff resource	Due Date ses required 31/03/09

Chief Executives Risks Last Reviewed: 24/02/2009

### 10. Loss of data (hard copy)

18

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

<u>Consequence</u> - 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

Conclusion

Actions
Procure a case management system

Owner
Quentin Baker

Treat

Due Date
01/08/09

### Learning, Culture & Children's Services

Risks Last Reviewed: 20/01/2009

01/08/09

### 4. Inability to deliver services

18

<u>Cause</u> - Key risk is potential loss of school through fire or asbestos.

Implement information governance system within directorate

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

ControlsOwnerDMT emergency responseKevin HallConclusionTolerate

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### Other Escalated Significant Risks

This section is designed to provide Audit and Governance Committee Members with information concerning significant risks, escalated from Directorates via the Corporate Management Team, not already considerd as part of the Key Corporate Risk monitor.

### Learning, Culture & Children's Services

### **Child Protection programme failure**

12

<u>Cause</u> - If there is ineffective/poor partnership working at all levels, poor communication, illequipped/resourced workforce, ineffective/poor supervision, support and oversight of child safeguarding decisions and practice, over emphasis on quantitative over qualitative performance measures, failure to adopt a learning culture or ineffective vetting, barring and safer working practice arrangements

Consequence - This could lead to harm of vulnerable children or child deaths, failure to protect children in need or children looked after by the LA, significant harm to children over and above what would reasonably be expected for a similar authority, harm to children to whom CYC has a duty of care, children failing to meet their potential, breakdown of public trust, negative impact on workforce moral, poor publicity and reputation of CYC/CYSCB.

Controls	Owner
CRB check for staff	Joe Cocker
Key integration of partners (education, social services, police, health)	Joe Cocker
Monitoring through Safeguarding Children Board	Joe Cocker
Robust quality assurance arrangements	Joe Cocker
Conclusion	
Conclusion	Tolerate

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## **Audit & Governance Committee**

31 March 2009

Report of the Director of City Strategy

# Waste PFI Project

# Background

- 1. City of York is working in partnership with North Yorkshire County Council to deliver a Joint Waste Strategy to deal with the area's waste for the next 25 years. The original strategy, Let's Talk Rubbish was published in 2002, and was updated as Lets' Talk Less Rubbish in 2006. Over this period considerable progress has been made particularly in terms of recycling, where York is now achieving close to 50%, well ahead of national targets.
- 2. Part of delivering the waste strategy is to treat residual waste the waste which remains after Reduce, Reuse and Recycle activities have taken place, and Recover value from it. The Councils are working together to obtain a Private Finance Initiative (PFI) solution to achieve this.
- 3. At the moment this residual waste around a quarter of a million tonnes of it every year is sent to landfill sites. (York's contribution is about 25% of this, c.65,000 tonnes every year). Landfill cannot continue in the long term the sites are filling up rapidly, and new government targets coupled with our own environmental strategies require that we find alternative, and sustainable solutions.
- 4. An Inter-Authority Agreement between CYC and NYCC was signed in January 2008.

# The PFI Project

- 5. The Outline Business Case (OBC) for the project was submitted to Defra in September 2006, and the partnership was awarded £65m in PFI credits at the end of August 2007.
- 6. A team, comprising NYCC & CYC officers and consultants has been using the 'Competitive Dialogue Process', to procure a 25 year contract, to meet the requirements of a minimum 70% diversion from landfill and at least 80% diversion of biodegradable waste. The Councils did not specify the type of technology to be used, nor the location of any treatment plant(s).

- 7. A long list of 10 organisations submitted outline solutions, and by February 2008 this had been reduced to a shortlist of four companies and consortia. Two bidders were selected in September 2008 to produce competitive tenders, and draft final tender submissions were received on 16<sup>th</sup> March 2009. These submissions are being reviewed, and it is expected that the preferred bidder will be announced by the end of June 2009.
- 8. It will be the responsibility of the preferred bidder to obtain planning permission, all requisite permits and to build and operate the service. It is planned to commence the service in early 2014.

### **Contact Details**

Author:	Chief Officer Responsible for the report:
Roger Enzor Waste PFI Project Advisor Phone 01904 551449	Bill Woolley Director of City Strategy
Specialist Implications Officer(s	Report Approved Date  S) Not applicable
Wards Affected Not applicable	All
For further information please contac	t the author of the report
Annexes	
Annex C Waste PFI Risk Report	

Risk Detail

**Net Risk Evaluation & Score** 

### 8040 Waste PFI - City Strategy - Resources and Business Management

City of York is working in partnership with North Yorkshire County Council to deliver a Joint Waste Strategy to deal with the area's waste for the next 25 years. Part of delivering the waste strategy is to treat residual waste - the rubbish which remains after Reduce, Reuse and Recycle activities have taken place, and Recover value from it. The Councils are working together to obtain a Private Finance Initiative (PFI) solution to achieve this.

#### **Project terminated**

Critical

22

<u>Cause</u> The project could be deemed unacceptable by Council Executives.

<u>Consequence</u>

This would leave the Council exposed to increasing landfill costs, including landfill tax and trading scheme penalties.

**Controls** 

Communication Strategy

**Actions** 

Contract negotiation with preferred bidder and back to back arrangements with NYCC

### Failure to secure planning consent

Critical

23

<u>Cause</u> 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

Consequence This could result in non-delivery of project.

**Controls** 

Identification of suitable alternative sites

**Actions** 

Audit of the preparation process

assessments etc.

#### Solution is unaffordable

High

17

<u>Cause</u> The Government have imposed penalties designed to reduce the amount of BMW going to landfill and these penalties are prohibative 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. The Government has contributed £65m through PFIcredits towards these costs, however, the likely net impact is still highly significant to the Council. Should the Council fail to set the monies aside to deal with

<u>Consequence</u>

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

#### **Controls**

Highlighted as a budget requirement as part of the MTFS. The Council has signed up to closing the affordability gap

**Actions** 

Look into alternative ways of funding the project



### **Audit and Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service and Governance)

### **Follow Up of Audit Recommendations**

### Summary

1. This report sets out the progress made by the council in implementing agreed internal audit recommendations. It also summarises the progress made to address recommendations raised by the external auditor.

### **Background**

- 2. Internal audit reviews the implementation of agreed recommendations on an ongoing basis, once target implementation dates for recommendations become due. A summary of the outcome from this work is reported to this committee every six months together with details of any outstanding recommendations that require referral to the committee for consideration. This report covers recommendations with target dates up to 28 February 2009.
- 3. In addition, following a request by this committee in September 2008, a review of progress made to implement recommendations raised by the external auditor has also been carried out. An overview of progress was reported to the committee in January 2009. The current report contains further details about the findings of the follow up review, which is summarised below. For the future it is intended that this work will be carried out on an ongoing basis and the results included as part of the regular six monthly follow up report.

# Follow Up of Internal Audit Recommendations

- 4. All internal audit 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 further detailed review by internal audit where appropriate.
- 5. A total of 133 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 <sup>1</sup>	No. of Recommendations Followed Up
1	4
2	62
3	67
Total	133

The priorities run from 1 (high risk issue) to 3 (lower risk)

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

Figure 2: Recommendations followed up by directorate

	No. of	No. of Recommendations Followed Up by Directorate						
Priority of	Chief	Chief City HASS LCCS Resources N'hood						
Recommendations	Executives	Strategy				Services		
1	0	2	1	0	0	1		
2	9	7	4	26	15	1		
3	7	2	5	30	21	2		
Total	16	11	10	56	36	4		

- 7. Of the 133 recommendations, 2 (1.5%) had been superseded (for example by business developments or because of cessation of service). Of the remaining recommendations, 102 (76.7%) had been satisfactorily implemented.
- 8. In one case (0.8%) the recommendation had not been implemented fully although some progress had been made. This issue is being followed up in detail as part of the current annual audit of the service area.
- 9. In a further 25 cases (18.8%) the recommendations had not been implemented, however, satisfactory explanations for the delays in implementation have been received (for example unexpected difficulties or issues dependent on new systems being introduced). In these cases a revised implementation deadline has been agreed. The issues will be followed up again after the revised deadline and will be escalated if unsatisfactory progress is found to have been made.
- 10. In three cases (2.3%) the reasons given for not progressing the recommendation were considered unsatisfactory, and these issues are now being escalated<sup>1</sup>. None of these recommendations is yet at the stage for referral to the Audit & Governance Committee.
- 11. The follow up testing undertaken confirms that, overall, good progress has been made to rectify weaknesses in control highlighted in internal audit reports. However, there are a number of areas where work is still required to address the recommendations made. Progress in implementing these recommendations will be monitored on an ongoing basis, and reported as required through the escalation procedure. There are no specific issues that

<sup>&</sup>lt;sup>1</sup> The three recommendations are currently at the referral to service manager stage. There are no other recommendations currently in the escalation process.

need to be brought to the attention of the Audit and Governance Committee at this time.

## **Follow Up of External Audit Recommendations**

- 12. The review considered all Audit Commission reports issued since 2005/06. In cases where follow up work has already been conducted by the Audit Commission, or where recommendations have been superseded by later reports (for example in relation to annual reports on the financial statements), only the latest relevant recommendations has been followed up.
- 13. Annex 1 sets out the findings from the review. The opinion given indicates whether action has already been taken, is in progress, or is planned to be undertaken. However, it does not necessarily confirm that satisfactory action has been concluded. This is not yet possible in many cases as the issues are broad in scope and require action over an extended period of time. Detailed testing to validate the action taken or planned has been carried out where possible. However, this work is still in progress any issues arising as a result of ongoing work will be included in future reports.
- 14. The findings show that action has been taken, is in progress, or is planned to be taken in every case<sup>2</sup>. However, it is clear that there is still a significant amount of work required in a number of areas.
- 15. For the future, it is proposed that:
  - the progress made in implementing these recommendations and any arising from future reports will continue to be monitored by internal audit, and progress reported to this committee as part of six monthly follow up reports
  - reports will contain only a summary of the follow up work undertaken, along with details of areas where the progress made in implementing agreed recommendations is deemed inadequate (this is similar to the agreed approach for reporting on internal audit recommendations).

