

Notice of meeting of

Audit & Governance Committee

To:	Councillors Pierce (Chair), Brooks, Crisp, Holvey, Moore, B Watson and R Watson
Date:	Tuesday, 13 May 2008
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

Note:

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

1. Declarations of Interest

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

2. Minutes (Pages 3 - 10)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 15 January 2008.

3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Panel's remit can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is **Monday, 12 May 2008 at 5:00 pm.**

4. Ethical Governance Audit Reports (Pages 11 - 70)

This report introduces two reports, presented to the Standards Committee on 9 November 2007 and 25 January 2008 respectively, advising of progress on the Ethical Governance Audit carried out on the Council by the Audit Commission.

5. Building Supplies: A report from the District Auditor (Pages 71 - 82)

This paper introduces a report prepared by the District Auditor examining the matter of the Council's procurement arrangements for the provision of building supplies by Neighbourhood Services.

6. The Annual External Audit Plan 2008/09 (Pages 83 - 116)

This report presents the Audit and Inspection Plan of the District Auditor for the year 2008/09 and asks Members to consider and approve the Plan.

7. Annual Audit and Fraud Plan for 2008/09 (Pages 117 - 140)

This report seeks Members' approval for the planned programme of audit and fraud work to be undertaken by the Council in 2008/09.

8. The Action Plan arising from the Annual Audit Letter 2006/07 (Pages 141 - 180)

This report sets out a plan of the actions required in 2008/09 further to the issues highlighted by the District Auditor in his annual Audit Letter to the Council, as reported to the Executive on 25 March 2008.

9. 2007/08 Annual Governance Statement (Pages 181 - 202)

This report provides Members with details of the progress which has been made in preparing the 2007/08 Annual Governance Statement (formerly the Statement on Internal Control, or SIC) and to address the significant control issues identified in the 2006/07 SIC.

10. Officer Governance Group 2007/08 Work Programme Out-turn
(Pages 203 - 212)

This report advises Members of the progress made during 2007/08 in respect of the Officer Governance Group work programme, and arrangements for the on-going management of the group during 2008/09.

11. Risk Management Out-turn Report 2007/08 (Pages 213 - 224)

This report informs Members of the progress made during 2007/08 in delivering and embedding risk management arrangements across the organisation and sets out the key deliverables of 2008/09 work plan.

12. Follow Up of Internal Audit Recommendations (Pages 225 - 228)

This report sets out progress made by departments in implementing agreed audit recommendations due to have been implemented by 29 February 2008, and summarises progress on addressing the recommendations relating to Criminal Records Bureau (CRB) checks and the 2007/08 Car Parking audit, for which Members requested that a priority follow up be conducted.

13. Review of the Council's Counter Fraud and Corruption Policies (Pages 229 - 254)

This report advises Members of recent changes to the Council's counter fraud and corruption policy framework, including the adoption of a new Counter Fraud and Corruption Policy, and seeks approval for proposed monitoring arrangements for the revised framework.

14. 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

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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	15 JANUARY 2008
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS, CRISP, HOLVEY, MOORE, B WATSON AND HYMAN (SUBSTITUTE)
APOLOGIES	COUNCILLOR R WATSON

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.

Councillor Pierce declared a personal, non-prejudicial interest in agenda item 6 (Audit and Fraud Mid-Term Monitor), in relation to the mention of Derwent Infant School in Annex 1 to this item, as a governor of that school.

23. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 24 September 2007 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. PRIORITISATION - INSPECTION FOLLOW UP

Members considered a report which outlined progress to date on the recommendations made by the Audit Commission after their August 2007 follow-up inspection of the Council's arrangements for embedding its priorities.

The updated recommendations of the Audit Commission, with Officers' initial comments in response and progress to date, were attached as Annex A to the report and summarised in paragraph 4. Significant progress had been made towards fulfilling the recommendations, and in particular:

- Clear responsibility had been defined for elements of the refreshed Corporate Strategy
- Action plans for priorities had been updated and agreed
- A small number of measures to track progress had been agreed

- Core processes had been further developed to ensure that the actions of the Council were driven by the Corporate Strategy.

Further improvements were planned for the next few months to ensure that the Corporate Strategy was further embedded, in line with the Audit Commission's recommendations.

Members commented that there were weaknesses in some areas in terms of applying the Council's policies 'on the ground', particularly when working with external agencies. Officers confirmed that progress had been made in ensuring that partners were aware of the Council's priorities.

RESOLVED: (i) That the progress made against each of the recommendations be noted.

(ii) That a further progress report on the targets in the action plan be brought to the Committee's meeting in June 2008.¹

REASON: To ensure that the Council's response to the Audit Commission's recommendations is properly monitored.

Action Required

1. Produce progress report for June 2008 meeting.

GR

26. THE ANNUAL AUDIT & INSPECTION PLAN 2007/08 - MID-TERM MONITORING REPORT

Members considered a report which provided an update on progress to date in completing the work set out in the annual external audit and inspection plan for 2007/08, as approved by the Committee in June 2007. The report was presented at the meeting by the District Audit Manager.

A schedule of the principal areas of review and key products due to be delivered in 2007/08 was attached as Annex A to the report. These included items outstanding from the 2006/07 audit plan as well as new work from the 2007/08 plan. It was noted that an unqualified opinion had been given on the financial statements and on the Best Value Performance Plan. An unqualified VFM statement had also been given and a score of 3 (Good) awarded on the CPA Use of Resources assessment, an improvement on last year's score of 2.

The fees for the 2007/08 audit had been specified as: £197k for core audit costs; £126k inspection costs and £50k grant claims. There were no significant variations on budget to report. However, it was noted that the corporate grant claim budget might overspend at year end and that fees for audit would increase significantly from 2008/09 onwards to reflect additional work arising from a change in the audit and inspection regime.

Members commented on the clarity of the information provided in tabular format in Annex A and thanked the District Audit Manager for attending.

RESOLVED: That the contents of the report be noted.

REASON: To ensure the effective client management of the external audit and inspection service.

27. AUDIT AND FRAUD MID-TERM MONITOR

Members considered a report which detailed progress made in delivering the Council internal audit and fraud work plan for 2007/08.

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. Internal Audit had successfully delivered 92% of the 2006/07 Audit Plan and it was anticipated that the 90% target would be achieved on the 2008/9 Plan. Details of audits completed and reports issued were set out in Annex 1 to the report. Variations made to the Plan and approved by the Assistant Director to date, in order to accommodate a shortfall in resources and take account of changes to priorities, were detailed in Annex 2.

Counter fraud work had been undertaken in accordance with the approved Counter Fraud Activity Plan. A summary of the work completed was attached as Annex 3 to the report and details of investigations undertaken and prosecutions and sanctions achieved were set out in Annex 4.

Members commented in particular on two areas identified as 'weak' in the audit reports at Annex 1. These were: the lack of progress made by departments in developing continuity plans (Business Continuity 2006/07) and delays in carrying out Criminal Records Bureau (CRB) checks on all staff employed to work with young people (Youth Services 2007/08).

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

(ii) That Members' concern at the lack of progress by departments in developing business continuity plans be noted.

(iii) That a report be brought to the next meeting of the Committee outlining progress made towards completing CRB checks for relevant Council staff and clarifying the Council's corporate policy on CRB checks.¹

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

Action Required

1. Produce CRB progress report for 1 April A & G meeting. GR

28. STRATEGIC AUDIT PLAN – CONSULTATION

Members considered a report which invited them to note and contribute to the annual review and update of the Council's internal audit risk assessment and five year strategic audit plan.

A copy of the latest version of the five-year Strategic Audit Plan, updated with the risk score for each 'auditable' area, was attached as Annex 2 to the report. Details of the criteria used to categorise the risks were set out in Annex 1. It was noted that, due to the current shortfall in audit resources, many medium or low risk areas were not being reviewed as frequently as required.

The annual review process, which was the starting point for preparing the 2008/09 Audit Plan, was now under way. Members' views were sought as to the accuracy of the outcome of the risk assessment process and whether any other areas should be subject to audit review.

Officers responded to Members' queries and concerns on specific aspects of the criteria in Annex 1 and the scores in Annex 2. In relation to the criteria on pupil numbers, it was noted that although the likelihood of risk might be higher in smaller schools due to lower staff numbers, the impact would be higher in large schools. In relation to the score on Section 106 agreements (ref. No. 510), the results of a recent audit of the collection and use of S106 payments would be brought to Members in June. It was noted that sickness monitoring, this was now being audited yearly due to Members' concerns in this area.

RESOLVED: That the existing audit risk assessment and strategic plan be noted and that Members' comments be taken into account when preparing the 2008/09 Audit Plan.¹

REASON: To ensure that scarce audit resources are used effectively.

Action Required

1. Prepare 2008/09 Audit Plan, taking account of Members' SA comments.

29. AUDIT AND FRAUD SHARED SERVICE – PROGRESS REPORT

Members considered a report which advised them of progress made in developing the shared audit and fraud service between City of York Council (CYC) and North Yorkshire County Council (NYCC)

Phase 1 of the shared service had commenced on 1 October 2007. Interim shared management arrangements were in place, with the CYC Audit and Fraud Manager assuming overall management responsibility across both teams. NYCC was providing £32k to fund this management support. A Project Board had been established to direct and co-ordinate the development and delivery of the service. Staff groups were continuing to operate from their existing office locations and had remained on their

current terms and conditions except for a minor restructure to reflect changed management responsibilities and establish a local 'site' manager.

Work was now ongoing to evaluate detailed business options for the long term organisational structure of the service, including analysis of baseline financial and benchmarking information. Progress had also been made to integrate working practices and systems across both teams. Staff and key stakeholders were being kept updated on progress with the projects. Details of the options appraisal, and the business case for the preferred option, would be reported to Members by March 2008, with full implementation expected by March 2009. It was noted that the report would go initially to the Executive Member for Corporate Services and Advisory Panel, then to the April meeting of Audit and Governance Committee.¹

RESOLVED: That the progress made in developing the shared service initiative with North Yorkshire County Council for the provision of audit and fraud services be noted.

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

Action Required

1. Bring progress report to April 2008 meeting.

SA

30. FOLLOW UP AUDIT OF CAR PARKING

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

The Audit Commission's Annual Governance report for 2006/07 had identified the two control issues that had remained unresolved by City Strategy following the 2004/05 audit, namely:

- No formal reconciliation between income recorded by each car park machine and income counted and banked
- No control to ensure that all boxes collected from machines were delivered to the cashiers.

Members had requested a report on progress made to address these issues.

The findings of Internal Audit set out in paragraphs 9 to 18 of the report. With regard to income reconciliation, the City Strategy Finance Team had been trialling a reconciliation of the daily car park machine reports against the income on the ledger since November 2007. This would continue in the future, supported by information provided by the new Parkeon system. With regard to cash boxes, information on the number of boxes collected during the day was now being supplied to the Chief Cashier using the Parkeon system. Internal Audit had also recommended that receipts for depositing cash boxes be signed by both the Cash Collectors and the

member of Cashiers staff who received them and that reports listing the value of cash collected from each machine be retained for at least six years.

Officers confirmed that a further report would be brought to the Committee, probably in April, to confirm that the recommended controls were in place and operating effectively.¹

RESOLVED: That the initial findings and recommendations of the follow up review carried out by Internal Audit, and the actions taken by Parking Management to address the identified control issues, be noted.

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

Action Required

1. Bring progress report to future meeting.

SA

31. ANNUAL GOVERNANCE STATEMENT

Members considered a report which introduced the Annual Governance Statement (AGS), replacing the Statement of Internal Control (SIC), explained the associated changes and sought approval for a proposed process and timetable for completion of the 2007/08 AGS.

New guidance published recently by CIPFA/SOLACE, entitled '*Delivering Good Governance in Local Government Framework*', set out the six core principles of governance which authorities were required to adopt. It also introduced a requirement to prepare an AGS instead of an SIC, from 2007/08 onwards. To enable preparation of the AGS, a number of changes would be needed to the existing SIC processes. Details of these proposed changes were set out in paragraph 12 of the report. A proposed timetable for the 2007/08 AGS, culminating in the completion of final amendments by 13 June 2008 prior to its receipt by Audit and Governance Committee, was set out in paragraph 14.

It was noted that Internal Audit was currently undertaking a follow up exercise to identify progress made in addressing the significant control issues identified in the 2006/07 SIC, a copy of which was attached as Annex 1. Results of this review would be reported to the Committee in April 2008.

RESOLVED: (i) That the new statutory requirement for the Council to produce an Annual Governance Statement and to publish this as part of the 2007/08 Statement of Accounts be noted.

(ii) That the proposed process and timetable for completion of the 2007/08 AGS be agreed.

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

32. RISK MANAGEMENT USER GUIDE AND KEY RISK MONITORING REPORT

Members considered a report which asked them to comment upon a draft Risk Management User Guide, key risk monitor and risk register report, including controls and actions used in managing corporate risks.

Although the Council's framework for risk management had been in development since the 2001/02 Best Value review, progress had been slow until recently due to limited resources. Additional capacity since October 2007 had enabled further work to be undertaken, including development of a draft User Guide, attached as Annex A to the report. This was a comprehensive document, which provided detailed guidance for all Officers and Members with responsibility for managing risk.

Following their work on identifying key corporate risks, Corporate Management Team (CMT) had requested a quarterly monitoring report on progress in managing and mitigating these. A draft of the format that could be used for this monitor was attached as Annex B. Information being collected as part of the management and monitoring of these key risks was being transferred into the 'Magique' system to create a comprehensive overview and provide a proper management tool for action planning. Details of the information currently held in Magique were attached as Annex C. A further document, indicating how more detailed information on the trend of significant risks could be extracted from the system, was circulated at the meeting and is attached as Annex 1 to these minutes.

In response to Members' questions and comments on Annex B, Officers confirmed that they had been experiencing difficulties in obtaining clear information from action owners within departments. This would be addressed by Corporate Management Team adopting a monitoring role. The purpose of the risk register was to create a focus for recording risks, but details of individual risks could be supplied on request.

RESOLVED: That the draft risk management user guide at Annex A, the draft monitoring report at Annex B, the draft Magique report at Annex C and the additional information provided at the meeting be noted.

REASON: To help deliver a more consistent and well understood approach to risk management across the Council and to provide a clear focus on managing the key threats to the Council and the action being taken to manage them.

33. INFORMATION MANAGEMENT STRATEGY

Members considered a report which asked them to note and comment upon a medium term strategy to improve information governance in response to certain external imperatives and internal pressures.

A copy of the draft strategy, which had been approved by CMT on 5 December 2007, was attached as Annex A to the report. Its main elements included:

- A project to reduce the volume of paper records before the move to Hungate
- Increasing the use of DMS, to manage information actively
- Review of the information governance policy framework
- A policy on contributing to the historic archive.

It was noted that revisions to the data protection and other corporate policies required Member approval and would be reported for formal decision in due course. Other elements of the strategy were essentially operational. An indicative action plan would be prepared in the coming weeks. The execution of the strategy would be managed and co-ordinated by the Information Management Officer, with policies being presented to Members at an early stage, followed by detailed implementation within services.

Members endorsed in particular the need to ensure the security of data, in the light of recent data losses by government departments. They accepted the need to reduce the amount of 'hard copy' data retained by the Council, due to the cost implications of storing such data after the move to Hungate. However, procedures should be in place to ensure that important data was scanned and retained electronically prior to disposal of hard copies.

RESOLVED: (i) That the strategy attached as Annex A be noted and that Officers take note of Members' comments thereon.

(ii) That the consideration of a revised data protection and information sharing policy in the Forward Plan be noted.

(iii) That the consideration of progress against the strategy, to be included in the Forward Plan, be noted.

REASON: To enable Members to inform, and monitor progress on, the medium term strategy.

R. Pierce, Chair

[The meeting started at 5.30 pm and finished at 7.30 pm].