#### Consultation

16. Not relevant for the purpose of the report.

### **Options**

17. Not relevant for the purpose of the report.

## **Analysis**

18. Not relevant for the purpose of the report.

<sup>&</sup>lt;sup>2</sup> In four cases the recommendation has been superseded. In addition, no opinion has been given for five recommendations which relate to the work of the audit and fraud service.

### **Corporate Priorities**

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

### **Implications**

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

### **Risk Management**

21. The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and members.

### Recommendations

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

#### Reason

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

 approve the process for monitoring and reporting on ongoing progress in implementing Audit Commission recommendations as set out in paragraph 15.

#### Reason

To ensure that a consistent approach is adopted to monitoring and reporting progress on the implementation of external audit recommendations.

### **Contact Details**

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**Report Approved** 

**Date** 12 March 2009

### **Specialist Implications Officers**

Not applicable

Wards Affected: Not applicable

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For further information please contact the author of the report

### **Background Papers:**

None

### **Annexes**

Annex 1 – Follow Up of Audit Commission Recommendations

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# **Annex 1 – Follow Up of Audit Commission Recommendations**

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
Delivery of Corporate Objectives through the LSP (Feb-06)	1) As the LSP moves towards developing the LAA the development of effective delivery partnerships will be a key issue. It is particularly important that the alignment of the seven community priorities, which partners clearly own, with the four blocks of the LAA are clearly understood by all partners to ensure their ownership of the LAA and its aims is sustained.	Corporate	Identified as a priority in the 2008/09 Single Improvement Plan (SIP). The refreshed corporate strategy (due to be approved by The Executive in March 2009) is based around the themes from the sustainable community strategy (SCS - approved June 2008) to ensure alignment of community, LAA and council priorities.	Satisfactory - action taken/ in progress/ plans in place
	2) As the LSP moves towards the delivery of a LAA is it vital that the council ensures an appropriate balance between satisfying its community leadership responsibilities and allowing the partnership to operate in an inclusive way that gives all partners the confidence that engaging with the LSP will add value. Without this there is a danger that desired outcomes will not be delivered.	Corporate	Alignment of the corporate strategy with the SCS and engagement of stakeholders in the development process (eg workshops with partners in Oct 08 and Jan 09) will help to ensure an appropriate balance.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	3) Performance management will take on a new significance as the partnership moves forward with the LAA. It will be essential that the partnership is able to demonstrate the delivery of community outcomes and the achievement of agreed targets. The intelligent use of shared performance data will be a key issue in taking appropriate action to improve the quality of life of local communities.	Corporate	Responsibility for the use of shared performance data rests with the Without Walls Executive Delivery Board. All 8 of the strategic thematic partnerships are represented on the Executive Delivery Board, which meets on a quarterly basis. Partners have risk rated each of the 48 LAA indicators and assessed the likelihood of their achievability by the end of the LAA - March 2011. At the Executive Delivery Board, chaired by the Leader of the Council, partners jointly share information, data and suggestions for improving delivery with a strong focus on the indicators identified as 'Red' by the risk rating.  Summary information about LAA performance is reported to the wider WOW Partnership on a regular basis.  Higher level longitudinal measures from the Sustainable Community Strategy (eg unemployment rate) known as 'State of the City' indicators are jointly reviewed on an annual basis.	Satisfactory - action taken/ in progress/ plans in place
Proposed Disposal of land at Osbaldwick (Feb-06)	4) The Council should ensure that arrangements are in place to establish formal agreements for all material partnerships clarifying expected outcomes, financial commitment, required governance arrangements and legal implications.	Corporate	Recommendation superseded - due to the impact of the Roanne case, all such projects will now be subject to a formal procurement process, and will include a formal agreement.	Satisfactory - superseded
	5) The Council should ensure that current arrangements for the selection of a preferred partner are satisfactory and operate effectively throughout the Council.	Corporate	Recommendation superseded - due to the impact of the Roanne case, all such projects will now be subject to a formal procurement process. Financial Regulations set out requirements.	Satisfactory - superseded

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	6) The Council should ensure that it has adequate arrangements to inform Members of the legal framework within which they are making a decision.	Corporate	The reporting protocol requires the legal implications of decisions to be highlighted for members. However, it is not clear whether legal advice is being sought in all relevant cases. It is intended that this issue will be reviewed by the Strategic Officer Governance Group in 2009/10, to identify further action required to ensure arrangements are effective.	Satisfactory - action taken/ in progress/ plans in place
	7) The Council should ensure that if the sale to JRF proceeds the costs charged against the profit are agreed.	City Strategy	Recommendation superseded - significant revisions to the agreement were made following the Audit Commission Report, which negated the need for this action. The revised agreement was approved by The Executive in March 2008.	Satisfactory - superseded
	8) The Council should ensure that it has arrangements to demonstrate how key policy decisions support the achievement of its objectives.	Corporate	The reporting protocol requires that reports highlight how proposed decisions relate to corporate priorities. The clarification of corporate objectives as part of the corporate strategy refresh and alignment of scrutiny groups with priority areas will help to improve the effectiveness of arrangements for the future.	Satisfactory - action taken/ in progress/ plans in place
Arrangements for Disposal of the Barbican	9) Establish adequate arrangements to inform members of the legal framework within which decision are taken.	Corporate	Same as recommendation 6 above.	N/A

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
(Aug-06)	<ul> <li>Clarify the legal status of the preferred partner in future transactions and</li> <li>establish controls over the variations that will generate a review of the continued validity of the agreement.</li> </ul>	Corporate	<ul> <li>See response to recommendation 5 in relation to preferred partner issue.</li> <li>Contracts include mechanisms for making changes to agreements; review needed if changes cannot be made within terms of contract. Corporate Procurement Team involved in all major agreements and further legal advice sought as required.</li> </ul>	Satisfactory - action taken/ in progress/ plans in place
	11) Ensure that the objectives of projects and significant transactions are clearly articulated, allowing them to drive decision making and for success to be evaluated.	Corporate	Programme and project management identified as a priority for development as part of 2008/09 SIP. Work to date has included, for example, a project management event in February 2009, the outcome of which will be used to develop council wide standards to be incorporated into the Business Model. The updated corporate strategy will also include all major projects, aligned with corporate objectives.	Satisfactory - action taken/ in progress/ plans in place
Review of the Council's Internal Audit Function (Aug-07)	12) Incorporate formal reminders of auditors' ethical responsibilities into performance appraisals as planned.	Resources	The ethical responsibilities of auditors are discussed on a regular basis (approximately six monthly) at team meetings, rather than during appraisals, as originally planned.	None Given
	13) Deliver plans to require all auditors to sign confidentiality agreements.	Resources	This issue will be addressed as part of the implementation of the shared service.	
	14) Ensure that the working protocols are kept up to date.	Resources	Working protocols have been updated on an ongoing basis as required. Further review and update will be undertaken as part of the implementation of the shared service, as necessary.	