Audit & Governance Committee

13 May 2008

Ethical Governance Audit Reports

Report of the Head of Civic, Legal and Democratic Services

Summary

- 1 This report introduces two reports, presented to the Standards Committee on 9 November 2007 and 25 January 2008 respectively, advising of progress on the Ethical Governance Audit carried out on the Council by the Audit Commission.

Background

- 2 The Audit Commission has been commissioned by the Council to carry out an Ethical Governance Audit, which has been undertaken as a three stage process. Progress on the Audit was reported to the Standards Committee, as the proper reporting body, following publication of the Stage 1 and Stage 2 reports. Copies of these reports are included in Annexes 1 and 2 to this report.
3. The reports have been referred to the Audit and Governance Committee for information only, in view of the Committee's overall role to review and monitor the Council's Corporate Governance arrangements.

Options & analysis

- 4 Not relevant for the purpose of this report.

Consultation

- 5 See the relevant paragraphs of the reports at Annex 1 and Annex 2.

Corporate priorities

- 6 See the relevant paragraphs of the reports at Annex 1 and Annex 2.

Implications

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

Risk Management

8 Not relevant for the purpose of this report.

Recommendations

9 Members are asked to note the reports at Annexes 1 and 2 and the progress made on the Ethical Governance Audit.

Reason: To ensure the maintenance of high standards of ethical conduct in the Council.

Author:

Quentin Baker
Head of Civic, Legal and
Democratic Services

Chief Officer Responsible for the report:

Quentin Baker
Head of Civic, Legal and Democratic
Services

**Report
Approved**

Date 2 May 2008

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

For further information please contact the author of the report

Annexes

Annex 1 – Report of the Interim Head of Civic, Legal and Democratic Services to Standards Committee on 9 November 2007

Annex 2 - Report of the Interim Head of Civic, Legal and Democratic Services to Standards Committee on 25 January 2008



STANDARDS COMMITTEE

9 November 2007

Report of the Interim Head of Civic, Democratic and Legal Services

ETHICAL GOVERNANCE AUDIT

Summary

1. This report advises members of progress on the Ethical Governance Audit including the outcome of Stage 1 and seeks approval to the action to be taken.

Background

2. The Audit Commission was commissioned to carry out an Ethical Governance Audit of the Council. The audit is undertaken as a three stage process:-
 - Stage 1 – this consists of an assessment of policies, procedures and practices against statutory requirements and best practice. Effectively, it is a review of the documentation in place to support the governance framework
 - Stage 2 – this is an assessment of the level of awareness of ethical governance issues by way of a questionnaire completed by Members and the first three tiers of officers
 - Stage 3 – this stage involves the delivery of workshops with members and officers to deal with issues arising out of the Stage 1 and 2 process.
3. The final Stage 1 report was published in August. A copy is attached as Annex 1 to this report.
4. The main conclusions of the report are that overall the Council's arrangements to deliver high ethical standards are satisfactory. There are some areas where arrangements could be strengthened and other areas where best practice could be adopted. These areas are detailed in the report at paragraphs 8 – 23 and in the appendix.
5. A further checklist and action plan has been prepared setting out the issues highlighted in Stage 1 and the action which is being, or has been, taken to address them. This is attached as Annex 2.

6. There are a number of issues which relate to the composition and role of the Standards Committee which will involve amendment to the Council's Constitution. These have been included in the work of Officer Governance Group and the Constitutional Project Board.
7. The Stage 2 report is still at draft stage and has yet to be signed off by the auditor. A further report will be brought to the Committee when it has been finalised.
8. A programme for the workshops for stage 3 has still to be arranged.

Consultation

9. The Council's Officer Governance Group has considered the Stage 1 report and the conclusions/recommendations arising from it. The outcome of the Ethical Governance Audit will also be reported to the Audit and Governance Committee.

Options

10. Members have the option of agreeing some or all of the recommendations set out in Annex 2 to this report.

Analysis

11. The actions detailed in the Annex represent the views of the OGG as to the best way of taking forward the outstanding actions.

Corporate Priorities

12. Implementation of the recommendations arising from the Ethical Governance Audit will contribute to the corporate priority of providing strong leadership for the city.

Implications

13. There are no specific financial, HR, equalities, crime and disorder, IT, property implications arising out of this report. The legal implications are dealt with in the report.

Risk Management

14. There is a risk to the standing and reputation of the Council if it does not ensure high ethical standards within the organisation.

Recommendations

15. The Standards committee are recommended

- 1) to note the outcome of stage 1 of the Ethical Governance Audit and the progress on stages 2 and 3.
- 2) to agree the actions set out in Annex 1 in relation to the various recommendations contained in the Stage 1 Report:

Reason: To ensure the maintenance of high standards of ethical conduct in the Council.

Contact Details

Author:

Colin Langley
Interim Head of Legal, Civic and Democratic Services
Chief Executive's
Tel No. 551004

Chief Officer Responsible for the report:

Colin Langley
Interim Head of Civic, Democratic and Legal Services

Report Approved

Date 26th October 2007

Specialist Implications Officer(s) List information for all
None

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Background Papers:

Ethical Governance Audit Report Stage 1

Annexes

- Annex 1 – Ethical Governance Audit Report Stage 1
- Annex 2 – Stage 1 detailed audit checklist and action plan.

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Ethical Governance Audit - Stage 1

City of York Council

Audit 2006/07

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

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

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

Status of our reports

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Introduction

- 1 We have been requested by the council to carry out an audit of their ethical governance arrangements. The audit is being carried out in three stages:
 - stage 1 - a review of the council's overall arrangements;
 - stage 2 - a survey of members and officers views on the council's arrangements; and
 - stage 3 - workshops for members and officers.
- 2 This report summarises the key messages from stage 1.

Audit approach

- 3 The stage 1 of the audit has involved:
 - a detailed review of key council documents;
 - comparison to good practice examples; and
 - discussion with key council officers.
- 4 We have completed a detailed checklist which documents our view on the council's arrangements.

Main conclusions

- 5 Overall the council's arrangements to deliver high ethical standards are satisfactory.
- 6 There are some areas where arrangements need strengthening and other areas where best practice could be adopted. These are set out below. More detail is recorded in Appendix 1 - the detailed audit checklist. The question numbers below relate to the questions in Appendix 1.
- 7 Our suggested key improvement points are set out below.

Standards Committee

- 8 There is only one parish council member of the Standards Committee. It is good practice to have more than one parish council member, particularly to allow leeway should a complaint be received about that members' parish council. (Q3)
- 9 Setting up a parish sub-committee to the standards committee would enable the parish councils to have a forum for standards issues. (Q4)
- 10 Cases published by the Standards Board could be publicised more widely across the council, eg by producing briefing notes to all members/relevant officers, or by establishing an area of the intranet for standards related issues. (Q12)

- 11 The role of the standards committee could be widened to provide an overview of complaints handling and investigations by the Ombudsman, this is not apparently delegated to any committee in the council. (Q13)
- 12 To promote and maintain a healthy ethical environment, the communication of the council's values, the complaints procedures and corporate policies could be enhanced through posters, bulletins, the intranet and training. (Q14)
- 13 The planned training sessions to the new council on the code of conduct should be delivered promptly, and the communication of the code of conduct could be supplemented by advice sessions or newsletters from the Standards Committee and the Monitoring Officer. (Q16)
- 14 Training sessions on the new officer code of conduct should be planned and delivered promptly after the new code becomes applicable. (Q17)
- 15 The council's required standards of behaviour should be clearly communicated to the public, external stakeholders and all partners. The standards committee should take a lead in the communication. (Q18)
- 16 Consider council-wide publicity of the role and work of the standards committee. (Q20)

Members' code of conduct

- 17 The code of conduct must be a publicly available document. Because the code is within the Constitution it does not show up on the internet search function, and this makes it difficult to locate. Additionally staff at public offices should have a copy of the code readily available for public inspection. (Q27)
- 18 When the new code of conduct is adopted this should be publicised and sent to the Standards Board for England. (Q28/29)
- 19 Consider setting up a system to monitor Members' compliance with the code of conduct. (Q52)

Referrals from the Standards Board

- 20 The standards committee should adopt a formal approach to how it carries out its duties on receiving a referral back from the Standards Board for England. This is particularly relevant should the proposed changes to SBE be adopted. (Q41)

Protocols and policies

- 21 The council's protocols do not appear to cover the use of council stationery, postage and the use of council vehicles. (Q63)
- 22 Current developments on partnership arrangements should ensure that the council's ethical framework is incorporated in procurement, contracting and partnership development guidance. (Q64)
- 23 The council policies could be more easily located on the intranet – eg the anti-bullying policy was very difficult to locate. (Q65)

Appendix 1 – Stage 1 detailed audit checklist

Issue	Audit findings	Conclusion/recommendation
1) Is there a Standards Committee (SC) in the council?	CYC have established an SC.	Requirement met.
2) How far does the membership of the SC comply with the legislation?	<p>Membership of the SC s laid down by Article 8 of the Constitution: six Members made up of three Councillors, two independent members and one member from a Parish Council.</p> <p>This meets the requirement for 25 per cent independent membership. Article 8 states that the Leader is not eligible for membership of the SC.</p> <p>It is common practice for the SC to contain one member from each of the main parties and this is the current situation.</p>	Membership of the SC complies with the legislation.
3) If the council has town and parish local authorities, has at least one representative been appointed on to the SC?	<p>Only one member from the Parishes.</p> <p>Note: Strengthening the Parish arrangements could be achieved by either issue 3 or issue 4.</p>	Good practice is for more than one parish council member.
4) Has the authority established a sub-committee to deal with parish issues?	No sub committee has been established.	Consider setting up a sub-committee to deal with Parish issues.
5) How were independent members appointed? Were the council's recruitment procedures adhered to?	While the Council have not used their standard HR practices in the recruitment of independent members they have followed a formal recruitment process. Adverts were posted in the local press and Public Sector journals to attract candidates and candidates were required to fill in an application form and attend an interview prior to selection. The advert shows that the position advertised was not open to anyone who has served on the Council in the last five years or anyone that is a close friend of any member of employee of the Council.	Although the council did not follow its standard recruitment procedures in this appointment the approach adopted is robust and appropriate. The recruitment of the independent chair of the SC has followed the Standards Board's required procedures.

Issue	Audit findings	Conclusion/recommendation
6) Who chairs the SC? Is it one of the independent members?	Article 8 of the Constitution that one of the independent members will be the Chair of the SC. Current chair is Christine Bainton.	Chair is an independent member as required.
7) What are the terms of reference of the SC? Do they include: <ul style="list-style-type: none"> • advising on the adoption of a local code which sets out the standards of conduct expected from members; • promoting and maintaining high standards of conduct within the council through assistance, advice and training; and • monitoring the operation of the local code? 	Page 104 of the Constitution provides the Terms of Reference for the SC. These include the following. <ul style="list-style-type: none"> • Assisting members to uphold their Code of Conduct. • Advising on the adoption of the Code. • Promoting high standards of conduct. • Monitoring the operation of the Code. • Providing advice and training to Members on the Code. 	Terms of Reference are comprehensive and appropriate.
8) Have the terms of reference for this committee been submitted to the Standards Board?	This will have happened before the current Monitoring Officer was in post, and there is no retained evidence that this has been done. The MO suspects that this will have been done when they were first drawn up prior to her taking up her post.	Evidence of this cannot be provided but the council assumes (not unreasonably) that the ToR would have been sent to the Standards Board in the past.
9) Has the SC undertaken an assessment of the standards of conduct within the council?	No formal assessment of conduct within the council has been undertaken. The Monitoring Officer is responsible for investigating complaints of bullying etc at meetings and has not had any such complaints in the last three years. Monitoring member conduct at Council meetings is part of the ongoing monitoring procedures in place within the SC and the role of the Monitoring Officer.	While no formal assessment of conduct at meetings is carried out there is evidence to suggest that standards of conduct are acceptable.

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Issue	Audit findings	Conclusion/recommendation
<p>10) Has the SC considered how it could use internal and external auditors, scrutiny and committee administration to promote high ethical standards across the council?</p>	<p>Article 8 of the constitution states that the SC will liaise with the Audit and Governance Committee as appropriate. The Terms of Reference on page 104 of the constitution state that the SC should consider information and reports from the Monitoring Officer and the Scrutiny Committee with regard to the conduct of Members. The SC works closely with the Scrutiny Committee in planning work and investigations – the SC has recently engaged Scrutiny to review confidentiality and transparency within the council.</p>	<p>Formal documents set the appropriate framework, though evidence of the arrangements being applied is limited.</p>
<p>11) How does the SC learn from the findings including of internal and external audit, the local government ombudsman, complaints and whistleblowing?</p>	<p>The SC is informed by reports from the Monitoring Officer and Scrutiny, and can liaise with the Audit and Governance Committee as appropriate.</p>	<p>The arrangements are adequate but do place the emphasis on the Monitoring Officer to report relevant items to the SC.</p>
<p>12) What mechanisms does the SC have in place to publicise guidance/case rulings published by the Standards Board?</p>	<p>The guidance on individual cases goes to the standards committee. Letters are sent to parish councils where guidance is clearly not understood.</p>	<p>Arrangements seem adequate but there is scope to enhance by providing briefings to members/officers, and by setting up an area on the intranet to locate all standards related documents.</p>

Issue	Audit findings	Conclusion/recommendation
<p>13) What role does the SC have in the council? The ODPM guidance suggests that local authorities may arrange for their SCs to exercise further functions according to local choice. These might include:</p> <ul style="list-style-type: none"> • overview of internal and external audit; • overview of the whistleblowing policy; • overview of complaints handling and Ombudsman investigations; • review the constitution, making sure it is designed to reduce the opportunity for misconduct by ensuring decisions of the executive are taken after proper discussion, and making sure processes are accountable to members and the public; • make sure that relations with outside bodies are managed properly; • assess reports from the Ombudsman and Audit Commission; • comment on members allowances; • deal with protocols for members and council employees; • identify risk problems and risk factors; and <p>develop procurement procedures.</p>	<p>Of the areas highlighted the SC is only responsible for protocols for member/officer relationships, and advising the Council on amendments required to the Constitution for ethical matters. The following are all the responsibility of the Audit and Governance Committee.</p> <ul style="list-style-type: none"> • Overview of IA and External Audit. • Overview of whistleblowing policy • Assess reports from Audit Commission • Identify risk problems and factors • Develop procurement processes <p>The Monitoring Officer has delegated authority to maintain an up to date Constitution.</p> <p>There are some areas which are not specifically covered in any Committee's terms of reference within the Constitution:</p> <ul style="list-style-type: none"> • overview of complaints handling and Ombudsman investigations; and • member allowances - though, again, this may be the responsibility of the full council. 	<p>Consider if the SC should be responsible for:</p> <ul style="list-style-type: none"> • having an overview of the handling of complaints and Ombudsman investigations; and • commenting on members allowances.

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Issue	Audit findings	Conclusion/recommendation
14) What does the SC do to promote and maintain a healthy ethical environment in the council and raise standards in the council?	There is a member development programme to raise awareness. The Audit Commission have done some training to members. The SC have considered Nolan and subsequent reports.	SC is proactive in its role but mainly focused on members standards. Communication of such matters around the council could be enhanced by publicising the: <ul style="list-style-type: none"> • council's values; • complaints procedures; • whistleblowing policy; and • corporate policies. Publicising could be through posters, bulletins, the intranet and training.
15) What does the SC do to help members/officers to understand the code of conduct? How does the SC communicate the requirements of the code of conduct to all members?	Training on the Code is provided to all new members as part of their induction process. Members of the SC have been given training about the proposed changes to the Code and complaints procedure as proposed by the SBE. The Monitoring Officer is proposing to give a presentation to Full Council at the first meeting after the elections have taken place in order to explain the Code and members responsibilities.	Formal training is provided to new members as part of their induction programme. Any questions from members about the Code are handled directly by the Monitoring Officer.
16) What training have members received about the code? Is it adequate?	Training has been on hold for 12 months. But there are two new member sessions planned for after the election, and training will incorporate the new code.	Training plan needs to be delivered and needs to include the new code as planned.
17) What training have officers received about the code? Is it adequate?	When the new constitution came in sessions were done at all Directorate Management Teams, plus Corporate Leadership Group and Corporate Management Team. This covered the code, to some degree, and good decision making. The council are now waiting for the new Officer Code of Conduct to carry out more training.	Training on the new officer code needs to be planned for delivery promptly after the new code becomes applicable.