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	15) Enhance the existing strategy by including narrative information to set out Internal Audit's strategic purpose, direction and approach.	Resources	This will be addressed as part of the planning process for the shared service.	
Your Business @ Risk (Sep-07)	16) Provide guidance to all staff on how to deal with emailed files from external sources	Resources	These issues form part of an ongoing awareness campaign via e-mail, the	Satisfactory - action taken/ in progress/ plans in place
	17) Provide guidance to all staff on what to do if their computer is infected with a virus.	Resources	intranet and news and jobs articles. They will also be addressed in the revised ITT manual. A draft of the manual has been issued for consultation to stakeholder groups and will be rolled out once initial	Satisfactory - action taken/ in progress/ plans in place
	18) Remind staff of the need to not write down passwords.	Resources	feedback has been assessed.	Satisfactory - action taken/ in progress/ plans in place
	19) Communicate to all staff the existence and contents of the council's anti fraud strategy.	Resources	The counter fraud and corruption policy was reviewed, revised and published in March 2008. Reminders to staff about the need to report fraud have been included in staff publications. Further communication will be required on an ongoing basis and this will be undertaken as part of overall counter fraud work, as set out in annual fraud team plans.	None Given
	20) Ensure that all council computers contain controls that prevent the installation and copying of software from the computer	Resources	Addressed as part of the ongoing	Satisfactory - action taken/ in progress/ plans in place
	21) Communicate to all staff the council's rules covering the private use of IT.	Resources	awareness campaign and ITT manual – see above.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	22) Set up an automatic time out on all council computers	Resources	This is not currently possible as it was found to cause problems for the Citrix server. It will be revisited as part of the proposed 2009/10 upgrade of systems.	Satisfactory - action taken/ in progress/ plans in place
	23) Publicise officers' responsibilities under the Data Protection Act	Resources	A new Data Protection Policy was approved and published July 2008. A training programme was completed in 2008 and will be repeated in 2009.	Satisfactory - action taken/ in progress/ plans in place
	24) Publicise the council's policies on the Data Protection Act, monitoring internet access, misusing personal data, and using unlicensed software	Resources	See above.	Satisfactory - action taken/ in progress/ plans in place
	25) Publicise the existence of the council's data protection officer	Resources	Details have been publicised on the intranet along with other relevant materials and FAQs.	Satisfactory - action taken/ in progress/ plans in place
	26) Publicise the existence of the email usage/language protocol	Resources	Addressed as part of the ongoing awareness campaign and ITT manual – see above.	Satisfactory - action taken/ in progress/ plans in place
	27) Publicise the existence of, and key points for staff from, the Public Interest Disclosure Act and the Computer Misuse Act.	Resources		Satisfactory - action taken/ in progress/ plans in place
	28) Publicise the existence and contents of the council's Information Security policy, and provide a copy of the policy to staff.	Resources		Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	29) Publicise the location of the written procedures for reporting a security incident, and ensure that these are easily located on the intranet.	Resources		Satisfactory - action taken/ in progress/ plans in place
	30) Publicise the officer responsible for IT security.	Resources		Satisfactory - action taken/ in progress/ plans in place
Absence management (Jan-08)  Note that absence management was included as priority for action in the 2008/09 SIP. A report on progress made to address attendance issues was presented to the	31) In reviewing current arrangements for producing management information, the Council should:  • ensure information relating to groups of staff who are not contained within one directorate can be captured and analysed to identify relevant issues and trends; and  • develop systems to capture the full cost of sickness absence to ensure that decisions taken in respect of sickness absence are made in the full knowledge of their financial implications.	Chief Executive's	<ul> <li>A suite of management reports to enable trends to be monitored has now been developed. The reports are currently being tested but will be available for use by April 2009.</li> <li>Working patterns are now recorded and updated on an ongoing basis on the Delphi system. However, the system is unable to produce reports that will enable analysis to be carried out. HR report that they intend to develop off-system reports which will enable this to be done although this is likely to be overtaken by the implementation of a new payroll and HR system by 2010.</li> </ul>	Satisfactory - action taken/ in progress/ plans in place
Executive in October 2008.	32) Increase awareness of staff benefits in order that staff are able to take full advantage of the benefits available to them.	Chief Executive's	A range of activity has been undertaken to increase awareness of staff benefits. This includes the benefits fair held in June 2008, increased publicity about current benefits and potential new proposals being canvassed as part of staff survey (e.g. staff lottery). A new booklet detailing all staff benefits will be issued in March 2009.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	33) Introduce robust mechanisms for measuring the impact of staff welfare initiatives and develop processes to ensure experiences and learning are shared across directorates and, where appropriate, initiatives are applied across the Council.	Chief Executive's	Shared learning is being facilitated by the HR Corporate Team through the attendance management project: phase 1 (sickness) is complete; phase 2 (healthy lifestyle) is ongoing; phase 3 (work-life balance) will follow in 2009/10 and will link into the administrative accommodation project in considering issues such as work/ life balance.	Satisfactory - action taken/ in progress/ plans in place
	34) Give greater emphasis to identifying and addressing the impact on staff of proposed initiatives to improve organisational effectiveness and efficiency to ensure that: • staff are meaningfully engaged in changes affecting them; and • periods of uncertainty and disruption are minimised to reduce the risk of sickness absence through stress related illnesses.	Corporate / Chief Executive's	An internal review of change management procedures and guidance was undertaken by the HR Corporate Team in February 2009. The outcome of this will feed into revised corporate guidance to be issued by May 2009. Further work will follow as part of the administration accommodation project, and through the course of the coming efficiency programme, to ensure services are able to respond quickly and effectively to change.	Satisfactory - action taken/ in progress/ plans in place
	35) Ensure that change management projects are adequately resourced to avoid delays and disruptions, which create undue uncertainty and stress for those staff affected.	Corporate / Chief Executive's	This recommendation has been addressed by the new business model and approach to planning. Major projects will be linked to corporate objectives and clearly identified in corporate plans.	Satisfactory - action taken/ in progress/ plans in place
Review of Data Quality Arrangements 2006-07 (Jan-08)	36) Integrate data quality arrangements within the Council's performance management framework.	Resources	Performance reporting has been reviewed and discussed by CMT. A draft data quality policy was presented to A&G in January 2009, setting out the overall framework. This will now be referred to the Executive for approval in early 2009/10.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
latest Audit Commission report into data quality was issued in draft in	37) Include accountability for data quality in the job descriptions and the performance appraisal process for relevant staff working with or having responsibility for data.	Corporate	This is currently being considered by the Performance Officer Group and will be taken forward as part of the implementation of the overall policy.	Satisfactory - action taken/ in progress/ plans in place
February 2009. It confirmed that satisfactory action had been taken or was planned in regards to the recommendation s listed here.	38) Clarify the role, remit and responsibilities of the Data Quality Champion.	Resources	The Director of Neighbourhood Services was appointed as data quality champion in July 2008. The champion provides overall leadership in relation to data quality issues and has so far been instrumental in ensuring the development of the data quality policy and framework for checking the integrity of information systems.	Satisfactory - action taken/ in progress/ plans in place
	39) Develop an overarching policy framework for improving data quality.	Resources	A draft data quality policy was presented to A&G in January 2009. This will now be referred to the Executive for approval in early 2009/10.	Satisfactory - action taken/ in progress/ plans in place
	40) Consider data quality issues appropriately in corporate and directorate risk management arrangements and undertake regular assessments of the risks associated with unreliable and inaccurate information.	Resources	Work has been done by the performance team to identify indicators where data quality is a risk. This has included a review of self assessments completed by service departments. Further work is planned, as set out in the report to Audit and Governance Committee in January 2009.	Satisfactory - action taken/ in progress/ plans in place
	41) Define the role of the Performance Data Group (PDG) officer and specify the associated responsibilities.	Resources	The role of PDG officers is currently being reviewed and any changes will be taken forward as part of the implementation of the overall policy.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	<ul> <li>42) Improve the data quality control arrangements over all the Council's key information systems by:</li> <li>establishing an appropriate system of integrity checks;</li> <li>ensuring results are reported to senior management; and</li> <li>taking corrective action where necessary.</li> </ul>	Resources	A system for carrying out integrity checks is now in place. Checks commenced in November 2008 and are ongoing.	Satisfactory - action taken/ in progress/ plans in place
	43) Develop a systematic programme to test the security of key directorate information systems and report the results to senior officers.	Resources	See comment above. The outcome of checks are reported to senior officers as required.  A data quality progress report was presented to CMT on 3 December 2008. This identified weaknesses with some external data. Discussions are taking place with partners to identify how these issues can be resolved.	Satisfactory - action taken/ in progress/ plans in place
	<ul> <li>44) Strengthen arrangements for managing the quality of data provided by external bodies by:</li> <li>identifying key information flows with third parties;</li> <li>formalising arrangements for specifying, collecting and validating relevant data; and</li> <li>monitoring the effective implementation of third party data arrangements.</li> </ul>	Resources		Satisfactory - action taken/ in progress/ plans in place
	45) Assess formally the training and development needs of PDG officers and ensure that relevant staff have appropriate skills and experience.	Resources		Satisfactory - action taken/ in progress/ plans in place
	46) Define and deliver appropriate training on data quality issues which is tailored to the varying needs of all relevant staff.	Resources	Arrangements are currently being reviewed as part of the implementation of the policy; and guidance is planned to be produced by the end of March 2009. This will be used to develop a training	Satisfactory - action taken/ in progress/ plans in place
	47) Ensure that any weaknesses identified through internal or external reviews of data quality are addressed through appropriate training and support.	Resources	programme, to be in place by May 2009.	Satisfactory - action taken/ in progress/ plans in place
	<ul> <li>48) Improve the quality of data provided to external bodies by:</li> <li>identifying all relevant sources of data; and</li> <li>ensuring that data is properly validated and appropriately authorised prior to submission.</li> </ul>	Resources	See comments above relating to systems for integrity checks.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	49) Strengthen data validation arrangements by:  • developing in-year processes based on appropriate risk considerations;  • establishing baseline requirements to be applied consistently across all directorates; and  • integrating processes within the Council's performance management framework.	Resources	See comments above relating to systems for integrity checks.	Satisfactory - action taken/ in progress/ plans in place
	50) Ensure that good audit trails are available from the Codeman database to evidence changes in the housing stock to support the calculation of BV184a.	HASS	Systems reviewed, improvements made and work ongoing to ensure all changes to housing stock are tracked and audit trails identify reasons for any changes.	Satisfactory - action taken/ in progress/ plans in place
Deciding & Delivering Council Priorities Follow Up (Jan-08)	51) Clarify responsibilities for the delivery of the new corporate strategy including the championing arrangements and build this into personal targets to drive and embed the required actions. The expected benefit of this recommendation is:  • clearer accountability for delivery of the revised priorities, the new imperatives and progress against the direction statements The implementation of this recommendation will have high impact with low costs.	Corporate	The refreshed corporate strategy (March 2009) will include the assignment of responsible officers. Each short-term (one year) priority will have targets, to be reported on monthly.	Satisfactory - action taken/ in progress/ plans in place
	52) Revise the performance management arrangements by:  • integrating targets for all priorities, values and imperatives.  This should also include annual tracking of the direction of travel of the Council against its own direction statements; and  • strengthening the service planning framework and guidance to include improved measures and target setting.  The expected benefits of this recommendation are:  • clearer understanding of what outcomes are expected; and  • improved focus and reporting of progress against targeted outcomes  The implementation of this recommendation will have high impact with low costs.	Corporate	As above, the refreshed corporate strategy will include targets for all priorities and a requirement regular reporting on them. All service plans will flow from the priorities identified in the corporate strategy, however, this process has not been yet been fully implemented. For 2009/10 services have been asked to base service plans on the seven themes of the SCS (on which the corporate strategy is based) to help ensure alignment. It is intended that systems will be fully implemented for the 2010/11 service planning and budget setting process.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	53) Develop and embed decision-making and reporting mechanisms to ensure that the corporate strategy drives the actions of the Council. The expected benefit of this recommendation is:  • increased focus on the things that matter most to the Council, its users and key partners The implementation of this recommendation will have high impact with low costs.	Corporate	See comments above. In addition, the new scrutiny arrangements will be aligned with corporate priorities to ensure the corporate strategy drives actions and decision-making.	Satisfactory - action taken/ in progress/ plans in place
	54) Develop medium term, internal and external communication strategies in tandem to communicate the corporate strategy refresh effectively.  The expected benefits of this recommendation are:  • a clear articulation of the various components of the corporate strategy and how the key messages from these will be plainly communicated to appropriate internal and external audiences;  • staff and partners will gain a better understanding of what the Council is trying to achieve and how their role contributes to this; and  • better contribution to delivering desired outcomes for residents and users.  The implementation of this recommendation will have high impact with low costs.	Chief Executive's	A range of activities are planned once the refreshed strategy is approved. These will include staff roadshows, publications, and posters. Branding will be used to highlight priority areas which will be targeted so that staff and partners receive information most appropriate to their role. Further review will be required to establish the effectiveness of these plans.	Satisfactory - action taken/ in progress/ plans in place
A Review of the Decision Making Process (Jan-08)	55) Establish clear standards for record keeping by officers that aim to provide a sufficient trail of decision making in relation to the content of significant reports to Members, recommendations made and decisions taken by Members.	Corporate	A review of the report writing protocol identified that clear standards for record keeping were in place. The protocol requires information relevant to decisions, including details of any consultation, to be disclosed and the supporting working papers retained for 6 years. No further action was required.	Satisfactory - action taken/ in progress/ plans in place
	56) The Council should consider what further action to take on the issues arising from the initial enquiry. (I.e. clear audit trails, lack transparency, consultations etc.)	Corporate	As above.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	57) The whistle-blowing policy should include more clearly defined and understandable stages particularly relating to decisions about the scope and objectives of the initial fact finding, further investigative actions and actions needing to be taken arising from findings.	Chief Executive's	The whistle-blowing policy was revised to add clarity to the process. This was presented to Staffing & Urgency committee in March 2007.	Satisfactory - action taken/ in progress/ plans in place
	58) The Council should consider whether there are sufficient routine arrangements for Members to challenge and scrutinise decisions and whether the whistle-blowing facility should remain open to Members.	Chief Executive's	Following a review of the policy, a decision was made to close the facility to members as other mechanisms are available for concerns to be raised.	Satisfactory - action taken/ in progress/ plans in place
	59) If the Council considers that Members should have access to whistle-blowing, more guidance should be included in the whistle-blowing policy to inform Members of appropriate issues to raise and other options that are available to register concerns or make allegations of misconduct that should be considered first.	Chief Executive's	Recommendation superseded – see above.	Satisfactory - superseded
Purchase of Building Maintenance Supplies (Apr-08)	<ul> <li>60) Formalise the arrangements for weekly inspections of work, to provide sufficient assurance to management in terms of:</li> <li>the number of reviews to be carried out;</li> <li>the percentage of materials to be reviewed;</li> <li>the process to be followed to provide sufficient assurance to management;</li> <li>and</li> <li>the process to be followed where errors are identified.</li> </ul>	N'hood Services	Systems for inspection have now been formalised (a 10% check is carried out).	Satisfactory - action taken/ in progress/ plans in place
	61) Formalise arrangements with OGC Buying Solutions for ensuring that the Council are being charged a reasonable price for the materials they purchase from Jewson.	N'hood Services	Initial benchmarking was undertaken through OGC, however, the results did not allow conclusions about the reasonableness of rates to be reached. The service has now started to undertake its own benchmarking directly with other councils.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	62) Execute the Service Level Agreement and lease contract as soon as possible to ensure the Council is not subject to any risks in this regard.	N'hood Services	The agreement with Jewson was signed in May 2008.	Satisfactory - action taken/ in progress/ plans in place
Annual Governance Report 2007/08 (Sep-08)	63) Amend the 2006-07 comparatives, removing the financial instrument accounting adjustments.	Resources	This was completed as a requirement for the completion of the 2007-08 accounts.	Satisfactory - action taken/ in progress/ plans in place
	64) Amend the explanatory foreword to the accounts to make it consistent with the financial statements.	Resources	This was completed as a requirement for the completion of the 2007-08 accounts.	Satisfactory - action taken/ in progress/ plans in place
	65) Produce comprehensive supporting working papers that meet the required standard by 30th June 2009	Resources	A review of working paper presentation to be carried out including implementation of web portal which maintains all relevant documentation from core statement to prime document. (see progress report on issues arising from the audit of the 2007/08 accounts reported to Audit & Governance Committee in January 2009)	Satisfactory - action taken/ in progress/ plans in place
	66) Produce a detailed project plan to manage the closedown process in 2008/09.	Resources	A project plan is in place for the 2008/09 closedown. It was agreed and is monitored by SAMS (Senior Accounting Management Team). It contains a detailed list of tasks to be carried out, dates by which they must be done and assignment of responsible officers.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	67) Enhance the senior officer review of the financial statements to incorporate a review of key working papers before the accounts are approved by Council	Resources	The project plan includes a requirement for senior officers to review work once it has been completed. The new Assistant Director for Finance is also introducing a quality assurance timetable document, which is scheduled to be in place by the end of March 2009.	Satisfactory - action taken/ in progress/ plans in place
	68) Final draft accounts should be available to be issued with the agenda papers for the Audit & Governance Committee meeting to scrutinise the accounts.	Resources	Improvements to systems for closing down the accounts and management of the process should help to ensure that final draft accounts are available in a more timely manner.	Satisfactory - action taken/ in progress/ plans in place
Debt Recovery Arrangements - Follow Up Review (Sep-08)	69) Complete the income collection policy to include all aspects of income, recovery collection, concessions and discounts. Obtain Member approval for the policy once complete.	Resources	The income collection policy was completed and approved by members in September 2008. Further work to enhance the policy is now being undertaken following a reorganisation within Resources which included the assignment of responsibility for income collection issues to a specific service area.	Satisfactory - action taken/ in progress/ plans in place
	70) 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.	Resources	While the overall principle is dealt with in the new policy, further work is required to establish actual levels at which it is uneconomic to collect debts. This will be addressed through service improvement planning following the reorganisation of services noted above.	Satisfactory - action taken/ in progress/ plans in place
	71) Monitor the overall debt level compared to targets for both CT and NNDR.	Resources	Overall debt levels are being monitored.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	72) Report to Members the overall debt arrears and the collection of this debt against target levels.	Resources	Not currently reported. However, this will be addressed through service improvement planning.	Satisfactory - action taken/ in progress/ plans in place
	73) Carry out a review of the current arrangements in place against the good practice in the Audit Commission report.	Resources	A review was carried out and action taken (particularly in relation to the increased use of direct debits). The final version of the Audit Commission report confirms acceptable action was taken.	Satisfactory - action taken/ in progress/ plans in place
	74) Officers and Members need to be aware of this report and ensure that the action plan is implemented in a timely manner.	Resources	Internal Audit will follow up progress made to implement Audit Commission recommendations on an ongoing basis. In relation to the debt recovery report, responsibility for implementing the actions has been assigned to the new Head of Financial Procedures.	Satisfactory - action taken/ in progress/ plans in place
Maintaining effective governance arrangements (Sep-08)	75) Property disposal files:  • Keep detailed records of valuation basis and calculations within the property disposal files	Resources	Lead officers responsible for disposals have been made aware of the need to keep all detailed records on the disposal file. The method statement and checklist used have been updated to make this clear.	Satisfactory - action taken/ in progress/ plans in place
	76) Valuation basis • Clearly state the revaluation basis to ensure valuers know the purpose of their work and that the correct basis is used.	Resources	The first disposal valuation is at the date when the property is approved by members for disposal and will specify the main factors taken into account in the valuation. A revaluation will be carried out if there are any material changes, which will be retained on file. Valuations are in accordance with the RICS (Royal Institute of Chartered Surveyors) Red Book & are signed off by the Head of Asset & Property Management.	Satisfactory - action taken/ in progress/ plans in place

Report Title (Date)	Recommendations	Corporate / Directorate	Action Taken	Opinion
	77) Infrastructure Fixed Asset Register  • Update and maintain a fixed asset register for infrastructure assets to ensure all assets are accounted for, including the date of acquisition and value for individual assets	Resources	The accounting asset register contains infrastructure assets and a value for those assets. A date when assets were acquired is not given but this is planned as part of the work to bring all assets into a single record in the corporate asset register (Technology Forge) which is fully SORP compliant.	Satisfactory - action taken/ in progress/ plans in place
	78) Information Technology Asset Register • Consider transferring the maintenance of the IT asset register to a finance officer to ensure they are in line with accounting requirements of the SORP.	Resources	IT equipment is now included in the accountancy asset register. As above, there are plans for all assets to be included in the corporate asset register, which is fully SORP compliant.	Satisfactory - action taken/ in progress/ plans in place
	79) Investment interest reconciliation • Reconcile the actual interest received on investments to the TLR Forms to ensure the full amount expected is received.	Resources	This was completed as a requirement for the completion of the 2007/08 accounts.	Satisfactory - action taken/ in progress/ plans in place

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#### **Audit and Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service and Governance)

### **Draft Audit Plan Consultation**

### **Summary**

The purpose of this report is seek members' views on the priority of internal audit work for 2009/10, to inform the preparation of the annual audit plan. A final version of the plan will be presented to the next Audit & Governance Committee.

### **Background**

- In accordance with the CIPFA Code of Practice for Internal Audit, annual audit plans are prepared on the basis of a risk assessment process. The risk assessment methodology is designed to ensure that the limited audit resources available are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of the council's corporate priorities and objectives.
- The audit risk assessment is reviewed on an annual basis. The results of this review are used to update the five year strategic audit plan, which sets out when each area will be audited. The aim is to ensure that:
  - a) high risk areas are reviewed on an annual basis
  - b) medium risk areas are reviewed every two or three years
  - c) low risk areas are reviewed once every five years (subject to resource constraints).
- 4 Current staffing levels within internal audit do not allow all the identified systems and other auditable areas within the strategic plan to be reviewed in accordance with the required frequency. The shortfall is approximately 500 days per annum. The scope for choice is also restricted because:
  - the Audit Commission expect that all the main financial systems will be audited annually irrespective of the identified risk;
  - b) specific audit work is required to support the preparation of the breaches and waivers report;

- c) time must be allocated to investigate possible fraud and corruption, and participate in the Audit Commission's National Fraud Initiative:
- d) contingency time also has to be set aside to undertake urgent or unplanned work which may arise during the year.
- The shortfall in resources means that work has to be prioritised to higher risk areas. As a consequence many of the audit areas classified as medium or low risk are reviewed less frequently than set out in the strategic plan.
- 6 In deciding which areas within the strategic plan to prioritise, consultation is undertaken with directorates, management team and the Audit and Governance Committee.