Issue	Audit findings	Conclusion/recommendation
18) What does the SC do to help the public, external stakeholders and partners to understand the required standards of behaviour of members?	There is a standing item on all council agendas on interests. Co-opted members have been encouraged to sign up to the Code of conduct (which they have). Arrangements for partners are less clear – work is ongoing around the governance and accountability of partnerships.	It is not clear what role the standards committee has in publicising the required standards of behaviour of all concerned. The council needs to ensure that the required standards of behaviour are effectively communicated to the public, stakeholders and partners.
19) How well informed and supported do independent members feel about their role?	The chair feels very well supported. The Monitoring Officer takes a proactive role in supporting and assisting the independent members.	No major issues.
20) How aware are members and officers about the role and work of the SC?	The Monitoring Officer believes that members are very aware of the role and work of the SC as it directly relates to their behaviours and activities. It is less clear how aware officers are of the work of the SC.	It is possible that only senior officers are aware of the work of the SC. Consider council-wide publicity of the SC.
21) How easily available are SC: <ul style="list-style-type: none"> • terms of reference; • meeting schedule; • the agenda; • reports; • minutes; and • background papers? 	The terms of Reference, meeting schedules for the current financial year, agendas, reports, minutes and background papers were all easily obtained from the council website.	All relevant meeting documentation was easily obtained.
22) Has the council adopted the members' code of conduct? Have all elected members signed up to the code?	A Code of Conduct has been adopted. All members have signed up to the code.	All elected members have agreed to conduct themselves in accordance with the Code.
23) Have co-opted members (eg Members of Pension Fund) also signed the code of conduct?	All co-opted members have signed the code.	No issues.

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Issue	Audit findings	Conclusion/recommendation
24) Has the member code of conduct been tailored to local circumstances? Has the Standards Board for England been informed of any changes to the model code?	The model code issued by the SBE has not been tailored locally.	Code of Conduct is in line with the model as provided by the Standards Board.
25) Does the local code include all the required aspects?	The Code includes all the required aspects.	All required aspects have been included in the Code.
26) Has the council integrated the code of conduct into its policies/schemes, following from their obligations under the SDA, DDA and the RRAA, HRA and the FOI Acts?	Reviewed the FOI policy - no reference to the code of conduct has been made. Policies directly relating to the SDA, DDA, RRAA and HRA were not located. The 'prevention of bullying, harassment and discrimination at work' does clearly state that the council's disciplinary procedure will be used to address incidents, although no mention of the codes of conduct is made.	Although the code of conduct has not been integrated into specific council policies, there are clear statements of intent relating to conduct and the council's obligations.
27) Has the council ensured that copies of the code are available at an office of the council for inspection by the public at all reasonable hours? Including parishes.	The code was not available at the City Finance Centre. At the Guildhall, a hard copy was not available to view. On request, and after some time, an officer located the Code on the Intranet to view. Although the Code is available on the council website it is within the Constitution and as such does not show up on any of the search facilities on the website.	A hard copy of the code should be available for inspection by the public and staff in public offices should be aware of the council's arrangements. The Code should be made more easily accessible on the council website.
28) Has the council publicised through at least one local newspaper that the code has been adopted and that it is available for inspection (including the address of the office)? Including parishes.	The Code was adopted in 2002. No evidence has been retained to confirm that the council did publicise its adoption.	Evidence of the publicising of the code's adoption could not be produced. When the new Code is adopted by the council, this should be publicised, along with the arrangements for public inspection of the code.
29) Has the council sent a copy of its code to The Standards Board? Including parishes.	The Code was adopted in 2002. No evidence has been retained to confirm that the council did send the Code to the SBE. It is reasonable to assume that the SBE would have reminded the council of the need to do this, if it had failed to do so.	When the new Code is adopted by the council, this should be sent to the SBE as required.

Issue	Audit findings	Conclusion/recommendation
<p>30) How far do members promote equality, do not discriminate unlawfully against any person, and understand the implications of the following acts of parliament.</p> <ul style="list-style-type: none"> • Human Rights. • Disability Discrimination. • Sex Discrimination. • Race Relations Amendment. • Freedom of Information. <p>How far do members integrate the requirements of the acts into their approach to their work?</p>	<p>Evidence from meetings and from discussions with the MO is that members are well aware of the acts and behave in accordance with them. The Social Inclusion Group reports to the Executive, and covers diversity and equality issues, and there is a member champion for Social Inclusion. This enables the disability and equality agendas to be incorporated into the councils work.</p>	<p>No major issues.</p>
<p>31) How far do members and officers understand their respective roles? How far do members interfere in minor operational issues?</p>	<p>The MO view is that members and officers do understand their roles and that communication lines are strong when members do interfere in minor operational issues.</p>	<p>No major issues.</p>
<p>32) How far do members and officers treat each other with respect? How far do members and officers trust each other?</p>	<p>Directors seem to have good relationships with members. The MO has a good working relationship with most members. Evidenced recent cases highlight that there is a good level of trust between the officers and members.</p>	<p>No major issues.</p>
<p>33) How do members demonstrate openness, transparency, accountability and equity when making decisions?</p>	<p>Members are very inclusive of the public in meetings, and most meetings are public. All Executive decisions are made through public EMAP meetings. Shadow Executive challenges the Executive. Minutes of meetings are available on the internet and are clear and available.</p>	<p>No major issues.</p>

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Issue	Audit findings	Conclusion/recommendation
34) Do members ever do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the authority?	There have been no cases come to light of this in the last few years.	No major issues.
35) Do members and officers ever inappropriately disclose information given to them in confidence?	No examples exist of this having happened.	No issues.
36) How far do members listen to the advice of officers?	There are many examples that officer advice and challenge is listened to and acted upon.	No major issues.
37) Is the constitution designed to reduce the opportunity for misconduct by ensuring decisions of the executive are taken after proper discussion?	Executive Committee meetings are governed by the Council's general standing orders as per page 129 of the Constitution. Where the proceedings of the Executive meetings differ from these standing orders these have been set out on page 145 of the Constitution.	The constitution is designed to reduce the opportunity for misconduct.
38) Do members or officers ever behave in a way which could reasonably be regarded as bringing their office or authority into disrepute?	The only breach in three years is one Councillor receiving a reprimand from SBE for a breach. The SC annual report does not highlight any major issues.	Disrepute cases are very rare and seem to be appropriately handled.
39) Do any members ever misuse their official position to their own advantage or (dis)advantage of others?	No cases (other than the isolated case above).	No issues.
40) Do members ever inappropriately use resources for political or other purposes?	There are no cases of this happening. One case occurred recently but on the advice of officers, the council resources were not used.	Evidence supports the assertion that members listen to officer advice especially relating to inappropriate use of council resources.

Issue	Audit findings	Conclusion/recommendation
<p>41) Has the SC given any consideration to how it will carry out its duties should it receive a referral back from the Standards Board, including:</p> <ul style="list-style-type: none"> • the procedures for determining the outcome of cases referred back from the SBE for: <ul style="list-style-type: none"> - investigation; and - determination. • the role of the monitoring officer (giving advice/undertaking investigations); • protocols and procedures for the monitoring officer when conducting investigations ensuring the right to natural justice is maintained, timeliness and time to respond is adhered to; • avoidance of conflict of interest of committee members; and • diversity, equalities, freedom of information, data protection. 	<p>Evidence suggests that the SC has not given any formal consideration to the points raised, although training sessions on the process of investigations have been provided to SC members. The current recruitment of a Deputy Monitoring Officer will give an opportunity to formalise the approach to referrals from the SBE.</p>	<p>No formal consideration of the points raised has been made. The SC should formally consider, and adopt an approach to carry out its duties on receipt of a referral.</p>
<p>42) How well equipped is the SC to deal with referrals passed from the Standards Board for England?</p>	<p>Currently the SC appears well equipped to handle local investigations. The proposed changes to the SBE would change this and could put a strain on the SC's ability to carry out this role effectively.</p>	<p>Currently it is believed that the SC is well equipped to deal with referrals from the SBE.</p>
<p>43) Has a register of interests been set up?</p>	<p>Register has been set up.</p>	<p>No issues.</p>

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Issue	Audit findings	Conclusion/recommendation
44) Is the register open to public scrutiny? How easily accessible is it? (eg through the website and then can be found?)	The register of interests for each individual Councillor can be obtained easily from the website. The full register is not available to view by the public from the Guildhall.	No issues.
45) Where town and parish local authorities exist within the council boundaries, have registers been set up for these local authorities too?	Yes registers set up for parishes - maintained by Democratic Services.	No issues.
46) Has a public register for gifts and hospitality been set up?	As with the register of interests, the gifts and hospitality register for each member is obtainable from the website with ease. A full copy of the register is available to view at the Guildhall.	No issues.
47) Does the register of interests require all members to record: <ul style="list-style-type: none"> • their jobs? • the name of their employer? • the name of any company of which they are a director or a partner? • the name of any person who has made a payment to them in respect their appointment as a member or expenses they have incurred in carrying out their duties? • the name of any corporate body in which they have a shareholding of more than £25k (face value) or have a stake of more than 1/100th in the company? 	All requirements as listed are on the register of interest. The electronic register requires members to record all items in the list opposite.	No issues.

Issue	Audit findings	Conclusion/recommendation
<ul style="list-style-type: none"> • any contracts for goods and services or works between the authority and the member, their firm (if they are a partner) or company (if they are a director) or if they have a £25K (face value) or stake of more than 1/100th of the company? • landholdings in the area? • land leased or licensed from the authority? • membership of, or position of control or management in: <ul style="list-style-type: none"> - other bodies where they represent the authority - other public authorities; - Companies, industrial and provident societies and charitable bodies; - bodies whose main purpose is to influence public policy or opinion; and - trade unions or professional associations? <p>Members must tell their monitoring officer in writing of any interests which fall within these categories and must let the monitoring officer know in writing of any changes or additions that should be made. Interest must also be declared at meetings.</p>		

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Issue	Audit findings	Conclusion/recommendation
48) Are interested declared and logged at meetings? How rigorously are declarations of interest applied and monitored? How is the register of interests maintained? How often is it up-dated?	Interests are declared at meetings. The evidence suggests that members often declare interests that are not always totally relevant 'to be on the safe side'. Members have the ability to make amendments to their declaration of interests via the website. It is their responsibility to ensure that any relevant interests are declared and that the register is kept up to date. The register itself is simply an amalgamation of the individual members' declarations and is maintained by the Democratic Services team.	Register is kept up to date and is rigorously applied and monitored.
49) How far do members understand the difference between personal and prejudicial interests – how is this communicated to them? Is it clear that personal and prejudicial interests must be declared by members of overview and scrutiny and other council committees and panels?	Members are aware of the differences. The MO makes them aware at the start of meetings, and the difference between personal and prejudicial has been explained many times at meetings. As evidenced by minutes of meetings, members are very pro-active in declaring interests.	No issues.
50) Have there ever been any allegations of impropriety with regard to the declaration of interests?	No examples of failure to disclose an interest. Recent evidence suggests there has been only one instance of a member partaking in a discussion against advice.	No issues.
51) Is it clear to members that a dispensation can be sought, allowing them to take part in meetings where they have a prejudicial interest?	Yes – has been included in member training in the past.	No issues.
52) How proactive is the monitoring officer, about ensuring members comply with the code?	The MO issues an annual reminder on registering interests. Also sends all members correspondence in the pre-election period setting out what they can do in that period. An annual report is taken to full council from the SC.	Consider setting up a system to monitor compliance with the new code of conduct.

Issue	Audit findings	Conclusion/recommendation
53) How far does the MO: <ul style="list-style-type: none"> • provide the SC with adequate support and information; • monitor the effectiveness of the code of conduct; • help train SC members on the code of conduct; and • provide appropriate advice to the SC? 	One of the democracy officers provides support to the SC. Chair of the SC felt very well supported by officers. MO meets the chair before meetings, to determine the agenda and brief the chair. An annual report to Council is produced – there have been no breaches of the code last year. Training has been focussed on detailed cases (eg the Ken Livingstone case recently).	No issues.
54) How well prepared is the monitoring officer for local investigations and the management of referrals back from TSBE?	MO takes a paper to SC with any referral from SBE. MO leads any investigations and reports back to SC who consider the information and decide on the sanction.	No issues.
55) Does the Chief Executive have a role in ensuring that the code of conduct is observed and ethical behaviour is promoted? How defined is the role? How far does the Chief Executive share leadership of the ethical agenda with the Leader of the council?	Formally the CX refers some matters to the MO, and responds to some ethical matters to members. Informally CX takes more of a lead on ethical matters than the leader, but the leader responds correctly when challenged.	No issues.
56) How does the Chief Executive promote the importance of the ethical agenda? How far is the chief executive a good role model for high ethical standards throughout the authority?	As above – promotion is through formal and informal routes, and in opinion of the MO is effective at this.	No issues.

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Issue	Audit findings	Conclusion/recommendation
57) Do the council's practice and procedures allow the monitoring officer and the Chief Executive to intervene verbally or in writing if ethical issues arise in the decision-making process?	Yes – response of verbal or written depends on the severity of the issue. Constitution has a section which provides discretion (Article 13).	No issues.
58) Do the monitoring officer and SC have access to the Chief Executive on this issue?	Yes – deals with issues as they arise.	No issues.
59) Does the monitoring officer have the protection of the Chief Executive?	MO gets support from the CX, and also the Director of People and Improvement (who she reports to) and the Director of Resources.	No issues.
60) Do whistleblowers have the protection of the Chief Executive?	Yes – as demonstrated through recent whistleblowing cases.	No issues.
61) How regularly are the following reviewed, including terms of reference; operation of the constitution, code of conduct, the SC, other ethical protocols. What changes have been made in the light of these reviews?	The Constitution is reviewed every five years and was done in 2006. MO has recently been given delegated authority to make minor drafting changes to the Constitution or more major changes where these have been agreed by herself and the various member groups. Any amendments made to the Constitution are reported to full Council on an ad hoc basis. The Code of Conduct is due to be revised this year and is the process of going through consultation. It is believed that the new Code will be in place for the summer of 2007. Any other documents are reviewed on an ad hoc basis.	Constitution is formally reviewed every five years and this includes terms of reference for all committees. Other ethical protocols are reviewed on an ad hoc basis.
62) How clear and widely known is the council's access to information policy known to members and officers?	Members are made aware of their responsibilities in terms of accessing and also providing information. The relevant protocols are contained within the Constitution (see Q64 below) and training is provided to members on these issues as part of the induction process.	No issues.

Issue	Audit findings	Conclusion/recommendation
<p>63) How clear are the council's protocols on the following?</p> <ul style="list-style-type: none"> • Member/officer protocols? • Use of authority premises? • Information technology (including the use of equipment at home)? • Telephone and fax? • Photocopying? • Use of stationery and headed writing paper? • Postage? • Use of authority transport? • Allowances and expenses? 	<p>Member/Office protocol – page 295 of Constitution. Access to info – page 327 of Constitution. Electronic Communication (IT, telephones etc) – Page 347 of Constitution. Allowances – Page 373 of Constitution. Documents were not located that relate to the use of council transport or the use of stationery items or postage equipment.</p>	<p>Key documents are contained in the Constitution with the exception of policies for the use of stationery and postage and the use of council transport.</p>
<p>64) How clear are the council's ethical frameworks for procurement, contracting and partnership development? Note that a separate probe is being developed on ethical partnership working.</p>	<p>This is being worked on – arrangements are being strengthened.</p>	<p>Current developments on partnership working should ensure that the council's ethical framework for procurement, contracting and partnership development are up to date and incorporated in appropriate guidance.</p>
<p>65) Is there an anti-bullying policy? How effective is it?</p>	<p>An anti-bullying policy is in place within the council's HR manual. It is located on the intranet within the HR manual.</p>	<p>As with other important documents in place within the Council, the Bullying policy could not be easily tracked down by searching on the council intranet. A policy does exist but its usefulness is limited by its inaccessibility.</p>

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Issue	Audit findings	Conclusion/recommendation
66) Is there a whistleblowing policy? How effective is it?	A copy of the whistleblowing policy is available within the Constitution.	Policy is in place.
67) What action does the council take to promote confidence in local democracy?	<p>There is an active public participation scheme within the Council and there are often public speakers for full council meetings and other meetings where the public may speak.</p> <p>The council has undertaken promotion work around service levels and improving user satisfaction. Schemes such as Housing Associations and Tenant Participation Surveys allow feedback to be received with regard to housing services for example. Council wide, there is a scheme whereby 2,000 residents are sent questionnaires three times a year to offer feedback on services and give advice on possible improvements that can be made.</p> <p>In addition to these initiatives, individual directorates undertake ad hoc work to invite feedback and recommendations on a regular basis via residents groups.</p>	No issues.
68) What is the view of external stakeholders, partners and the community? Do they consider that the council upholds the highest standards of ethics and probity and has a high reputation for efficiency and integrity?	Evidence is more anecdotal but suggests that the council is viewed mainly positively by external stakeholders. The occasions where standards are seen to slip receive a high public profile, and do tend to affect the public perception of the council.	No major issues, but the public perception of the council is important - especially so in light of the recent drop in public satisfaction.

ANNEX 2 - Stage 1 detailed audit checklist and action plan

Issue	Audit findings	Conclusion/recommendation	CYC action
3) If the council has town and parish local authorities, has at least one representative been appointed on to the SC?	Only one member from the Parishes. Note: Strengthening the Parish arrangements could be achieved by either issue 3 or 4.	Good practice is for more than one parish council member.	This has been included in the issues to be considered as part of the review of the Constitution.
4) Has the authority established a sub-committee to deal with parish issue?	No sub committee has been established.	Consider setting up a sub-committee to deal with Parish issues.	This has been included in the issues to be considered as part of the review of the Constitution.
12) What mechanisms does the SC have in place to publicise guidance/case rulings published by the Standards Board?	The guidance on individual cases goes to the standards committee. Letters are sent to parish councils where guidance is clearly not understood.	Arrangements seem adequate but there is scope to enhance by providing briefings to members/officers, and by setting up an area on the intranet to locate all standards related documents.	The possibility of an intranet page is being investigated
13) What role does the SC have in the Council? The ODPM guidance suggests that local authorities may arrange for their SC's to exercise further functions according to local choice. These might include: <ul style="list-style-type: none"> • overview of internal and external audit; • Overview of the whistle blowing policy; • Overview of complaints handling and Ombudsman investigations; • Review the constitution, making sure it is designed 	Of the areas highlighted the SC is only responsible for protocols for member/officer relationships, and advising the Council on amendments required to the Constitution for ethical matters. The following are all the responsibility of the Audit and Governance Committee. <ul style="list-style-type: none"> • Overview of IA and External Audit • Overview of whistle blowing policy • Assess reports from Audit Commission • Identify risk problems and factors • Develop procurement processes The Monitoring Officer has delegated authority to maintain an up to date Constitution. There are some areas which are not specifically covered in any Committee's terms	Consider if the SC should be responsible for: <ul style="list-style-type: none"> • having an overview of the handling of complaints and Ombudsman investigations; and • commenting on member's allowances. 	This has been included in the issues to be considered as part of the review of the Constitution.

<p>to reduce the opportunity for misconduct by ensuring decisions of the executive are taken after proper discussion, and making sure processes are accountable to members and the public;</p> <ul style="list-style-type: none"> • Make sure that relations with outside bodies are managed properly; • Assess reports from the Ombudsman and Audit Commission; • Comment on members allowances; • Deal with protocols for members and council employees; • Identify risk problems and risk factors; and Develop procurement procedures. 	<p>of reference within the Constitution:</p> <ul style="list-style-type: none"> • Overview of complaints handling and Ombudsman investigations; and • Member allowances – though, again, this may be the responsibility of the full council. 		
<p>14) What does the SC do to promote and maintain a healthy ethical environment in the council and raise standards in the council?</p>	<p>There is a member development programme to raise awareness. The Audit Commission have done some training to members. The SC have considered Nolan and subsequent reports.</p>	<p>SC is proactive in its role but mainly focused on member's standards. Communication of such matters around the council could be enhanced by publicising the:</p> <ul style="list-style-type: none"> • council's values; • complaints procedures; • whistle blowing policy; and • corporate policies. <p>Publicising could be through posters, bulletins, the intranet and training.</p>	<p>This has been included in the issues to be considered as part of the review of the Constitution. In particular, the delegations will be amended to include receipt of reports from the Officer Governance Group on items in their workplan.</p>
<p>16) What training have members received about the</p>	<p>Training has been on hold for 12 months. But there are two new member sessions planned</p>	<p>Training plan needs to be delivered and needs to include the new codes as</p>	<p>Training for members is to take place on 31 October 2007.</p>

code? Is it adequate?	for after the election, and training will incorporate the new code.	planned.	
17) What training have officers received about the code? Is it adequate?	When the new constitution came in sessions where done at all Directorate Management Team, plus Corporate Leadership Group and Corporate Management Team. This covered the code, to some degree, and good decision-making. The council are now waiting for the new Officer Code of Conduct to carry out more training.	Training on the new officer code needs to be planned for delivery promptly after the new code becomes applicable.	The new officer code is unlikely to appear for some considerable time.
18) What does the SC do to help the public, external stakeholders and partners to understand the required standards of behaviour of members?	There is a standing item on all council agendas on interests. Co-opted members have been encouraged to sign up to the Code of conduct (which they have). Arrangements for partners are less clear – work is ongoing around the governance and accountability of partnerships.	It is not clear what role the standards committee has in publicising the required standards of behaviour of all concerned. The council needs to ensure that the required standards of behaviour are effectively communicated to the public, stakeholders and partners.	The standards Committee annual report will go some way to addressing this point.
20) How aware are members and officers about the role and work of the SC?	The Monitoring Officer believes that members are very aware of the role and work of the SC as it directly relates to their behaviours and activities. It is less clear how aware officers are of the work of the SC.	It is possible that only senior officers are aware of the work of the SC. Consider council-wide publicity of the SC.	The intranet will assist this. It is also proposed that a feature is included in a future edition of News in Depth.
27) Has the council ensured that copies of the code are available at an office of the council for inspection by the public at all reasonable hours? Including parishes.	The code was not available at the City Finance Centre. At the Guildhall, a hard copy was not available to view. On request, and after some time, an officer located the Code on the Internet to view. Although the Code is available on the council website it is within the Constitution and as such does not show up on any of the search facilities on the website.	A hard copy of the code should be available for inspection by the public and staff in public offices should be aware of the council's arrangements. The Code should be made more easily accessible on the council website.	Hard copy of the Code is available for inspection by the public and staff in the Guildhall.
28) Has the Council publicised through at least once local	The Code was adopted in 2002. No evidence has been retained to confirm that the council	Evidence of the publicising of the code's adoption could not be produced.	Done

<p>newspaper that the codes has been adopted and that it is available for inspection (including the address of the office)? Including parishes.</p>	<p>did publicise its adoption.</p>	<p>When the new Code is adopted by the Council, this should be publicised, along with the arrangements for public inspection of the code.</p>	
<p>29) Has the council sent a copy of its code to The Standards Board? Including parishes.</p>	<p>The Code was adopted in 2002. No evidence has been retained to confirm that the council did send the Code to the SBE. It is reasonable to assume that the SBE would have reminded the council of the need to do this, if it had failed to do so.</p>	<p>When the new Code is adopted by the council, this should be sent to the SBE as required.</p>	<p>Done</p>
<p>41) Has the SC given any consideration to how it will carry out its duties should it receive a referral back from the Standards Board, including:</p> <ul style="list-style-type: none"> • the procedures for determining the outcome of cases referred back from the SBE for: <ul style="list-style-type: none"> - investigation; and - determination. • The role of the monitoring officer (giving advice. undertaking investigations); • Protocols and procedures for the monitoring officer when conducting investigations ensuring the right to natural justice is maintained, timeliness and time to respond is adhered to; • Avoidance of conflict of 	<p>Evidence suggests that the SC has not given any formal consideration to the points raised, although training sessions on the process of investigations have been provided to SC members. The current recruitment of a Deputy Monitoring Officer will give an opportunity to formalise the approach to referrals from the SBE.</p>	<p>No formal consideration of the points raised has been made. The SC should formally consider, and adopt an approach to carry out its duties on receipt of a referral.</p>	<p>To be put in the Standards Committee workplan.</p>

<p>interest of committee members; and</p> <ul style="list-style-type: none"> • Diversity, equalities, freedom of information, data protection. 			
<p>52) How proactive is the monitoring officer, about ensuring members comply with the code?</p>	<p>The MO issues an annual reminder on registering interests. Also sends all members correspondence in the pre-election period setting out what they can do in that period. An annual report is taken to full council from the SC.</p>	<p>Consider setting up a system to monitor compliance with the new code of conduct.</p>	
<p>63) How clear are the council's protocols on the following?</p> <ul style="list-style-type: none"> • Member/officer protocols? • Use of authority premises? • Information technology (including the use of equipment at home)? • Telephone and fax? • Photocopying? • Use of stationery and headed writing paper? • Postage? • Use of authority transport? • Allowances and expenses? 	<p>Member/Office protocol – page 295 of Constitution. Access to info – page 237 of Constitution. Electronic Communication 9IT, telephones etc) – Page 347 of Constitution. Allowances – Page 373 of Constitution. Documents were not located that relate to the use of council transport or the use of stationery items or postage equipment.</p>	<p>Key documents are contained in the Constitution with the exception of policies for the use of stationery and postage and the use of council transport.</p>	<p>This has been included in the issues to be considered as part of the review of the Constitution.</p>
<p>64) How clear are the council's ethical frameworks for procurement, contracting and partnership development? Note that a separate probe is being developed on ethical partnership working.</p>	<p>This is being worked on – arrangements are being strengthened.</p>	<p>Current developments on partnership working should ensure that the council's ethical framework for procurement, contracting and partnership development are up to date and incorporated in appropriate guidance,</p>	
<p>65) Is there an anti-bullying policy? How effective is it?</p>	<p>An anti-bullying policy is in place within the council's HR manual. It is located on the intranet within the HR manual.</p>	<p>As with other important documents in place within the Council, the Bullying policy could not be easily tracked down</p>	

		by searching on the council intranet. A policy does exist but its usefulness is limited by its inaccessibility.	
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STANDARDS COMMITTEE

25 JANUARY 2008

Report of the Interim Head of Civic, Democratic and Legal Services

ETHICAL GOVERNANCE AUDIT

Summary

1. This report advises members of further progress on the Ethical Governance Audit including the outcome of Stage 2.

Background

2. The Audit Commission was commissioned to carry out an Ethical Governance Audit of the Council. The audit is undertaken as a three stage process:-
 - Stage 1 – this consists of an assessment of policies, procedures and practices against statutory requirements and best practice. Effectively, it is a review of the documentation in place to support the governance framework
 - Stage 2 – this is an assessment of the level of awareness of ethical governance issues by way of a questionnaire completed by Members and the first three tiers of officers
 - Stage 3 – this stage involves the delivery of workshops with members and officers to deal with issues arising out of the Stage 1 and 2 process.
3. The final Stage 1 report was published in August. A report on Stage 1 including an action plan to tackle the issues identified was submitted to the last meeting of the Standards Committee.
4. The final Stage 2 report was published by the Audit Commission in November 2007. A copy of that report is attached as an Annex to this report.
5. Questionnaires were sent out to all Council members and to a group of officers. 115 replies were received; 22 from councillors and 93 from officers, of whom 17 are part of the Corporate Leadership Group.
6. The main conclusions of the survey are generally very positive. They demonstrate a high level of understanding of the Council's ethical governance arrangements and a strong indication of compliance with the policies and procedures. In particular members were found to have a strong

level of awareness and understanding of the code of conduct and its impact on their behaviour and actions. There was strong support for the work and effectiveness of the Committee. Members were also found to be very clear on the issue of conflicts of interest and what the differences are between personal and prejudicial interest.

7. The responses from officers were less clear around the codes of conduct for members and officers. There was less awareness of the Members' code and of more concern a number of officers claimed either not to be aware of the officer code or not to have agreed to abide by it. Not surprisingly there was less awareness of the existence of the Standards Committee and understanding of its work amongst officers.
8. The audit concluded that the most significant issues for the Council to address are:
 - Equality legislation awareness: a large proportion of officers and members report that they have not had training, advice or a briefing on relevant equalities legislation.
 - Member/Officer culture: there is a significant minority of respondents who indicated that members interfered in operational issues, and that members involved officers inappropriately in party political issues. A significant proportion of officers consider that they cannot challenge member decisions without fear of reprisal.
 - Member/Officer relationships: a significant minority of officers report that only sometimes can they carry out their roles without the fear of bullying or harassment by members.
9. The issue around equality legislation awareness has been drawn to the attention of the Equalities Officer so that it can be taken into account in future training. Workshops of officers and members are being organised to further explore the issues raised in the replies to the survey particularly around Member/Officer relationships. The workshops will be conducted by the audit Commission. The officer workshop is being planned for March and a date is being sought for one for members.

Consultation

10. The outcome of the Ethical Governance Audit will also be reported to the Audit and Governance Committee.

Options

11. This report is for the information of the Committee. An action plan to implement the findings of the first part of the Ethical Governance Audit has already been agreed.

Analysis

12. The report is for information to keep the Standards Committee advised of progress on the Ethical Governance Audit..

Corporate Priorities

13. Implementation of the recommendations arising from the Ethical Governance Audit will contribute to the corporate priority of providing strong leadership for the city.

Implications

14. There are no specific financial, HR, equalities, crime and disorder, IT, property implications arising out of this report. The legal implications are dealt with in the report.

Risk Management

15. There is a risk to the standing and reputation of the Council if it does not ensure high ethical standards within the organisation.

Recommendations

16. The Standards Committee are recommended to note the outcome of stage 2 of the Ethical Governance Audit.

Reason: To ensure the maintenance of high standards of ethical conduct in the Council.

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Report Approved tick

Date 14th January 2008

Specialist Implications Officer(s) List information for all
None

Wards Affected: List wards or tick box to indicate all

All tick

For further information please contact the author of the report

Background Papers:

Ethical Governance Audit Report Stage 2

Annexes

Annex 1 – Ethical Governance Audit Report Stage 2

Ethical Governance Audit - Stage 2

City of York Council

Audit 2006/07

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

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Introduction

- 1 We have been requested by the Council to carry out an audit of their ethical governance arrangements. The audit is being carried out in three stages.
 - Stage 1 - A review of the council's overall arrangements.
 - Stage 2 - A survey of members and officers views on the Council's arrangements.
 - Stage 3 - Workshops for members and officers.
- 2 This report summarises the key messages from Stage 2.

Audit approach

- 3 The Stage 2 of the audit has involved carrying out an electronic survey of officers and members to ascertain their views of the Council's ethical governance arrangements. The results from this survey give the Council an impression of how successfully its policies and procedures are accepted and adhered to by officers and members.