### 2009/10 Audit Plan

- The annual review of the audit risk assessment and strategic plan has recently been completed. This has identified a total of 1,233 days of audit work in areas classified as high risk, or which are required audits. These areas are set out in Annex 1, and will form the bulk of the annual plan for 2009/10. Members views are sought about whether they feel the outcome of the risk assessment appears reasonable ie whether in their view the audits set out in Annex 1 represent high risk (and required) audits and should be prioritised in the annual audit plan.
- Annex 2 lists all other audit areas in descending risk score order. The highlighted areas should be considered for audit in 2009/10 based on the risk and the time since last audit. However, due to the shortfall in resources, only a relatively small number of these audits will be able to be undertaken. Members views are sought about which of these audits (if any) should be considered a priority for review in 2009/10.

### Consultation

9 This report is part of the ongoing consultation with all stakeholders.

# **Options**

10 Not relevant for the purpose of the report.

# **Analysis**

11 Not relevant for the purpose of the report.

# **Corporate Priorities**

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

### **Implications**

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

### Risk Management Assessment

14 The council will fail to comply with proper practice if audit plans are not based on an appropriate assessment of the likely risks.

### Recommendation

- 15 Members are asked to;
  - Comment on the relative risks of the audits set out in Annexes 1 and 2 and identify any specific areas which should be considered a priority for audit in 2009/10.

#### Reason

To ensure that scarce audit resources are used effectively.

### **Contact Details**

### Author: Chief Officer Responsible for the report:

Richard Smith Deputy Audit and Fraud Manager Telephone: 01904 552936 Pauline Stuchfield Assistant Director (Customer Service and Governance) Telephone: 01904 551706

**Report Approved** 



**Date** 10 March 2009

### **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 – High Risk And Required Audit Areas For 2009/10 Annex 2 – Lower Risk Audit Areas

Ref	Audit Area	Overall Risk Score	Overall Risk Assessment
	Financial Planning & Budget Setting	77	HIGH
	Budgetary Control	75	HIGH
	Administration and Accommodation Review	73	HIGH
	Business Continuity	71	HIGH
	Payroll	70	HIGH
	Equalities	69	HIGH
	Main Accounting Systems	68	HIGH
320	Council Tax Benefits & Housing Benefits	68	HIGH
400	Asset Management	67	HIGH
310	Council Tax & NNDR	65	HIGH
	Housing Rents	65	HIGH
	Efficiency and Value for Money	65	HIGH
	Performance Management	64	HIGH
	Procurement & Contract Management	64	HIGH
	Sickness Management	64	HIGH
	Partnership Arrangements including LAA	63	HIGH
	Health & Safety	63	HIGH
1040	Performance Indicators	62	HIGH
150	Treasury Management & Prudential Code	60	HIGH
330	Cashiers & Income Management	60	HIGH
	Recruitment Process	60	HIGH
	Nursery Education Grants	60	HIGH
	Risk Management	59	HIGH
	Replacement FMS System	59	HIGH
9100	Staff Registers of Interests & Gifts and Hospitality	59	HIGH
180	Creditors	58	HIGH
190	Debtors	58	HIGH
	Information Security	58	HIGH
140	VAT Accounting	57	HIGH
530	Environment & Sustainability	57	HIGH
9120	Project Management	57	HIGH
	Waste PFI	57	HIGH
110	Support, Advice & Liaison (allocation for each directorate)	0	Required
240	IT Advice and Support (including systems development/implementation)	0	Required
5698	Financial Management Standard In Schools	0	Required
	School Audits	0	Required
7010	Strategic & Annual Audit Planning	0	Required
7030	External Audit Liaison	0	Required
	Contingency Assignments	0	Required
	National fraud Initiative	0	Required
	Follow Up Audits	0	Required
	Special Investigations	0	Required
	Annual Governance Statement & Governance Support	0	Required
	Annual Breaches and Waivers Report	0	Required
9240	Reporting to Audit and Governance Committee	0	Required

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The following list shows all audit areas not considered to be night risk or required audits for 2009/10. The highlighted areas are those that should be considered for audit in 2009/10, based on the current audit risk assessment and taking into account factors such as the length of time since the previous audit. However, there are insufficent resources available to review all of these areas.

Ref	Audit Area	Overall Risk Score <sup>1</sup>	Overall Risk Assessment <sup>1</sup>
610	On street Parking & Car Parks	56 56	MEDIUM
1340	Education Contracts	56	MEDIUM
650	Public Transport	55	MEDIUM
870	Motor Fitters & Fleet Maintenance	55	MEDIUM
940	Stores and Purchasing	55	MEDIUM
1470	Homecare (Expenditure & Charging)	55	MEDIUM
1280	Transport (Home to School, Social Services etc)	54	MEDIUM
1630	Supporting People	54	MEDIUM
1740	Tenants Choice	53	MEDIUM
690	Crematoria and Cemeteries	52	MEDIUM
860	Commercial Waste	51	MEDIUM
910	Neighbourhood Services Finance, Administration & Management	51	MEDIUM
9130	Workforce Planning	51	MEDIUM
270	IT Asset Management	50	MEDIUM
670 1100	Concessionary Travel Youth Services, Training and Development	50 50	MEDIUM
590	City Strategy Capital Programme (including Local Transport Plan)	49	MEDIUM MEDIUM
1300	LCCS Capital programme	49	MEDIUM
1480	Direct Payments & Individualised Budgets	49	MEDIUM
1570	EPH's, Special Sheltered Housing and Sheltered Housing.	49	MEDIUM
730	Waste Operations - Disposal	48	MEDIUM
930	Building Repairs and Maintenance	48	MEDIUM
1110	Behaviour Support (including Exclusions)	48	MEDIUM
1250	Individual School Budgets	48	MEDIUM
1390	Out of City Placements	48	MEDIUM
1510	Residential and Nursing Home Costs	48	MEDIUM
1670	Housing Revenue Account	48	MEDIUM
1210	Leisure Facilities	47	MEDIUM
9180	Travel and Subsistence	47	MEDIUM
	Handling Complaints	47	MEDIUM
	Members Allowances	47	MEDIUM
580	Highways Regulation	46	MEDIUM
880	Waste Operations - Refuse Collection & Recyling	46	MEDIUM
9517	Records Management	46	MEDIUM
1590 280	Mental Health Services	45	MEDIUM
700	Electronic Communications	44 44	MEDIUM
1130	Licensing Early Years and Childcare Service	44	MEDIUM MEDIUM
	Agency Staff	44	MEDIUM
210	Construction Industry Scheme	43	MEDIUM
510	Section 106 agreements	43	MEDIUM
680	Food Safety, environmental health, trading standards and other regulatory services	43	MEDIUM
815	Future Prospects	43	MEDIUM
1360	Children Leaving Care	43	MEDIUM
1660	HASS Capital Programme	43	MEDIUM
540	Engineering Consultancy	42	MEDIUM
710	Neighbourhood Pride Service	42	MEDIUM
1610	Adults Respite, Employment & Day Services	42	MEDIUM
1700	Housing Allocations	42	MEDIUM
9511	Disciplinary Procedures	42	MEDIUM
250	IT Business Continuity	41	MEDIUM
390	Freedom of Information	41	MEDIUM
1260	Standards Fund	41	MEDIUM
1600	Referrals and Care Assessments (Adults)	41	MEDIUM
9513	Referrals and Assessments (Children's Services)	41	MEDIUM
460	Development Control	40	MEDIUM
470	Building Control	40	MEDIUM
920	Civil Engineering Insurance	40	MEDIUM
420	Facilities Management	40 39	MEDIUM
1730	Housing Repairs and Maintenance	39	MEDIUM MEDIUM
	Blue Badge Scheme	39	MEDIUM
10002	Diag Dauge Contents	- 00	IVILLIOIVI

5.1	A 171 A 2	Overall Risk	Overall Risk
Ref	Audit Area	Score <sup>1</sup>	Assessment <sup>1</sup>
1150	Sure Start York	38	MEDIUM
1240	Music Tuition Fees	38	MEDIUM
1420	Foster Carers and Adoption Allowances	38	MEDIUM
1690	Right to Buy	38	MEDIUM
850	Cleaning (Buildings, Schools & Voids)	37	MEDIUM
1620	Community Equipment & Loans Store	37	MEDIUM
1120	Special Educational Needs	36	MEDIUM
1430	Children's Residential and Respite Accommodation	36	MEDIUM
1380	Family Support	35	MEDIUM
1650	Commissioning & Bought in Services	35	MEDIUM
410	Property Income and Lease Management	34	MEDIUM
1190	Libraries	34	MEDIUM
9170	Telecommunications	34	MEDIUM
550	City Development (LDF/Strategic Development)	32	MEDIUM
970	Legal Services and Coroner	32	MEDIUM
1170	Adult and Community Education	32	MEDIUM
9518	Education Access Services	32	MEDIUM
380	Data Protection	31	MEDIUM
760	Economic Development Unit	29	MEDIUM
1320	Education Development Service	29	MEDIUM
480	National Land and Property Gazetteer	28	MEDIUM
640	Staff Park & Ride and Staff Parking	27	LOW
1350	Children's Services Administration Sites (Ashbank/Hollycroft)	27	LOW
170	Venture Fund	26	LOW
600	Emergency Planning	26	LOW
1200	Open spaces, park and play areas, pitches, courts & bowls	26	LOW
1230	Performance Arts	26	LOW
1270	Recoupment	26	LOW
1410	Children with Disabilities	26	LOW
490	Local Land Charges	25	LOW
1220	Arts and Entertainment	25	LOW
1720	Grants & Adaptations (Private Sector Housing Renewal & DFGs)	25	LOW
800	York Training Centre	24	LOW
220	IS-IT Strategy	23	LOW
360	Registrars	23	LOW
980	Electoral Services, Member support, Democracy support, Members interests	23	LOW
1000	Marketing & Communications	23	LOW
160	Car Loans	22	LOW
840	External Trading	22	LOW
1180	Discretionary rate relief	22	LOW
900	Street Environment Service	21	LOW
1530	Homelessness - Travellers	21	LOW
130	Mortgages	20	LOW
520	Heritage Properties	20	LOW
990	Lord Mayoralty	20	LOW
1330	LCCS Planning and Management Information	20	LOW
740	Pool Cars	19	LOW
1500	Delayed Discharges	17	LOW
1540	Pooled Budgets	17	LOW

### Notes:

1) Each area is given a score of between 17 and 85. The scores take into account a number of different factors for example the numbers and values of transactions processed, the extent to which management is devolved, potential risks to reputation, and the results of external inspections. Audits scoring 57 points or more are considered high risk and will normally be carried out annually. Audits scoring between 28 and 56 points are considered medium risk and will normally be carried out every two to three years. Audits scoring 27 points or less are considered low risk and will be carried out once every five years, if resources allow.