Main conclusions

- 4 The results are generally very positive, indicating a high level of understanding of the Council's ethical governance arrangements, and a strong indication of compliance with the policies and procedures.
- 5 The most significant issues for the Council to address are:
 - Equality legislation awareness: A large proportion of officers and members report that they have not had training, advice or a briefing on relevant equalities legislation.
 - Member/officer culture: There is a significant minority of respondents who indicated that members interfered in operational issues, and that members involved officers inappropriately in party political issues. And a significant proportion of officers consider that they cannot challenge member decisions without fear of reprisal.
 - Member/officer relationships: A significant minority of officers report that only sometimes can they carry out their roles without the fear of bullying or harassment by members.
- 6 A number of the issues in the detailed report and appendices highlight a need for clear, regular and timely communication with both members and officers. Communication on ethical governance has mainly focused on members in the past, and the Council will need to consider how to improve communication with officers.

- 7 The three appendices to this report contain the detailed results of the survey:
 - Appendix 1 reports the responses from members.
 - Appendix 2 reports the responses from officers.
 - Appendix 3 reports combined responses from both officers and members.
- 8 We received 115 responses to the questionnaire: 22 from Council members and 93 from officers. Of the 93 officer respondents, 17 are part of the corporate leadership group.
- 9 The key headlines from the work are set out below against relevant headings.

Compliance with the codes of conduct

Members

- 10 Members generally have a strong level of awareness and understanding of the code of conduct and its impact on their behaviour and actions. There are some, albeit isolated cases that indicate that further awareness is needed.
- One member responded that they had not agreed to abide by the code of conduct.
 - The same member responded that they were very unclear about reporting a breach of the code of conduct, and very unclear about their responsibilities under the ethical framework.
 - Four members disagreed that the Council's approach to promoting high ethical standards was helping to build the public's confidence in local democracy.
- 11 There was also a divergence of views on the action that individuals should take when they reasonably believe another member has failed to comply with the code of conduct. While there was almost universal agreement to inform the monitoring officer, opinion was divided as to whether they would make a written allegation to the Standards Board for England, or speak to the member.

Officers

- 12 The picture is less clear from the officers' responses to questions around the compliance with the code of conduct.
- 13 There are a large number of 'Don't know' responses for whether there is a code of conduct for members and for officers. Curiously there are six officers who respond that the Council does not have a code of conduct for officers, and 19 who say that they have not agreed to abide by the officers code of conduct.
- 14 Although a majority of officers agree that the Council's approach to promoting high ethical standards encourages appropriate behaviour and builds the public's confidence in local democracy there is a significant minority who disagree with these statements.
- 15 Consistent with the responses from members, there is a wide divergence of views on the action that individuals should take when they reasonably believe another member has failed to comply with the code of conduct.

Standards committee

Members

- 16 The responses relating to the work of the Standards Committee are very positive. Although there are a small minority of 'don't knows' and three responses disagreeing with the positive statements about the Committee, the responses indicate a strong support for the work and effectiveness of the Committee.

Officers

- 17 As might be expected, the responses for officers contain a majority of 'don't knows'. However there are some responses that indicate further consideration is necessary.
- Three officers disagreed that there was a Standards committee in place and a further 35 did not know if one existed.
 - Only 35 of the respondents agreed that they understood the role of the Standards committee.
 - A minority of respondents were negative about the effectiveness of the standards committee (six responses), whether the committee makes a difference to the Council's ethical environment (eight responses) and that the work of the committee adds value to the council (seven responses).

Whistleblowing

Members

- 18 Only one member did not know that the Council has a whistleblowing policy.

Officers

- 19 Seven officers did not know that the Council has a whistleblowing policy.
- 20 Four officers thought the policy was unclear and 18 did not know if the policy was clear or not.

Integration of legislation

Members

- 21 Six members did not know if the Council had begun to integrate into the codes of conduct, the requirements of the human rights, freedom of information, data protection and equalities legislation. Council officers report that they consider that the national Code of Conduct for members includes sufficient coverage of the relevant legislation.

Officers

- 22 The responses from officers are less clear, with six of the responses indicating that the Council has not begun the integration of the relevant legislation into the codes of conduct. The majority of respondents did not know if this integration had begun. Council officers report that they have reviewed the code of conduct and are aware of the level of integration with the relevant legislation.

Training

Members

- 23 Only one member disagrees that appropriate training is given to members on issues of conduct. A further one member did not know if this was the case.
- 24 Although a majority of members have had training, advice or a briefing on relevant legislation such as the Freedom of Information Act and Data Protection Act, the results relating to other important Acts is less positive, in particular the Acts relating to 'equalities' issues have poorer results.
- Sex Discrimination Act - only 8 of the 22 members reported that they had been provided with training, advice or a briefing.
 - Race Relations Act - 12 of the 22 members reported that they had been provided with training, advice or a briefing.
 - Human Rights Act - 10 of the 22 members reported that they had been provided with training, advice or a briefing.

Officers

- 25 The responses from officers are less positive, with 14 respondents disagreeing that the training given to members is appropriate, with only 18 respondents agreeing that it is appropriate.
- 26 Similar to the results for members the number of officers who have had training, advice or briefings varies widely, and the Acts relating to equalities 'issues' again seem to be more of an issue.
- There is a good response relating to the Freedom of Information Act (84 Yes, 6 No) and the Data Protection Act (71 Yes, 19 No).
 - The response is more poorer for the Race Relations Act (55 Yes, 31 No), the Sex Discrimination Act (47 Yes, 37 No), the Disability Discrimination Act (59 Yes, 25 No), and the Human Rights Act (39 Yes, 41 No).

Conflicts of interest

Members

- 27 The responses indicate that members are very clear on the issue of conflicts of interest and what the differences between personal and prejudicial interests. However there is some uncertainty about whose code of conduct the member should comply with for appointments on external bodies, with four members responding don't know and one member responding that neither code.
- 28 Generally the responses indicate that members are aware of the register of interest, although there are a minority of responses that are concerning.
- One member does not know if there is a register of interests and consequently does not know that members are reminded of the needs to record such interests.
 - One member disagrees that members are reminded to record gifts and hospitality, and a further two members do not know that there are reminders.
- 29 There is a considerable divergence in members' opinions on when they would need to register an interest. These responses indicate that members would benefit from clarity on when interests need to be registered and the issues that they should take into consideration when making such judgements.

Officers

- 30 Responses from officers indicate that they are clear about what a conflict of interest is, although five respondents were 'fairly unclear'.
- 31 Officers' awareness of the members' register of interest and register of gifts and hospitality is, perhaps understandably, less certain than members' awareness is.

Leadership

- 32 All the member and officer respondents were generally positive in their views of members and senior officers. However there is a significant minority of responses that are more concerning:
- 14 respondents (all of them officers) said that members are rarely or never a focus for positive change in the Council.
 - 30 respondents (25 officers, 5 members) said that members interfere in operational issues.
 - 20 respondents (15 officers, 5 members) said that members involved officers inappropriately in party political issues.
 - 7 respondents (all of them officers) said that members rarely perform their duties with honesty, integrity, impartiality and objectivity.
 - 21 respondents (18 officers, 3 members) said that the leader of the Council is rarely or never proactive in promoting the importance of the ethical agenda.

Communications

- 33 The responses indicate that the communication of the importance of ethical standards through training, meetings etc, is more focused towards members than officers.
- 34 The responses indicated that the communication between members and officers was open and constructive, although a small minority of respondents said that this was rarely the case and a significant minority said that it was sometimes the case.

Relationships

- 35 The majority of respondents thought that appropriate confidences were usually kept by members and by senior officers.
- 36 A large number of respondents thought that members trusted each other always or usually, although seven respondents (all of them officers) thought this was rarely the case. The picture presented of trust between members and officers indicates that a small number think trust is always present, and most think the trust is usually present. A significant number (38 - of which 4 were members and 34 were officers) thought this was only sometimes the case. However 10 respondents (all of them officers) thought that trust between members and officers was rarely or never present.
- 37 Bullying and harassment between members is not considered a major issue by the respondents.
- 38 However the response for bullying and harassment of officers by members is a little concerning, with:
- 26 respondents (25 officers, 1 member) indicating that only sometimes do officers carry out their roles without fear of bullying and harassment by members, and
 - 5 respondents (all of them officers) indicating that this is rarely or never the case.

Management of standards

- 39 The responses generally indicate that members can challenge decisions without fear of reprisal.
- 40 However the responses indicate that officers do not have the same privilege, with 55 respondents (52 officers, 3 members) saying that officers could not challenge member decisions without fear of reprisal. This may indicate underlying cultural issues, or at least a perception of them, which the council needs to address.

Appendix 1 – Members' responses

1. Code of conduct – compliance

	Yes	No	Don't know
Has the Council adopted a code of conduct for members?	22	0	0
Has the Council adopted a code of conduct for officers?	20	1	0
Have you agreed to abide by the members' code of conduct?	21	1	0

	Very clear	Fairly clear	Fairly unclear	Very unclear
How clear are you about reporting a potential breach of the members' code of conduct?	15	6	0	1
How clear are the guidelines provided to members regarding their personal conduct?	15	5	0	0
How clear are you about your responsibilities under the ethical framework?	12	9	0	1

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
Members are required to acknowledge that they understand the guidance.	15	5	0	0	2
Your Council's approach to promoting high ethical standards is encouraging appropriate behaviour across the Council.	12	8	0	0	2
Your Council's approach to promoting high ethical standards is helping to build the public's confidence in local democracy.	10	7	4	0	1

If you become aware of any conduct by a member which you reasonably believe involves a failure to comply with the council's member code of conduct what action as an individual must you take?

	Yes	No	Don't know
Inform the monitoring officer?	20	0	1
Make a written allegation to the Standards Board for England?	6	9	3
Speak to the member?	3	11	3
Do nothing?	0	18	0

2. Standards committee

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
There is a Standards Committee in the Council.	19	2	0	0	1
I understand the role of the Standards Committee.	16	5	0	1	0
I believe the Standards Committee operates effectively.	15	6	0	0	1
The Standards Committee is making a positive difference to the ethical environment in the Council.	11	8	1	1	1
The Standards Committee has a forward plan to guide its work.	11	8	0	0	3
The work of the Standards Committee adds value to the Council.	14	5	0	0	3

3. Whistleblowing

	Yes	No	Don't know
Does your Council have a whistle blowing policy?	21	0	1

4. Human rights, freedom of information, data protection, equalities legislation

	Yes	No	Don't know
Has the Council begun to integrate the requirements of codes of conduct into other schemes, policies and procedures?	16	0	6

5. Training

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
Appropriate training is given to members on issues of conduct.	11	6	1	0	1

Have you been provided with training, advice or a briefing/information on:			
	Yes	No	Don't know
The Human Rights Act 1998?	10	6	6
Freedom of Information Act 2001?	18	1	2
Data Protection Act 1998?	18	2	2
Race Relations (Amendment) Act 2000?	12	4	6
Sex Discrimination Act 1975?	8	8	6
Disability Discrimination Act 1995?	15	3	4

6. Conflicts of interest

	Very clear	Fairly clear	Fairly unclear	Very unclear
How clear are you about what a conflict of interest is?	18	4	0	0
How clear are you about the differences between a personal and prejudicial interest?	16	6	0	0

If you are appointed to represent the council on an external body whose internal rules conflicts with the Council's Code whose prevail?			
	Yes	No	Don't know
The Council's code?	17	0	4
Other organisation's code?	0	9	4
Neither?	1	9	4

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
A register is kept in which members are required to record any relevant interests.	20	1	0	0	1
Members are reminded of the need to record such interests.	19	2	0	0	1
Members are reminded of the need to record any hospitality or gifts.	16	3	1	0	2
The hospitality or gifts register is reviewed regularly.	15	2	0	0	5

14 Ethical Governance Audit - Stage 2, Appendix 1 – Members' responses

Must you register an interest in the members' register if?			
	Yes	No	Don't know
You have been appointed by the Council as a representative to another body	14	6	0
You have been appointed as a manager to another organisation which provides a public service?	19	2	1
You are in a management position in a private company?	18	3	1
You are in a management position in a charity?	16	4	2
You are a member of a trade union or professional association?	20	2	0
A person has made a payment to you in respect of your election or any other expenses incurred in carrying out your duties?	20	1	1
You are a member of a church?	3	15	4
You are a member of a freemasons lodge which does not have charitable status?	11	4	7
You have an interest in a business or land in the council's area which exceeds the nominal value of £25,000?	19	1	2
You are a partner or paid director of a company which has entered into contracts for goods, services or works with the Council?	20	2	0
You have a beneficial interest in land which is in the area of the Council?	21	1	0

Appendix 2 – Officers' responses

1. Code of conduct – compliance

	Yes	No	Don't know
Has the Council adopted a code of conduct for members?	68	0	25
Has the Council adopted a code of conduct for officers?	60	6	27
Have you agreed to abide by the officers' code of conduct?	44	19	28

	Very clear	Fairly clear	Fairly unclear	Very unclear
How clear are you about reporting a potential breach of the members' code of conduct?	11	27	34	21
How clear are the guidelines provided to members regarding their personal conduct?	14	31	19	17
How clear are you about your responsibilities under the ethical framework?	11	36	27	19

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
Members are required to acknowledge that they understand the guidance.	30	23	5	1	33
Your council's approach to promoting high ethical standards is encouraging appropriate behaviour across the Council.	13	44	12	1	23
Your Council's approach to promoting high ethical standards is helping to build the public's confidence in local democracy.	7	34	16	3	33

If you become aware of any conduct by a member which you reasonably believe involves a failure to comply with the Council's member code of conduct what action as an individual must you take?

	Yes	No	Don't know
Inform the monitoring officer?	66	0	26
Make a written allegation to the Standards Board for England?	7	28	45
Speak to the member?	10	42	27
Do nothing?	0	69	7

2. Standards committee

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
There is a Standards Committee in the council.	31	24	3	0	35
I understand the role of the Standards Committee.	12	23	19	12	26
I believe the Standards Committee operates effectively.	5	17	5	1	63
The Standards Committee is making a positive difference to the ethical environment of the Council.	4	14	5	3	66
The Standards Committee has a forward plan to guide its work.	6	10	4	1	71
The work of the Standards Committee adds value to the Council.	5	17	4	3	63

3. Whistleblowing

	Yes	No	Don't know
Does the Council have a whistleblowing policy?	83	0	7

If yes,					
	Very clear	Fairly clear	Fairly unclear	Very unclear	Don't know
How clear is the policy?	27	43	4	0	18

4. Human rights, freedom of information, data protection, equalities legislation

	Yes	No	Don't know
Has the Council begun to integrate the codes of conduct into its schemes, policies and procedures resulting from the above legislation?	42	6	45

5. Training

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
Appropriate training is given to members on conduct issues.	1	17	13	1	49

Have you been provided with training, advice or a briefing/ information on:			
	Yes	No	Don't know
The Human Rights Act 1998	39	41	11
Freedom of Information Act 2001	84	6	2
Data Protection Act 1998	71	19	2
Race Relations (Amendment) Act 2000	55	31	5
Sex Discrimination Act 1975	47	37	7
Disability Discrimination Act 1995?	59	25	7

6. Conflicts of interest

	Very clear	Fairly clear	Fairly unclear	Very unclear
How clear are you about what a conflict of interest is?	31	53	5	0

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
A register is kept in which members are required to record any interests which may impair their impartiality.	58	23	1	0	11
Members are reminded of the need to record such interests.	46	23	1	0	23
The register is reviewed regularly.	22	19	3	2	47
A register is kept in which members record the receipt and offering of hospitality or gifts.	43	23	1	0	26
Members are reminded of the need to record any hospitality or gifts.	33	15	3	1	41
The hospitality or gifts register is reviewed regularly.	19	17	2	1	54

Appendix 3 – Combined member and officer responses

1. Leadership

Overall, members...						
	Always	Usually	Sometimes	Rarely	Never	Don't know
Are a focus for positive change	8	38	51	12	2	4
Do not interfere in operational issues	3	37	42	25	5	2
Listen to the advice of officers	10	64	34	4	0	3
Do not involve officers inappropriately in party political issues	24	37	14	13	7	19
Show respect to officers	16	65	27	4	1	1
Show respect to other members	8	61	31	3	1	11
Show respect to people who use council services	33	64	8	1	0	9
Treat fairly all users of Council services and do not discriminate unlawfully	41	49	8	1	1	15
Treat fairly all officers and do not discriminate unlawfully	29	55	10	4	0	16
Treat fairly all other members and do not discriminate unlawfully	29	53	6	3	0	23
Perform their duties with honesty, integrity, impartiality and objectivity	23	60	15	7	0	9
Use public funds and Council property and facilities responsibly	29	65	8	2	0	11

Overall, senior officers...						
	Always	Usually	Sometimes	Rarely	Never	Don't know
Show respect to members	57	52	3	0	0	3
Treat fairly all users of Council services and do not discriminate unlawfully	62	47	2	1	0	3
Treat fairly all members and do not discriminate against them unlawfully	69	40	1	1	0	4

Do you consider that...						
	Always	Usually	Sometimes	Rarely	Never	Don't know
The leader of the Council is a positive role model in terms of ethical behaviour	29	42	20	5	5	14
The leader of the Council is proactive in promoting the importance of the ethical agenda	22	22	21	16	5	29
The chief executive is a positive role model in terms of ethical behaviour	55	37	11	2	1	8
The chief executive is proactive in promoting the importance of the ethical agenda	34	33	21	8	1	17
Appropriate responsibilities are delegated to lead members and officers	30	52	16	5	0	12
The Council's monitoring officer is able to carry out her/his role appropriately	27	26	2	1	0	59
The Council seeks to meet the needs of its diverse communities (eg ethnic minorities, disabled people, disadvantaged people)	29	61	15	7	0	2
The Council ensures that officers come from diverse backgrounds	15	37	28	16	1	18
The Council ensures that staff are appropriately skilled to meet the needs of its diverse communities	10	55	28	10	2	10
The Council learns from other councils to ensure that its ethical arrangements are appropriate	8	32	19	6	4	46

2. Communications

The importance of high ethical standards is communicated via for example, training, meetings, newsletters, the local media and the Council website to						
	Always	Usually	Sometimes	Rarely	Never	Don't know
Members	16	28	16	7	3	45
Officers	15	37	31	13	5	13
Local communities	8	26	28	9	5	38

20 Ethical Governance Audit - Stage 2 - Appendix 3 – Combined member and officer responses

Communication between						
	Always	Usually	Sometimes	Rarely	Never	Don't know
Members is open	11	42	22	1	0	39
Members is constructive	5	46	27	3	0	33
Members and officers is open	8	75	23	5	0	4
Members and officers is constructive	5	67	31	5	0	5

Communication					
	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
The public can easily access the members' code of conduct.	23	20	8	3	61
The public can easily access the register of member interests.	23	14	7	3	66
The public can easily access documents relating to the standards committee (for example, agendas, minutes, background papers).	35	46	7	0	27

3. Relationships

	Always	Usually	Sometimes	Rarely	Never	Don't know
Appropriate confidences are kept by members	17	49	13	1	0	35
Appropriate confidences are kept by senior officers	39	51	6	1	0	18
Members trust each other	2	31	32	7	0	42
Members and officers trust each other	4	51	38	9	1	12
Members carryout their roles without fear of being bullied or harassed	21	38	8	1	0	47
Officers carryout their roles without fear of being bullied or harassed by members.	19	57	26	3	2	8

4. Accountability

	Always	Usually	Sometimes	Rarely	Never	Don't know
Decision making by members is transparent, objective and follows agreed procedures	29	59	15	4	1	6
Members are accountable for their decisions and actions	37	50	18	5	1	3
The public has easy access to information on whom has taken particular decisions.	40	46	12	1	0	15

5. Management of standards

	Agree strongly	Tend to agree	Tend to disagree	Disagree strongly	Don't know
There is a culture in the Council which allows members to challenge decisions without fear of reprisal	24	51	14	2	24
There is a culture in the Council which allows officers to challenge member decisions without fear of reprisal	12	37	39	16	11
There is a culture in the Council which allows partners to challenge decisions without fear of reprisal	13	50	19	3	28
There is a culture in the Council which allows the public to challenge decisions without fear of reprisal.	28	54	13	4	16
The Council's complaints system is clear and accessible	30	64	11	3	7

Overall, members...

	Always	Usually	Sometimes	Rarely	Never	Don't know
Take complaints from the public seriously	46	51	10	1	1	6
Respond positively to constructive external criticism about the council	19	47	26	11	2	10
Use referrals to the Standards Board for England appropriately	9	22	0	1	1	81
Use referrals to the Standards Board for England without fear of reprisal.	19	11	0	0	0	85

22 Ethical Governance Audit - Stage 2 - Appendix 3 – Combined member and officer responses

Overall, senior officers						
	Always	Usually	Sometimes	Rarely	Never	Don't know
Use referrals to the Standards Board for England appropriately	21	8	2	1	1	82
Use referrals to the Standards Board for England without fear of reprisal.	19	8	3	1	2	82

6. Whistleblowing

	Always	Usually	Sometimes	Rarely	Never	Don't know
The Council's whistleblowing policy is used appropriately.	12	37	10	2	0	54
The Council's whistleblowing policy is used without fear of reprisal.	25	31	4	1	1	53

7. Team working and co-operation

	Always	Usually	Sometimes	Rarely	Never	Don't know
Members work well together to achieve the council's common goals.	9	42	38	11	0	13
Members and senior officers work well together to achieve the council's common goals	13	64	27	5	0	4

8. Partnership working

	Always	Usually	Sometimes	Rarely	Never	Don't know
The Council works well with voluntary and community groups to achieve the area's common goals.	12	58	28	6	0	11
The Council works well with statutory partners to achieve the area's common goals.	12	66	25	4	0	8
The Council has positive working relationships with these partners and the wider community.	11	58	34	3	0	9



Audit & Governance Committee

13 May 2008

Building Supplies: A report from the District Auditor

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

Summary

- 1 This paper introduces a report prepared by the District Auditor examining the matter of the Council's procurement arrangements for the provision of building supplies by Neighbourhood Services.

Background

- 2 Some years ago members of the then Resources Scrutiny Committee considered a report from the Assistant Director of Resources on various breaches and waivers of financial regulations. One matter related to the purchase of building supplies by the then Commercial Services Directorate which were not being purchased under contract or in accordance with financial regulations. Members at that time required the relevant officers to take all necessary remedial action. Since then, following the appointment of the new Director, the Directorate has taken the necessary action to put in place an appropriate framework agreement with a suitable supplier. This was done in accordance with the Council's financial regulations and procurement rules.
- 3 The Audit Commission recently conducted a standard regularity audit of the Servitor Building Maintenance System. In doing so some control issues have become apparent further to the operation of the new contract and the District Auditor has chosen to report these matters to governance Members as per the report attached as Annex A, prior to a full review of arrangements by Internal Audit in 2008/09.

Consultation

- 4 The District Auditor has discussed and agreed his report with Neighbourhood Services staff.

Options

- 5 Not relevant for the purpose of the report.

Analysis

- 6 Not relevant for the purpose of the report.

Corporate Objectives

- 7 This report contributes to the overall effectiveness of the Council's management & assurance arrangements.

Implications

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

Risk Management Assessment

- 9 The Council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful and adversely impact on the Council's CPA score for the Use of Resources (and therefore its overall CPA score in 2008).

Recommendations

- 10 Members are asked to:
- a) consider the matters set out in the District Auditor's report attached here as Annex A;

Reason

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

Author:

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

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 29 April 2008

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A *Purchase of Building Maintenance Supplies (Audit Commission)*

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Purchase of Building Maintenance Supplies

City of York Council

Audit 2007/08

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

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

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

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

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

Status of our reports

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

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

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Background

- 1 The Council has entered into a Service Level Agreement (SLA) with St Gobain (Jewson Ltd), for the provision of buildings maintenance supplies for a five-year period from September 2007.
- 2 The terms of the SLA state that the Council is required to spend a minimum of £800,000 per financial year with Jewson Ltd, and management estimates indicate that spending is likely to be around £1.2 million in any one year.
- 3 In addition to the terms of the SLA, the Council has agreed to lease warehouse premises to Jewson Ltd on a peppercorn rent basis (£5 per annum).
- 4 Jewson Ltd was selected through the OGC (Office of Government Commerce) procurement route. The OGC was formed by the government to help local authorities deliver savings by improving their purchasing power by agreeing national framework contracts with suppliers which have been through the OJEU tendering process.
- 5 Officers believe that by entering into this agreement for Jewson Ltd to supply all the Council's building materials, they will deliver savings in respect of the price paid for materials; time previously spent sourcing materials from a variety of suppliers across the city; and administrative savings in terms of the processing of invoices.
- 6 We have carried out a review of the Servitor Buildings Maintenance system as part of our routine work on the council's financial systems. As a result of this work we have produced this report to assist the council to strengthen the control framework.
- 7 Internal Audit has not carried out any work with regard to the implementation of the Jewson contract. Discussions between the Finance Manager for Neighbourhood Services and Internal Audit are taking place with regard to a specification for an audit review to be carried out in quarter 1 of the 2008/09 financial year.

Findings and conclusions

Invoicing arrangements

- 8 The Council receives a weekly invoice from Jewson Ltd for the goods that it has booked out of the Jewson Ltd store in the preceding week. The value of this invoice is usually between £20,000 and £30,000 per week and contains several hundred lines of materials that have been booked out. The invoice is authorised for payment by The Assistant Director (Maintenance Services).
- 9 The controls in place to provide assurance to the Assistant Director for him to authorise the invoice are not robust and do not provide sufficient assurance that the invoice is an accurate reflection of the materials used by the Council. There are controls in place that provide limited assurance to the Assistant Director.

- 10 The first of these is a random sample of jobs that are reviewed on a weekly basis by supervisors (around 60 jobs per week). As part of this review, each supervisor ensures that the materials that have been booked against the job have actually been used. This control was implemented in mid-February 2008. There are weaknesses in the operation of this control in that:
- no target has been set in relation to the percentage of materials purchased from Jewson Ltd to be reviewed in any given week. Thus jobs selected for review may not contain any materials purchased from Jewson Ltd. As assurance can only be gained from those jobs that contain materials purchased from Jewson Ltd, this control provides only limited assurance as to the accuracy of the Jewson invoice; and
 - the control has not been operating for the period September 2007 to February 2008. As such, no assurance as to the accuracy of the invoices received in that period can be gained from this control.
- 11 The second control that officers report is operating is a reasonableness check of the interface file from the Jewson stores system to the Council's Servitor system. This check involves reviewing the file for any obvious or high value errors. This control is not evidenced and as such officers cannot demonstrate that:
- the control is operating as intended; and
 - it is effective in identifying errors.

Price of materials

- 12 The Council has not put in place adequate controls to gain assurance that the prices charged by Jewson Ltd are in line with those readily obtainable on the open market.
- 13 Under the SLA entered into as part of the OGC Framework Agreement procurement route, OGC Buying Solutions have agreed to monitor the prices charged by Jewson Ltd for a basket of goods to ensure that those prices offer value for money.
- 14 The Council has not formalised arrangements with OGC Buying Solutions and this price monitoring has not yet commenced. Officers have indicated to us that an agreement as to how this will happen will be reached in the near future.
- 15 By not ensuring that Jewson Ltd are charging the Council competitive prices there is a risk that they are not ensuring value for money with respect to the purchasing of building maintenance supplies.
- 16 Officers report that there is a system in place for obtaining refunds from Jewson Ltd where overcharges have been identified. This includes overcharges that relate to materials that have been previously invoiced. However, as highlighted above, the arrangements for identifying overcharges are not formalised.

- 17 The SLA states that Jewson Ltd shall achieve a 6 per cent return on sales to the Council within a financial year. Any surplus above 6 per cent shall be repaid to the Council, and any deficit under 6 per cent will be payable to Jewson Ltd by the Council. On this basis, a refund will be provided to the Council for any overcharges which are identified at any stage during the course of the financial year.
- 18 The Council receive a summary profit statement from Jewson Ltd on a monthly basis that indicates their direct costs, indirect costs and income from the Council. The reported return is compared to the 6 per cent limit and any surplus or deficit on this figure is shown.
- 19 However, the Council have not yet audited the profit statements received from Jewson Ltd to test their accuracy and completeness. Until this takes place the Council is relying on the financial information received from Jewson Ltd to highlight any return above or below the 6 per cent return on sales.

Contractual arrangements

- 20 As at the 20 March, the Council's legal officers report that contracts in relation to the SLA and the granting of the lease of warehouse premises to Jewson Ltd have not been signed and executed by both parties.
- 21 Although legal officers report that the risk to the Council with regard to the contract not having been executed is minimal as the contents of both documents have been agreed by both parties, the contracts should be signed as soon as practicable in order to remove any risks.

Recommendations

- 22 Officers are aware of the weaknesses that exist in relation to the Jewson contract and are putting in place measures to try and improve the overall control environment. The introduction of a random sample of inspections in February is evidence of officers taking steps to achieve this.

Recommendation

- R1 Formalise the arrangements for weekly inspections of work, to provide sufficient assurance to management in terms of:*
- the number of reviews to be carried out;*
 - the percentage of materials to be reviewed;*
 - the process to be followed to provide sufficient assurance to management; and*
 - the process to be followed where errors are identified.*

- 23 Officers have recently met with representatives from OGC Buying Solutions with a view to ensuring the prices charged by Jewson Ltd for a basket of goods are competitive.

Recommendation

R2 Formalise arrangements with OGC Buying Solutions for ensuring that the Council are being charged a reasonable price for the materials they purchase from Jewson.

- 24 Arrangements for signing and executing the SLA and lease contract are ongoing. The risks relating to these contracts being unsigned is deemed to be minimal by Council legal office.

Recommendation

R3 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.

Appendix 1 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Formalise the arrangements for weekly inspections of work, to provide sufficient assurance to management.	2	Assistant Director (Maintenance Services)	Yes	Weekly inspections have taken place since February based on a random selection of 60 jobs generated by a report. Inspection sheets are signed off and submitted to management each week. The intention was to evaluate the percentage of materials this generates after a short period of time and determine whether this is a reasonable sample level based on test results. Errors identified are reported but it is accepted that it would be beneficial to formalise the procedure. Officers are meeting in April to confirm the appropriate percentage sample and ensure that procedures are robust.	April 2008
6	R2 Formalise arrangements with OGC Buying Solutions for ensuring that the Council are being charged a reasonable price for the materials they purchase from Jewson.	2	Assistant Director (Maintenance Services)	Yes	Officers met the OGC on 3 March and a follow-up meeting is arranged for 12 May to agree the arrangements for benchmarking goods.	May 2008
6	R3 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.	1	Assistant Director (Maintenance Services)	Yes	None.	May 2008



Audit & Governance Committee

13 May 2008

The Annual External Audit Plan 2008/09

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

Summary

- 1 This paper introduces the Audit & Inspection Plan of the District Auditor.

Background

- 2 The Annual Audit Plan sets out the audit and inspection work to be conducted by the District Auditor in discharging their statutory duties to:
 - give an opinion on financial statements of the audited body;
 - draw conclusions as to the arrangements put in place by the audited body to secure value for money (ie the extent to which there are satisfactory arrangements in place for securing economy, efficiency and effectiveness in the use of resources).

The Audit Plan for the 2006/07 is attached as Annex A to this report.