## **Audit & Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

## Risk Management Policy & Strategy

## Summary

The purpose of this paper is to present to Audit & Governance Committee (A&G) for discussion and comment, the council's Corporate Risk Management Policy and Strategy. The Policy (Annex A) and Strategy (Annex B) set out the council's commitment to managing risk and supports the organisation's overall governance arrangements.

## Background

- The council's current Risk Management Strategy was approved by Executive in 2001. Since then the risk management agenda has continued to develop and the existing strategy no longer reflects the way that risk is managed at the council.
- The development of a new risk management policy and strategy will assist in ensuring that the key principles of best practice are embedded consistently across the council. The Policy & Strategy will apply to all business areas of the council, including, joint ventures with third parties, partnering and collaboration.

## The Policy

- The purpose of the Policy (Annex A) is to set out the aspirations and objectives of the council with regard to risk management. The Policy forms part of a practical and effective framework comprising the overarching risk management policy itself, underpinned by the risk management strategy and supported by supplementary risk management guidance documents and a comprehensive training and communication plan.
- The policy reinforces the principles of risk management in the context of York and will support officers and Members in understanding the purpose and role of risk management. The application of the policy principles will help the organisation in making better informed

decisions while at the same time encouraging innovation and opportunity. The progress of embedding the policy effectively through the organisation will be monitored through the Use of Resources element of the CAA inspection process.

## The Strategy

- The Strategy (Annex B) provides the corporate framework which is designed to provide practical advice and guidance for implementing risk management practices within all activities of the organisation. It sets out the relevant roles and responsibilities and provides a comprehensive risk reporting process allowing risks to be escalated up and devolved down the organisation.
- The Strategy provides practical guidance for officers and is supported by a number of supplementary guidance documents available through the Council's risk management website. Both the Policy and Strategy documents will form an integral part of the risk management training to be delivered to Members and Officers during 2009/10.

## Options & analysis

8 Not relevant for the purpose of this report.

### Consultation

The key elements of the strategy document have been used as part of the training delivered to Officers during the last twelve months. This report will allow A&G Members to give their views on the draft Policy and Strategy before it goes to Executive for final approval.

## Corporate priorities

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 corporate priorities and is a fundamental component of the York Business Model. The key development issues reported in this paper support the actions required to improve the Council's CAA (Use of Resources) score of 2 for Risk Management to 3 as a minimum.

## **Implications**

There are no specific financial, legal, HR, property, crime & prevention, IT&T or other implications arising from this report.

## Risk Management

The risk associated with the recommendation of this report is "Failure to provide adequate documentation to achieve a level 3 for risk management in CAA UOR" and was originally assessed at a net level of 18 (High)

### Recommendations

- 12 A&G are asked to:
  - a) comment on the format and content of the Risk Management Policy & Strategy attached to this report at Annex A & B.

#### Reason

To seek A&G's views as to whether the Policy & Strategy meet their requirements and expectations.

Author:	Chief Officer Resp	onsible for the report:
David Walker Head of Financial Procedures	Pauline Stuchfield Assistant Director Governance)	(Customer Services &
Ext 2261	Report $\sqrt{}$ Approved	Date 17 <sup>th</sup> March 2009
Specialist Implications Officer(s)		
Wards Affected Not applicable		All
For further information please contact th	e author of the report	
<b>Background Papers</b>		
Risk management strategy 2001		
Annexes		
Annex A – Risk Management Policy Annex B – Risk Management Strate		



## CITY OF YORK COUNCIL

# RISK MANAGEMENT POLICY STATEMENT

#### **OVERVIEW**

This document describes the council's approach to Risk Management. It describes the philosophy and principles upon which the council will enable a culture of proactive Risk Management.



#### **INTRODUCTION**

1. The City of York Council aspires to be a well managed and successful organisation and a vital aspect to achieving this is the use and integration of Risk Management into its systems and processes. Having an established and effective Risk Management framework, embedded into the culture of the organisation, will contribute to the achievement of the Corporate Strategy and in particular organisational effectiveness.

#### **BACKGROUND**

- The council's approach to risk management has evolved on a piecemeal basis over a number of years with no consistent framework in place setting out how the council wishes deliver an enterprise-wide approach to risk management.
- 4. The development of a risk management policy statement as a fundamental element of the organisation's risk management strategic framework will ensure that key principles of good practice are embedded universally across the Council.

#### **RISK MANAGEMENT DEFINITION**

5. City of York Council's definition of risk is:

'Risk management is a planned and systematic approach to the identification, evaluation and control of risk used to manage potential threats to the achievement of objectives'.

#### **POLICY CONTEXT & SCOPE**

- 6. The purpose and provisions of this policy statement are consistent with the ambitions set out in the Council's Corporate Strategy and should be viewed in that context.
- 7. The principles and requirements set out in this policy statement and associated framework documents are applicable to all City of York Council processes and in particular evidence of compliance must be provided in the following areas: -
  - I. Financial planning & control
  - II. Strategic planning & objective setting
  - III. Service planning & delivery
  - IV. Reports & decision making



- V. Policy making, audit & review
- VI. Performance management
- VII. Project management

#### **POLICY STATEMENT**

- The risk management policy of City of York Council is to apply best practice in the identification, evaluation, and cost-effective control of risk to ensure that risks are managed, eliminated or reduced to an acceptable level. The policy and strategy support opportunity risk and do not look to inhibit innovation but to deliver change in a well managed and controlled way.
- The Council recognises that it has a responsibility to manage hazards and risks and this policy and accompany strategy supports a structured and focused approach to managing them. In this way the Council will better achieve its corporate objectives and enhance the value of services it provides to the community.
- It is acknowledged that some risks will always exist and will never be eliminated. All employees must consider risk and accept responsibility for risks associated with their area of authority.

#### **OBJECTIVES**

- 11 This policy statement along with the strategic framework documents aim to help facilitate the following objectives: -
  - I. Achieve the corporate strategy.
  - II. Successful delivery of major and innovative projects.
  - III. Establish and maintain effective ways of working in partnership.
  - IV. Maximise the potential for taking advantage of opportunities.
  - V. Encourage the authority to anticipate and respond to changing social, environmental and legislative conditions.
  - VI. Minimise the risk of damage, loss, injury, and inconvenience to citizens, staff and service users.
  - VII. Maintain a robust framework of procedures for the identification and management of risk.
  - VIII. Establish clear and accountable, roles and reporting lines.
  - IX. Promote an open and proactive Risk Management culture.



#### **PRINCIPLES**

- 12 The basic principles underpinning this policy statement are as follows: -
  - I. It is every employee's responsibility to identify and ensure the management of risks within their remit and to flag risks outside their remit to the Risk Management section.
  - II. All significant risks<sup>1</sup> and their associated controls are documented in the council's risk register.
  - III. It is the responsibility of risk owners to ensure their entries within the council's risk register are maintained.
  - IV. High and critical risks should be reduced to an acceptable level, within an appropriate timeframe when it is germane to do so.
  - V. High and critical risks are reported to the appropriate senior management team, board or committee.

#### **EVALUATION AND REVIEW**

This policy will be reviewed annually to ensure its continued relevance and to assess its performance against its objectives as set out above.

<sup>&</sup>lt;sup>1</sup> Significant risks are those with the greatest inherent or current potential to harm the organisation



## CITY OF YORK COUNCIL

## RISK MANAGEMENT STRATEGIC FRAMEWORK

#### **OVERVIEW**

This document describes the council's approach to risk management. It describes the philosophy and principles upon which the council will enable a culture of proactive risk management.



#### **INTRODUCTION**

- 1. Risk management is a key organisational responsibility and a vital component to improving our effectiveness that supports and underpins the aspirations of the corporate strategy.
- 2. Good risk management allows the Authority to have increased confidence in achieving its desired objectives and priorities, through the effective consideration and exploitation of opportunities and the active management and mitigation of threats.

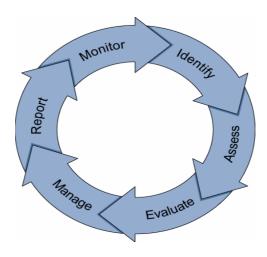
#### **OBJECTIVES**

- 3. The strategic framework is designed to provide practical advice and guidance for implementing risk management practices within all activities of the organisation. The objectives of this framework are to: -
  - fully integrate and embed risk management into the culture of the authority, and its day-to-day business.
  - raise awareness and the profile of risk management in all areas, including partnerships.
  - achieve appropriate consideration of risk within all reviews of service performance and improvement plans.
  - maintain a robust framework of procedures for the identification, assessment, evaluation and management of risk.

#### **RISK MANAGEMENT CYCLE**

4. Exhibit 1 shows the standard risk management cycle adopted by City of York Council.

#### Exhibit 1.





5. Phases and related activities of the risk management cycle: -

#### Identify

The first phase of the risk management cycle involves the identification of existing and emerging threats and opportunities. This is carried out in all areas of the council's business, which are classified as follows: operational; strategic; partnership and project.

#### II. Assess

Identified risks are then assessed, at an inherent and residual level, for their impact and likelihood in accordance with the council's risk rating matrix. This phase includes the identification of mitigating controls and allocation of responsibility to appropriate officers.

#### III. Evaluate

An evaluation of each risk is then made to determine whether it requires further action. The options for evaluation are; tolerate, treat, transfer or terminate.

#### IV. Management

At this stage it is determined how best to manage those risks which are to be treated, transferred or terminated and these actions are implemented.

#### V. Report

All significant risks, usually those with a net risk rating of 16 or above, should be reported to the appropriate senior level in the organisation, this is set out in paragraph ??

#### VI. Monitor

All risks should be subject to periodic monitoring that will identify changes, and assess the implementation and effectiveness of the associated responses.

6. The complete risk management framework with all supporting documentation and guidance is available on the webpage – link: <a href="http://intranet.york.gov.uk/documents/public/resourcespage/RiskManagement.htm">http://intranet.york.gov.uk/documents/public/resourcespage/RiskManagement.htm</a>



#### **ROLES AND RESPONSIBILITIES**

#### **Elected Members**

7. All Elected Members should consider risk as part of decision-making, strategic planning and objective setting, and they have a duty to evaluate the effectiveness of officer's risk considerations as documented in the risk management paragraph in all committee reports.

#### **Executive Committee**

8. The Executive Committee receive the annual risk management report that provides information on the council's significant business risks and details progress made in embedding risk management arrangements across the organisation.

#### Audit & Governance Committee

9. Audit and Governance Members have corporate responsibility for risk management and determine which risks are report to Full Council. Their responsibilities include; overseeing and approving the risk management framework and reviewing its implementation to provide independent assurance that officers comply with Member approved policies and procedures.

#### Chief Executive

10. The Chief Executive is charged by Members to embed an effective risk management system, with a corporate approach, throughout the council.

#### Director of Resources

11. The Director of Resources is the chief officer responsible for leading and championing risk management across the organisation.

#### Corporate Management Team (CMT)

12. All directors, as members of CMT, have joint responsibility for the effective identification, management and review of Key Corporate Risks (KCR's). CMT review quarterly risk monitors and monthly exception reports and if necessary 'call in' the relevant risk owner to report to them in more detail. They decide which risks to include in the annual risk management report to the Executive Committee.



#### <u>Directorate Management Team (DMT)</u>

- 13. Members of each DMT are responsible for ensuring the implementation and effectiveness of controls and action plans to mitigate corporate and directorate level risks. This involves maintaining systems to:
  - Identify, analyse and monitor risks of all levels.
  - Ensure the effective implementation of control measures.
  - Develop and deliver action plans for further mitigation.
  - Report in accordance with the Risk Management Policy.

#### Senior & Line Managers

- 14. It is important that managers stimulate the interest of their staff in the identification and reporting of risk and that they respond positively to this. This responsibility should be inherent in managers performance plans and accepted as one of their management responsibilities. They need to be both proactive and reactive, and take ownership of the process. They are responsible for: -
  - Ensuring the authority's Risk Management Policy is implemented within their area of responsibility.
  - Identifying and controlling operational risks associated with their service area.
  - Ensuring employees have access to training and development.

#### All Employees

15. It is necessary for the management of risk to be regarded by all employees at all levels as one of their fundamental duties and to understand their responsibilities to: comply with policies and procedures; operate safe systems of work; and report incidents and near misses to their line manager.

#### Risk Management Champions

16. A Risk Management Champion is appointed within each directorate and Elected Members to help deliver the risk management strategy and develop good practice across the organisation. The full extent of the remit of their role is available on the risk management webpage.

#### Risk Management Coordinator

17. A Risk Management Coordinator is appointed within each directorate to help facilitate the risk managament review and reporting process.



#### **REPORTING & MONITORING ARRANGEMENTS**

- 18. As described in paragraph 5, reporting and monitoring arrangements are two of the six vital components of a successful risk management process. Reporting is necessary as it acts as an early warning system highlighting the potential for future difficulties. Monitoring provides the opportunity for assessment of whether the corrective action taken to address the reported risks are effective and sufficient.
- 19. The table below sets out the Identification and Reporting Cycle.

Risk Level	Identification	Monitoring		Reporting	Frequency
	Corporate	Corporate Management Team		Executive Committee	Annually & Ad Hoc
Corporate	Management Team		TING**	Audit & Governance Committee	Quarterly
Directorate	Directorate Management Team	Directorate Management Team	ESCALATION REPORTING**	Corporate Management Team (CMT)	Quarterly
Division/ Group/ Arm	Service Planning	Management Team	SCALATIO	Directorate Management Team (DMT)	Quarterly
Service	Manager	Manager & Team	RISK	Management Team	Quarterly
ITD Plan Projects	Project Manager &	Project Board	**HIGH LEVEL	Corporate IT Strategy Group	Quarterly
Other Projects	Leader		<b>五</b> *	CMT or DMT	Ad Hoc
Partnership	Client Officer	Partnership Board		Directorate Management Team	Ad Hoc

<sup>\*\*</sup> HIGH LEVEL RISK ESCALATION REPORTING\*\* significant risks (those evaluated with a net rating of 16 or above) should be reported to the appropriate senior management team



- 20. Regular risk reporting is essential to ensure key operational and strategic risks are visibly being considered, addressed and reviewed.
- 21. The reporting process set out in the above table is designed to provide a structured framework for the management of risk information at all levels and demonstrates how risks can be both escalated and disseminated throughout the organisation.

#### **TRAINING & GUIDANCE**

22. A training and communication plan exists to underpin the risk management policy and strategy. The plan is regularly updated and reported to Council Management Team and Audit & Governance Committee. The plans are available at: <a href="mailto:Training & Communication Plan">Training & Communication Plan</a>

#### **EVALUATION AND REVIEW**

23. This policy will be reviewed annually to ensure its continued relevance and to assess its performance against its objectives as set out above.

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## **Audit & Governance Committee**

31 March 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

## Control of Assets and Draft Asset Disposal Procedure Rules

## Summary

The purpose of this paper is to present to Audit & Governance Committee (A&G) for discussion and comment the council's draft asset disposal procedure rules and also outline the improvement actions planned to improve the control of assets as agreed at the last A&G meeting The procedure rules (Annex A) set out the council's commitment to good stewardship of its assets including guidance in relation to lost and stolen items.

## Background

- The council's financial regulations do not set out in detail the action to be taken by officers with regard to the disposal of council assets except in relation to high value capital assets such as Buildings and Land which are the responsibility of the Corporate Landlord. Further to this the regulations do not provide a proper procedure or guidance in relation to lost and stolen assets. These procedure rules provide advice, guidance and a proper process in relation to these matters and will form a supplementary annex to the revised financial regulations to be issued later this year.
- The council needs to embed a formal disposal procedure across the organisation to ensure the proper stewardship of its assets. The adoption of these procedure rules will further develop and enhance the overall governance framework at the council.

## The Policy

The purpose of the procedures (Annex A) is to provide detailed guidance to officers in relation to the action they are required to take in disposing of council assets. This should ensure that all assets including those lost or stolen are properly reported and accounted for.

As set out in paragraph 2 above these procedures will form supplementary guidance to the council's financial regulations and as such all officers will be required to comply with the guidance set out within the procedure rules. The revised financial regulations will be brought to the June committee for approval, and officer training on its content and the content of any supplementary procedures/guidance will follow during the remainder of 2009.

The schedule of assets lost or stolen will be reported to A&G on an annual basis to make members aware of what type of asset and its value is being lost or stolen on an annual basis. The information will also help inform the organisation of where it needs to improve the security of its assets.

## Options & analysis

6 Not relevant for the purpose of this report.

### Consultation

The Corporate Landlord (Head of Property Services) has reviewed the procedure rules and is happy with their content and format. Corporate Finance have also been consulted in terms of the reporting arrangements required to ensure that accurate and properly costed corporate asset schedules are being maintained and are content with the processes set out within the procedures. This report will allow A&G Members to give their views on the procedure rules.

## Corporate priorities

The report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does.

## **Implications**

There are no specific financial, legal, HR, property, crime & prevention, IT&T or other implications arising from this report, other than those specified in the report.

## Risk Management

The risk associated with this report is that failure to adopt formal procedure rules dealing with the disposal or loss of council assets may have financial and reputational consequences. The impact of this is likely to be relatively low as there is little evidence of high value loss however as no formal monitoring has previously taken place the real value of lost and disposed of items may be higher than the perceived value.

## Recommendations

- 11 Members are asked to:
  - a) comment on the format and content of the asset disposal procedure rules attached to this report at Annex A.

#### Reason

Annex A - Asset Disposal procedure rules

To seek members' views as to whether it meets their requirement and expectations.

Author:	Chief Officer Respon	sible for the	report:
David Walker Head of Financial Procedures	Pauline Stuchfield Assistant Director Governance)	(Customer	Services &
Ext 2261	Report Approved v	Date 13 <sup>th</sup>	March 2009
Specialist Implications Officer(s)	Not applicable		
Wards Affected Not applicable			All
For further information please contact th	e author of the report		
Background Papers			
None			
Annexes			

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## ASSET DISPOSAL PROCEDURE RULES INCLUDING GUIDANCE ON LOSS AND THEFT

#### INTRODUCTION

- These procedure rules have been produced to provide officers with clear guidance on the required process to follow when disposing of Council assets other than buildings and Land that are obsolete, broken beyond reasonable repair or surplus to requirements. These procedures are not to be used for the disposal of major capital assets such as buildings and land.
- Officers should where possible try to avoid disposing of items by arranging for them to be placed into a skip, which subsequently ends up at a council landfill site.