Key planning issues

- 4 In preparing their Plan, the Audit Commission have taken into account:
 - the outcomes of the 2007 CPA Use of Resources work;
 - the quality and coverage of the work conducted by Internal Audit, placing reliance on the Internal Audit Annual Plan to make best use of scarce audit resources and reduce costs wherever possible;
 - an understanding of the key issues facing the organisation in the coming year based on a series of individual interviews conducted with key officers and leading Members over the last few months;
 - their assessment of the inherent audit risks arising;
 - the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit.

Consultation

- 6 The Plan has been widely consulted on with the relevant responsible officers and Management Team prior to it being reported to those Members charged with governance at the Council.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Objectives

- 9 This report contributes to the overall effectiveness of the Council's management & assurance arrangements.

Implications

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

Risk Management Assessment

- 11 The Council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful and adversely impact on the Council's CPA score for the Use of Resources (and therefore its overall CPA score in 2008).

Recommendations

- 12 Members are asked to:

- a) consider the matters set out in the draft Annual Audit Plan presented for discussion by the District Auditor;

Reason

To ensure the effective deployment of scarce external audit resources to best effect

- b) approve the Plan having first considered whether it sufficiently reflects the audit needs and interests of the Council.

Reason

To ensure the effective deployment of scarce external audit resources to best effect

Author:

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Ext 1706

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 29 April 2008

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

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

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Annex A

*The Annual Audit & Inspection Plan 2008/09
(Audit Commission)*

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Audit and Inspection Plan

City of York Council

Audit 2008/09

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

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As I have not yet completed our audit for 2007/08, the audit planning process for 2008/09, including the risk assessment will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit);
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the District Auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

Fees

- 8 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 9 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £263,450, which compares to the planned fee of £322,530 for 2007/08. Although this is a large reduction, the 2007/08 fee included the one-off fee for the corporate assessment.
- 10 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

Table 1 Fees

Audit area	Actual fee 2006/07	Planned 2007/08	Planned fee 2008/09	Page
Audit fee	225,000	196,655	241,055	9
Inspection fee	20,000	125,875	22,395	13
AUDIT AND INSPECTION FEE	245,000	322,530	263,450	
Certification of claims and returns	55,000	50,000	49,000	18
TOTAL FEE	300,000	372,530	312,450	

- 11 The Audit Commission sets out a scale fee for what the audit fee should be for a medium risk audit, and this scale fee for City of York Council is £239,800. The audit fee for 2008/09, of £241,055, is less than 1 per cent above this mid-point scale fee and is within the normal level of variation specified by the Commission. This comparison has shown a continued reduction over the past few years, for example in 2006/07 the fee was 13 per cent above the mid-point.
- 12 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - internal audit undertakes appropriate work on all systems; and
 - good quality working papers and records will be provided to support the financial statements by the end of June 2009.

Further details of our assumptions are outlined in Appendix 2.

- 13 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 14 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.

Specific actions the council could take to reduce its audit and inspection fees

- 15 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. We have identified the following actions City of York Council could take.
 - In the past two years, our assessment of your arrangements to ensure the quality of data has led to an increased level of audit work. Improving your corporate ownership of data quality, improving the consistency of the quality assurance processes, and making other changes as set out in our data quality report issued in December 2007 will enable us to reduce the amount of work we do on the detailed performance indicators.
 - Ensuring the financial statements are fully and accurately supported by detailed working papers will enable our audit to be completed more promptly and more efficiently.

Process for agreeing any changes in audit fees

- 16 As set out in paragraph 4, I expect that the initial risk assessment will change as the year progress. Where this is the case, I will discuss this in the first instance with the Director of Resources and Chief Executive. Supplements to the plan will be issued to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

- 17 I am required to issue an audit report giving my:
- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
 - conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 18 I have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks which may become apparent after we have completed our 2007/08 audit. I will issue a separate opinion plan for our audit of the financial statements after we have completed the 2007/08 audit.
- 19 The Council is planning to replace the Financial Management System (FMS) during 2008/09, and this is a fundamental system in terms of producing the accounts free from material misstatement. We will review the new system, in particular the controls in place to ensure that the data migration from the old to the new system is correct and complete.
- 20 The adoption of International Financial Reporting Standards (IFRS) is not required by local government bodies until 2010/11. However the council will need to produce and implement a project plan to introduce an IFRS compliant reporting framework. We will work closely with your officers as you progress your project plan for implementing IFRS.

VFM conclusion

- 21 In reaching my conclusion I will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 22 The key risks highlighted from our planning are summarised in the table below with details of planned work to mitigate the risks. Full details of our risk assessment are outlined in Appendix 3.
- 23 We have included an amount of time and fee to enable us to assist the Council to respond to the challenges raised in the corporate assessment (CA) report. The specific areas that we will review will be agreed with officers once the CA report has been finalised, and as a result Table 2 and Appendix 3 do not include these areas of work.

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
Asset management arrangements	Review the effectiveness of the arrangements to manage the assets of the council, covering the asset management plan, the maintenance programme, the asset register, and the decision making structure and information management.
Waste management PFI scheme	Review the delivery of the project plan with respect to City of York Council resources.
Proposed changes to IA provision	Review the proposal for IA service provision.
Strategic procurement programme	Review whether the SPP will deliver the required outcomes.

Use of resources

- 24 The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09. This will be a new assessment forming part of the CAA framework for 2009.
- 25 The Commission proposes that the approach to the new use of resources assessment will be focused on three themes with the detailed Key Lines of Enquiry to be confirmed. For each of the significant risks identified in relation to the use of resources work, I consider the arrangements put in place by the Council to mitigate the risk, and plan the work accordingly.
- 26 Our initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through our continuous planning process as the year progresses, in particular once the council has produced its improvement plan to respond to the issues in the forthcoming corporate assessment report.

Mandated work

27 As part of the audit, the mandated work programme comprises:

- data quality; and
- whole of government accounts.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 28 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 29 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 30 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as three stars.
- 31 I have applied the principles set out in the CPA framework, '*CPA - The Harder Test*', recognising the key strengths and areas for improvement in the Council's performance.
- 32 On the basis of the planning process I have identified where inspection activity will be focused for 2008/09 as follows.

Table 3 Summary of inspection activity

Inspection activity	Reason/impact
CAAL role	To act as the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.

Advice and assistance

- 33 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 34 If you wish the Commission to provide additional services under these powers, please contact John Prentice (DA) or Michael Newbury (CAA Lead).

The audit and inspection team

- 35 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 4 Audit and inspection team

Name	Contact details	Responsibilities
John Prentice District Auditor	j-prentice@audit-commission.gov.uk 0844 798 4314	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and audit and governance panel.
Michael Newbury CAA Lead	m-newbury@audit-commission.gov.uk 0844 798 6648	The interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Alastair Newall Audit Manager	a-newall@audit-commission.gov.uk 0844 798 6646	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Director of Resources.

Quality of service

- 36 I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the North East, Yorkshire and Humber sub-region Head of Operations, David Allsop.
- 37 If I am unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website or on request.

Planned outputs

- 38 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Governance committee.

Table 5 **Planned outputs**

Planned output	Indicative date
Opinion Audit and Inspection Plan	March 2008
Interim audit memorandum	June 2009
Annual governance report	September 2009
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009
Final accounts memorandum (to the Director of Resources)	November 2009
Use of resources report	December 2009
Specific audit reports	TBC
Annual Audit and Inspection Letter	TBC

Appendix 1 – Elements of our work

Financial statements

- 1 I will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 I am required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 I am also required to review whether the Annual Government Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Government Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires me to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at my conclusion.
- 5 In meeting this responsibility, I will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.
- 6 I will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 7 The Commission has now consulted on its proposals for the 2008/09 Use of Resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion.

- 8 The Commission proposes that the assessment will be based upon the evidence from three themes:
 - managing money;
 - managing the business; and
 - managing other resources.
- 9 The Commission proposes that Data Quality will become an element of the Use of Resources framework from 2008/09.
- 10 I will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations for improvement.
- 11 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CAA.

Whole of government accounts

- 12 I will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 13 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Certification of grant claims and returns

- 14 I will continue to certify the Council's claims and returns on the following basis.
 - Claims below £100,000 will not be subject to certification.
 - Claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification.
 - Claims over £500,000 will be subject to a certification approach relevant to the audit assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - internal audit deliver their 2008/09 audit plan, particularly on the systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by the end of June 2009;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.

- 5 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
 - additional work is required by the Audit Commission or other regulators; or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

Table 6 Detailed audit and inspection fee

Audit area	Actual fee 2006/07	Planned fee 2007/08	Planned fee 2008/09	Page
Audit				
Financial statements	69,000	72,000	78,000	9
Use of resources	156,000	99,505	133,400	11
Data quality	a	21,600	26,255	12
Whole of government accounts	b	2,500	3,400	12
National Fraud Initiative	b	1,050		
Total audit fee	225,000	196,655	241,055	
Inspection				
Relationship management	10,000	11,063	11,198	13
Direction of Travel	10,000	11,062	11,197	13
Total inspection fee	20,000	22,125	22,395	
Corporate inspection fee		103,750		
Total audit and inspection fee	245,000	322,530	263,450	
Certification of claims and returns	55,000	50,000	49,000	18
Total fee	300,000	372,530	312,450	

Notes

a 2006/07 data quality fee was included within the Use of Resources fee of £156,000

b 2006/07 Whole of Government Accounts and National Fraud Initiative were billed separately (and directly) by the Audit Commission.

Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to audit responsibilities
Asset management	Asset management plan in place, new asset register is operational	Yes	Review the effectiveness of the arrangements to manage the assets of the council, covering the Asset management plan, the maintenance programme, the asset register, and the decision making structure and information management.	2009 UoR assessment
Waste PFI scheme	Project plan in place and progressing well	Yes	Co-ordinate audit response with the auditors of North Yorkshire County Council. Review the delivery of the project plan with respect to City of York Council resources.	2009 UoR assessment
Job evaluation/ equal pay	Implementation plans are well advanced	No		

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to audit responsibilities
Waste management strategy	Waste strategy in place, and council is aware of the improvements needed before the waste PFI scheme is scheduled to be operational	No		
Proposed changes to IA provision	Project plan being worked up	Yes	Review the proposal for IA service provision.	2009 UoR assessment and audit opinion on financial statements
Strategic procurement programme	Part way through the five-year cycle for the SPP	Yes	Review whether the SPP will deliver the required outcomes.	2009 UoR assessment
Admin accommodation project	Project plan in place and progressing well	No		
Replacement of Financial Management System (FMS)	Project plan in place, though implementation has been delayed	Yes	Review the implementation of the new FMS system, in particular the controls over data migration.	The audit opinion on the financial statements.

Appendix 4 – Independence and objectivity

- 1 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the District Auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of audit communications from the auditor to those charged with governance is the Audit and Governance Committee. Auditors reserve the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the audit opinion and conclusion, it should be clearly differentiated within the Audit and Inspection Plan as being ‘additional work’ and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
 - The District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.

Appendix 5 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 The meetings will be organised by the Audit Commission and our proposal for this is as follows.

Table 7 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive Director of Resources	District Auditor (DA) Audit Manager (AM) Local Performance Lead (LPL)	Quarterly: April, August, November, February	General update plus: <ul style="list-style-type: none"> • April - Audit and Inspection Plan; • June - accounts progress and VFM; and • February – UoR/DoT.
Other Directors	DA, AM, LPL	Six-monthly	General update
Assistant Director of Resources (Head of Audit and Risk Management)	AM and LPL	Monthly	General update
Head of Finance	AM and Team Leader (TL)	Quarterly, but more frequently through closedown process.	Update on audit and opinion issues
Internal Auditor Manager	AM and TL	Quarterly	Update on audit progress and issues
Audit and Governance Committee	DA and AM, with TL and/or LPL as appropriate	Quarterly	Formal reporting of: <ul style="list-style-type: none"> • Audit and Inspection Plan; • Annual Governance Report; • Annual Audit and Inspection Letter; and • other issues as appropriate.

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

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Audit and Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

Annual Audit and Fraud Plan for 2008/09

Summary

- 1 The purpose of this report is to seek Members' approval for the planned programme of audit and fraud work to be undertaken in 2008/09.

Background

- 2 Under the Council's Constitution, the Audit and Governance Committee has delegated authority to approve the annual Audit Plan. In accordance with the CIPFA Code of Practice for Internal Audit, and in line with previous years' practice, the Audit Plan is based on a detailed risk assessment process. This process scores each 'auditable' area against a series of criteria, including materiality, system complexity, an assessment of the control environment and the risk of fraud and corruption. The results of previous audit work or external inspections together with issues identified through the corporate risk management process are also used to inform the audit risk assessment.
- 3 Each 'auditable' area within the risk assessment is prioritised as high, medium or low risk. The overall assessment is used to help prioritise the allocation of audit resources in the context of a five year Strategic Audit Plan, so as to ensure that;
 - a) high risk areas are reviewed on an annual basis;
 - b) medium risk areas are reviewed every two or three years;
 - c) low risk areas are reviewed once every five years (subject to resourcing constraints).
- 4 The 2008/09 Internal Audit Plan is intended to address the known key strategic risks and challenges facing the Council over the coming financial year. A Counter Fraud Activity Plan has also been prepared showing the main areas of work planned for 2008/09. The Plan details available resources, proposed anti-fraud activities, and expected outcomes.

2008/09 Internal Audit Plan

- 5 A copy of the draft 2008/09 Internal Audit Plan is attached as Annex 1.
- 6 The total number of planned audit days for 2008/09 is 1392, based on existing resources within the team. However, current staffing levels do not allow all the identified systems and other auditable areas within the Strategic Plan to be reviewed in accordance with the required frequency. As with previous annual audit plans, priority has therefore been given to 'high' and 'medium' risk areas. In preparing the Plan, account has also taken of the following factors;
 - a) The risks inherent in individual audit areas, and the length of time since the previous review;
 - b) Planned work to be undertaken by other departments within the Council or external agencies;
 - c) Areas of known weakness, for example issues identified through the CPA process or from compiling the Annual Governance Statement;
 - d) The need to ensure that the Audit Commission can place reliance on the work of internal audit to minimise their 'opinion' work, and hence reduce the cost to the Council of discharging their external audit responsibilities. (Note that this necessitates a relatively high proportion of time to be spent reviewing corporate systems such as payroll and creditors);
 - e) Work required to support the preparation of the Annual Governance Statement and the Breaches and Waivers report.
 - f) Resources required to investigate possible fraud and corruption and participate in the Audit Commission's National Fraud Initiative.
 - g) Contingency time needed to undertake urgent or unplanned work, which may arise during the year.
- 7 The Plan includes specific systems audits and establishment audits identified through the risk assessment exercise. In addition, time has been allocated to undertake six monthly follow up reviews. These reviews are intended to provide assurance that agreed recommendations have been implemented by management. Details of the progress made by managers to implement recommendations is reported to the S151 Officer, relevant Directors and the Audit and Governance Committee.
- 8 Time has also been allocated to provide ongoing support and advice to managers in respect of the design, implementation and operation of appropriate controls. As noted above, the Plan also includes provision for undertaking special investigations (90 days) in addition to a general contingency of 90 days.