#### WHAT IS THE PROCESS?

- The first step is to estimate the value of the item(s) to be disposed of. The value of the item(s) will need to be estimated as accurately as possible to ensure that the correct method of disposal is used. The following methods can be applied to estimate the value of the item(s):
  - By obtaining a quotation or preliminary bid.
  - Previous knowledge and experience.
  - Research (internet, trade publications etc).
- Officers will need to be vigilant and identify any items they feel may be antique, collectable or listed building items. Such items may be of a high value or integral to the building and in such cases Chief Officer approval prior to disposal will need to be obtained. It is also important that Archives are consulted with in relation to such items.
- It is important to ensure that details such as values, item descriptions etc, are accurately recorded and evidenced to ensure a clear audit trail of the disposal process. This can be done by using the form at Annex D of this policy.
- Once the value of the item(s) for disposal has been estimated, officers need to check this against the competition requirements set out in Annex A of this policy.

#### WHAT ARE KEY DISPOSAL CONSIDERATIONS?

- Before decisions are made regarding the correct method of disposal, officers must first determine if the item is in working order and therefore in saleable or re-usable condition, it may be that the item has only recycle or scrap value. Once established that the item is re-useable or saleable the following needs to be considered:
  - Re-Use or Relocation Assets can be re-used or relocated to other departments or service areas within the council. The items can be advertised through the council's internal bulletin board found on the council's intranet site or through the directorate business support units.
  - Obtaining quotes from outside agents This process can be done in a number of ways dependant upon the estimated value of the asset(s) to be disposed (refer to Annex A).

A Disclaimer form (Annex B) must be completed where items are sold or transferred to external bodies or individuals.

#### **OTHER CONSIDERATIONS**

- 8 **Risk** Officers must take reasonable steps to ensure that items to be disposed of are disposed of in such a way that the risk to the council is appropriately mitigated. Risks may include:
  - 3rd party claims (where injury is caused by using the disposed of item).
  - Breaches of legislation (e.g. Data Protection Act as a result of insufficient data cleansing of computer equipment).
  - Reputational damage (arising from adopting environmentally unfriendly disposal routines).
- 9 **IT Hardware disposal** Surplus IT equipment must be disposed of through the ICT service desk by calling ext:2222 who will log the request and arrange for collection of the equipment.
- 10 IT equipment that is in a serviceable condition or can be cost effectively repaired is then relocated within the council. IT equipment that is beyond economical repair is disposed of through a company located in Stockport called Data IQ. In all cases surplus IT equipment must be disposed of through the relevant service IT team to ensure that current Data Protection and health and safety laws are adhered to.

- 11 **Ink consumables** Used Ink consumables are recycled through a Leeds based company called K2. Empty Ink consumables should be returned to the IT Business Support Team where collection is made by K2.
- Mobiles phones Unwanted / broken mobile phones can be recycled through Regenersis free of charge. To arrange this facility the IT Business Support Team can be emailed on <a href="mailto:itadmin2@york.gov.uk">itadmin2@york.gov.uk</a>.
- 13 **Rented** / **Leased equipment** Equipment must not be covered by any rental or lease agreement (e.g. photocopiers).
- 14 **Keep accurate records** In accordance with Annex A accurate records must be kept documenting asset disposals. In order to demonstrate good practice a record of all asset disposals by any method must be made and should include the following information (Annex D):
  - Item description including the make, model, serial number, etc.
  - Is item antique, collectable or a listed building item?
  - Estimated value of item to be disposed including supporting evidence.
  - Method of disposal (auction, recycled etc).
  - Date of disposal.
  - Reason for disposal (obsolete, broken beyond economical repair)
  - Name of officer authorising disposal .
  - Sale receipts (retained for audit).

#### VAT

15 Items to be disposed of may well be subject to VAT. Generally VAT is charged at the standard rate of 15%, however there are exceptions to this, for example when goods are sold to specific types of organisations. Where applicable the VAT element must be recorded. For further information and advice the VAT Officer within the Resources Corporate Finance team should be contacted.

#### RECEIPTS OF INCOME

All sales of assets should be accompanied by a receipt and a completed Disclaimer form (Annex B). The Disclaimer should be signed and completed by both the council officer and the supplier, with the original being retained by the council and a copy given to the supplier for their records.

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#### City of York Council Financial Regulations – Supplementary guidance

All assets sold or otherwise disposed of must be reported to the central finance team using the form at Annex D. All income should be paid in to the department's relevant budget code.

#### REPORTING OF LOST AND STOLEN ASSETS

- The purpose of this section of the guidance is to establish appropriate reporting procedures for lost or stolen council property, including instances of theft. This procedure applies to all council property whether or not the property is recorded in the council's asset register.
- Lost, stolen or missing items must be reported immediately by the responsible department to the council's Internal Audit service (Veritau Ltd) and where the item is insured, the insurance team. This can be done using the "Report of Lost or Stolen Property" form attached at Annex C. Where the item value is in excess of £500 or an insurance claim is to be made, the incident should be reported to the police and a police incident number recorded on the form.
- It is a requirement of the Financial Regulations, to which this document provides supplementary guidance, that each department file a "Report of Lost or Stolen Property" form whenever council property is lost, stolen, or missing, whether or not the item is on the departmental equipment inventory. It is equally important that where the item does form part of the departmental inventories (which are used to record all furniture, fittings, equipment, plant & machinery above £500 as set out in the councils financial regulations) that the item is removed from the inventory.

Annex A

## **Competition requirements in the sale of Council Assets**

All equipment disposals and sales should follow this approved procedure and look to obtain best consideration:

Estimated Asset Sale Value (£)	Procedure to be followed		
0 – 5,000	Value for money –		
	Relocation to other service areas within City of York Council.		
	Obtain quotes from outside agents.		
	Sell to staff by means of a sealed bid (the decision to sell to staff should be authorised by the appropriate Chief Officer.)		
5,000 – 30,000	Verbal quotations		
	Officers must seek and document at least three competitive quotes from purchasers or by placing a public advertisement.		
30,000 – 100,000	Written quotations		
	<ul> <li>All assets that fall into this category must be notified to Chief Financial Officer and their approval received before quotations are sought.</li> </ul>		
100,000 and above	Competitive Tender		
	Where an asset has a value in excess of £100K Executive Member approval will be required and all such disposals must be reported to the CFO in advance of any action been taken to dispose of the asset.		

#### **POINTS TO NOTE**

- i) All equipment to be disposed of is checked to ensure it is in good working order. A manager or senior member of staff must verify the working condition before the item is written off.
- ii) A written record of the disposal/sale is retained and signed by the manager authorising the disposal/sale (Annex D), a copy is sent to Resources central finance team and details of the disposal are recorded in the departmental inventory.
- iii) An official receipt must be provided when an item is sold and the income coded to the correct financial ledger code.
- iv) If items are lost or stolen the departmental inventory will need to be amended to reflect this.

Annex B

## <u>Disclaimer</u> <u>Disposing of Assets</u>

Directorate/Department:	
Representative Officer:	
Contact Details:	
Full Description of Item(s) to	be Disposed:
Items are purchased / obtained basis.	d from City of York Council on a bought as seen
understand that City of York C	ership of the above item(s) at own risk and ouncil accepts no liability for any damage or injury resulting from the transportation, storage or use of
Signed:	
_	
Date:	
Organisation:	

Annex C



## Report of Lost or Stolen Property

SEC	TION A			
Department				
Addı	ress			
SECT	ION B - THE INCIDENT			
Date .	Time	am/pm		
Locat	ion			
Who	discovered it and when?			
STAT	E FULLY THE CAUSE OF THE LOSS/DAMAGE AND HOW IT OCCURRED			
0507				
	ION C			
	e answer the following questions if applicable to the incident:- tions 3 & 4 are compulsory	Delete as Appropriate		
1.	Is a burglar alarm installed at the premises?  If YES, was it operational at the time of the incident?	YES/NO YES/NO		
	If no alarm installed, have you enquired about one? Give details	YES/NO		
2.	Do you have a strongroom in the premises? If YES, was the strongroom in use?	YES/NO YES/NO		
	If YES, were the goods stolen taken from there	YES/NO		
3. WHAT PRECAUTIONS ARE YOU TAKING TO PREVENT A RECURRENCE OF THE LOSS				
4.	WERE THE POLICE ADVISED?			
	IF <u>YES</u> , WHEN AND WHICH POLICE STATION PLEASE PROVIDE INCIDENT NUMBER			
5.	Were the premises unoccupied at the time of the incident?	YES/NO		
6.	Have you suffered a loss of this nature within the last 3 years? If YES, give details:-	YES/NO		
	··· : ==, g··· =			

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#### City of York Council Financial Regulations – Supplementary guidance

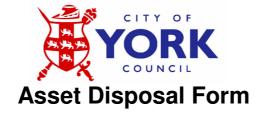
SECTION D					
Description of Articles lost or damaged	From whom originally purchased	Date Acquired	Original Price Paid £	Value at the time of loss or damage £	Value after damage £

#### **SECTION E - DECLARATION BY OFFICER**

Name		
Job Title		
Department		
Signature	Date	

PLEASE RETURN THIS FORM TO:-Internal Audit (Veritau Ltd) City Finance Centre, PO Box 31, Library Square, YORK, YO1 1XH

Annex D



Directorate :	
Department :	
Description of Asset :	
Asset Value :	
Ledger Code :	
<b>Is the Asset on an outstan</b> YES / NO	ding lease?
Has the Asset been remov YES / NO	ed from the department inventory?
Has the correct approval b	een sought to comply with financial regulations?
Authorising Officer :	

Copy to: Central Finance.

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