- 9 It is recognised that changes may need to be made to the Audit Plan through the year as a result of new or changed priorities and/or as risks are identified. As in previous years, all variations to the Audit Plan will be reviewed and approved by the AD (Resources) ARM, who is then responsible for reporting any approved changes to the S151 Officer and the Audit and Governance Committee for information. It is also important to note that the particular scope and focus of any individual audit may change to reflect any further weaknesses and risks identified during the planning process for that audit. Once the Plan is approved, the timings of the individual audits will be agreed with the relevant chief officers and service departments.
- 10 The draft Plan also includes an allocation of time (200 days) to undertake value for money (VFM) review work. A programme of VFM reviews is currently being drawn up in consultation with the directorates. This work will include complex systems and process reviews designed to identify savings, efficiencies and improvements in performance. The programme will support the achievement of the Council's priorities. The work will also help to demonstrate that the Council delivers good value for money (as necessary evidence for the Use of Resources - Key Lines of Enquiry). The review programme is expected to examine services and activities across the Council, including those requested by Directorates themselves and any identified through the Corporate Efficiency Programme.
- 11 In addition to the core audit work, a number of special reviews are planned into specific projects and development areas. Detailed consultation on the scope of these reviews will be undertaken with the relevant directorates and/or project managers.
- 12 The Audit and Governance Committee will be consulted in the autumn as part of the annual review process for updating the audit risk assessment and 5 year Strategic Plan. This review will ensure that proper account continues to be taken of the key strategic risks and priorities facing the Council.

Counter Fraud Activity Plan

- 13 A copy of the draft 2008/09 Counter Fraud Activity Plan is attached as Annex 2. The plan is based on the resources currently available to the Fraud Team, and includes details of:
 - a) planned activities, including joint working
 - b) proactive work
 - c) resource allocation.
- 14 The work of the Fraud team is undertaken in accordance with the Council's counter fraud policy framework (which includes the Financial Regulations, Counter Fraud and Corruption Policy, Fraud and Corruption Prosecution Policy, Whistleblowing Policy, disciplinary procedures, and the Anti-Money Laundering Guidance). Much of the work undertaken by the Fraud team continues to involve the

identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. The team also undertakes financial investigations in accordance with the provisions of the Proceeds of Crime Act 2002, and works closely with Internal Audit on internal fraud investigations. In addition, the team will conduct investigations into a variety of other external types of fraud, for example the misuse of blue badges.

Consultation

- 15 The Chief Finance Officer (the S151 Officer), and Directors have been consulted as part of the process for preparing the 2008/09 Audit Plan. This consultation process has:
- a) helped to confirm that the risk assessment on which the plan is based is reasonable and comprehensive;
 - b) enabled the scope and coverage of individual audits to be refined;
- 16 The Audit Commission has also been consulted on the Audit and Counter Fraud Plans so as to:
- a) avoid any possible duplication of work, and,
 - b) ensure that the Council continues to retain its 'managed audit' status.
- 17 Corporate Management Team considered and agreed the draft programme of audit and fraud work on 23 April 2008, for Members' approval.

Options

- 18 Not relevant for the purpose of the report.

Analysis

- 19 Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

- 21 The implications are;
- **Financial** – there are no financial implications to this report.
 - **Human Resources (HR)** – there are no HR implications to this report.

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

Risk Management Assessment

22 The Council will not comply with the CIPFA Code of Practice for Internal Audit in Local Government if the Audit and Fraud plans are not approved. Any failure to comply with the Code might in turn adversely impact on the Council's CPA score for the Use of Resources.

Recommendation

23 Members are asked to;

- Consider and approve the 2008/09 Internal Audit and Counter Fraud Activity Plans;

Reason

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

Contact Details

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Chief Officer Responsible for the report:

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Report Approved



Date 29 April 2008

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- Audit risk assessment and Strategic Audit Plan

Annexes

Annex 1 – 2008/09 Internal Audit Plan

Annex 2 – 2008/09 Counter Fraud Activity Plan

CITY OF YORK COUNCIL
INTERNAL AUDIT PLAN 2008/09

Code	Description	Planned Days
Chief Executive's		
1030	<u>Recruitment and Selection Processes</u> A review of recruitment and selection processes throughout the Council. The audit will review compliance with the Council's revised policy (issued in June 2006), in particular the arrangements for verifying employment details, undertaking Criminal Records Bureau (CRB) disclosure checks and ensuring compliance with the Asylum and Immigration Act.	12
9160	<u>Sickness Management</u> A review to assess the effectiveness of the Sickness management arrangements throughout the Council. The audit will examine compliance with the Attendance at Work policy and the Sickness Absence Management procedures. The controls and procedures for recording and reporting sickness absence will also be reviewed.	20
9520	<u>Equalities</u> A high level review to provide assurance that arrangements are being put in place to ensure compliance with equalities legislation.	15
0960	<u>Chief Executives' - Support and Advice</u> Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4
Total		<hr/> 51 <hr/>

Code	Description	Planned Days
Adult Social Services and Housing		
1470	<u>Homecare</u> An audit of financial processes and controls associated with provision of the homecare service, including arrangements for charging customers.	25
1480	<u>Adults Independent Living</u> A review of the systems for making direct payments to customers. This will include any changes to the system introduced as part of the move towards Individualised Budgets.	20
1510	<u>Residential and Nursing Home Costs</u> A review of procedures for agreeing and managing contracts, and making payments for residential nursing home placements. The audit will review changes to procedures and controls following the introduction of the new Frameworki system.	20
1570	<u>Social Services Establishments</u> The audit will focus on a review of controls in relation to elderly persons homes.	25
1590	<u>Mental Health Services</u> A review of financial management arrangements and administrative processes, including arrangements for working with the Primary Care Trust.	20
1700	<u>Housing Allocations</u> An audit of processes for assessing eligibility for housing, and allocating properties.	18
1710	<u>Housing Rents</u> A review of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.	25

Code	Description	Planned Days
1450	<u>Adult Social Services and Housing - Support and Advice</u> Provision to provide advice and support on the design, implementation and operation of appropriate controls.	4
Total		<hr/> 157 <hr/>

Code	Description	Planned Days
City Strategy		
0650	<u>Public Transport</u> A further review of arrangements for procuring and managing contracts for subsidised bus services. Significant issues were identified as part of the 2007/08 audit and this review will include a follow up of those issues.	15
1010	<u>Partnership Arrangements</u> A review of the governance arrangements associated with partnerships to ensure that appropriate safeguards are in place to protect the interests of the Council. The review will examine the processes for identifying significant partnerships and the following aspects of partnership working; <ul style="list-style-type: none"> • contractual agreements; • legal and financial responsibilities; • financial systems, policies and procedures; • payment processes and authorisation arrangements; • monitoring arrangements and service delivery, and; • budgetary and accounting arrangements. <p>This audit will include a review of arrangements for the local strategic partnership.</p>	20
9515	<u>Waste PFI</u> Provision to provide advice and support in respect of this project.	10
0450	<u>City Strategy - Support and Advice</u> Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4
Total		<hr/> 49 <hr/>

Code	Description	Planned Days
Learning, Culture and Children's Services		
1140	<u>Nursery Education Grants</u> A review of the arrangements for checking and authorising payments to private nursery providers.	20
1300	<u>Capital Programme</u> A review of financial management arrangements, including decision making, resource allocation, monitoring and reporting systems.	20
1420	<u>Foster Carers and Adoption Allowances</u> A review of controls over the assessment and payment of allowances in relation to foster care and adoption.	25
5698	<u>Financial Management Standard in Schools (FMSiS)</u> Provision to undertake the FMSiS risk assessment and make recommendations to the S151 Officer as to whether the relevant schools have appropriate financial management arrangements in place.	20
5699	<u>Schools</u> A programme of visits to schools. The audits are undertaken in accordance with a detailed risk assessment.	100
9513	<u>Referrals and Care Assessments</u> A review of the arrangements for receiving and recording referrals, allocating cases and undertaking care assessments.	20
1090	<u>Learning, Culture and Children's' Services - Support and Advice</u> Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4
Total		209

Code	Description	Planned Days
Neighbourhood Services		
0940	<u>Stores and Purchasing</u>	20
	A review of the systems and controls for ordering, handling, and paying for materials for use by Neighbourhood Services under the new contract arrangements with Jewson.	
0830	<u>Neighbourhood Services - Support and Advice</u>	4
	Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	
Total		<hr/> 24 <hr/>

Code	Description	Planned Days
Resources		
0120	<u>Main Accounting Systems</u>	25
	<p>A review of the arrangements for managing and maintaining the financial ledger. The audit will include an examination of the controls over;</p> <ul style="list-style-type: none"> • access and back up arrangements; • the integrity and timeliness of data; • the processing of journals and virements; • reconciling control and suspense accounts; • the creation and maintenance of the coding structure; • feeder systems; • year end processes. 	
0140	<u>VAT Accounting</u>	20
	<p>A review of compliance with VAT accounting requirements. The audit will review both corporate arrangements, and compliance within service departments.</p>	
0150	<u>Treasury Management and Prudential Code</u>	8
	<p>A 'healthcheck' review of the key controls associated with treasury management. The review will also examine the arrangements for borrowing within the Prudential Code framework.</p>	
0180	<u>Creditors</u>	20
	<p>A review of the systems for checking, authorising and processing creditor invoices.</p>	
0190	<u>Customer Accounts (Debtors)</u>	20
	<p>A review of the systems for raising debtor invoices and collecting income. The audit will also review credit control and debt recovery arrangements.</p>	
0210	<u>Construction Industry Scheme</u>	10
	<p>A review of compliance with taxation regulations under the Construction Industry Scheme.</p>	

Code	Description	Planned Days
0310	<u>Council Tax and NNDR</u> A review of the systems for calculating Council Tax and NNDR liabilities, and the collection recording and processing of payments. The audit will also examine debt recovery arrangements.	25
0320	<u>Council Tax Benefits and Housing Benefits</u> A review of the systems and processes for paying Council Tax and Housing Benefits.	30
0330	<u>Cashiers</u> A review of financial and administrative processes and controls. The audit will examine the arrangements for receiving and processing payments, cash handling controls and overall security.	12
0400	<u>Asset Management</u> A review of the arrangements for maintaining the Council's fixed asset register and property terrier. The audit will include an examination of the role of the Corporate Landlord and the processes for undertaking land and property revaluations, the purchase and disposal of assets and the application of depreciation policies.	30
0410	<u>Property Lease Management</u> A review of the Council's arrangements for managing property leases.	12
0110	<u>Resources Support and Advice</u> Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.	4
Total		216

Code	Description	Planned Days
Corporate and Cross Cutting Audits		
0240	<u>IT Advice and Support</u>	15
	Provision to provide ongoing advice in respect of IT related controls. The allocation also includes time to support the implementation of new financial and management information systems, including FMS and Frameworki.	
0260	<u>Information Security</u>	12
	A review of controls over data security including information stored on portable devices and removable media, transmission of data, and remote access.	
0771	<u>New Performance Regime</u>	50
	A review of information and management systems in relation to Comprehensive Area Assessment, Performance Indicators, and the Local Area Agreement. This will focus on arrangements for ensuring that systems provide robust information, and outcomes are used to inform decision making. This audit will pick up those areas not covered as part of separate reviews. It includes a provision to review specific systems for the collection of performance data.	
9050	<u>National Fraud Initiative</u>	15
	Provision to undertake work in relation to National Fraud Initiative data matches.	
9080	<u>Contract Procedures</u>	50
	A review of controls for:	
	<ul style="list-style-type: none"> • preparing and letting contracts • the receipt and evaluation of tenders and quotations • contract award • contract monitoring. 	
	The audit will also review compliance with the Council's Financial Regulations.	

Code	Description	Planned Days
9090	<u>Budgetary Control</u> A review of the arrangements for setting and monitoring the budget. The audit will review arrangements operating in each Directorate.	33
9100	<u>Corporate Governance</u> Provision to examine corporate governance arrangements throughout the Council.	10
9110	<u>Annual Governance Statement</u> Provision to prepare the Annual Governance Statement for publication with the Statement of accounts.	20
9200	<u>Breaches and Waivers</u> Preparation of the annual Breaches and Waivers report for Members.	50
	Total	<hr/> 255 <hr/>

Code	Description	Planned Days
Other Chargeable Audit Work		
7030	<u>External Audit Liaison</u>	3
	Provision for regular liaison and information sharing with the Audit Commission.	
9000	<u>Contingency Audits</u>	90
	Provision to undertake additional work in response to;	
	<ul style="list-style-type: none"> • specific requests from the Chief Finance Officer (S151 Officer), Audit and Governance Committee and/or the Chief Internal Auditor; • new or previously unidentified risks which impact on Strategic Audit Plan priorities; • significant changes in legislation, systems or service delivery arrangements; • requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management; • urgent or otherwise unplanned work arising from fraud investigations which identify potential control risks. 	
9060	<u>Follow Up Audits</u>	40
	Provision to follow up previously agreed audit recommendations.	
9070	<u>Fraud Investigations</u>	90
	Provision to undertake investigations into suspected fraud, corruption or other wrongdoing.	
9240	<u>Audit and Governance Committee</u>	8
	Provision to prepare reports for the Audit and Governance Committee and attend meetings.	

Code	Description	Planned Days
9510	<u>Value for Money</u>	200
	Provision to provide value for money reviews of Council services. The detailed programme of work will be subject to separate consultation and agreement.	
	Total	431
	TOTAL	1392

Special Projects

In addition to the work carried out as part of the core audit plan, the following special projects will be undertaken by the Internal Audit Service in 2008/09. Detailed consultation on the scope of these projects will be undertaken.

Special Projects

Review of ABRO Contract	15
Payroll System	50
easy@york	20
Administration Accommodation	35
Concessionary Travel	20
Data Protection/Freedom of Information	50
LPSA2	10

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CITY OF YORK COUNCIL
COUNTER FRAUD ACTIVITY PLAN 2008/09

Activity	Planned Days
<u>Fraud Awareness</u>	
<u>Training</u>	15
<p>A programme of fraud awareness training for staff across the Council. This includes specific training in relation to Housing and Council Tax Benefit fraud for staff in the Revenues and Benefits Service and Housing. The training will be designed to raise fraud awareness particularly for new starters, help identify common types of fraud and provide advice to staff on making referrals to the Fraud team.</p>	
<u>General Fraud Awareness</u>	15
<p>Work to promote general fraud awareness within the Council. Activities will include publicising the existence of the Anti Fraud and Corruption Policy and Strategy and related guidance, preparation of payroll notices, leaflets and posters, and articles in relevant staff newsletters and publications (including Benefits News, News and Jobs and In Depth). Guidance will also be provided on referral mechanisms for suspected fraud, corruption and other wrongdoing.</p>	
<u>Advice and Guidance</u>	10
<p>Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls within the Council, to prevent and detect fraud (this work will be undertaken in collaboration with internal audit).</p>	
<u>Public Awareness</u>	10
<p>Ongoing work to publicise the arrangements for reporting suspected fraud, corruption and other wrongdoing, particularly fraud of the benefit system. Planned work will include the production of leaflets, posters and newspaper articles. In addition the press office will be informed of all successful prosecution cases.</p>	

Activity	Planned Days
<u>Fraud Detection and Investigation</u>	
<u>The Investigation of Suspected Frauds</u>	565
<p>Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. The majority of the work will relate to benefit related fraud but investigations of other categories of internal and external fraud will also be undertaken. Where appropriate joint investigations will be conducted with the internal audit team, the DWP and other counter fraud agencies.</p>	
<u>Financial Investigations</u>	150
<p>Provision to undertake financial investigations and recover benefits paid fraudulently and/or any other financial losses arising from criminal acts. The work will be undertaken by an accredited Financial Investigator and in accordance with the provisions of the Proceeds of Crime Act 2002.</p>	
<u>Data Matching</u>	190
<p>Provision to check data validity and investigate potential frauds identified through bulk data matching exercises, including;</p> <ul style="list-style-type: none"> • the monthly Housing Benefit Matching Service (HBMS); • the National Fraud Initiative; • local data matching exercises. 	
<u>Prosecutions and Sanctions</u>	80
<p>Provision to prosecute or apply sanctions against claimants found to have committed fraud.</p>	
<u>Proactive Investigations</u>	
<u>Unannounced Visits</u>	30
<p>A programme of unannounced visits to claimants to identify residency and other similar frauds. The visits will be targeted to high risk categories of claimants.</p>	
<u>Targeted Investigations</u>	30
<p>A programme of work targeted at high risk categories of claimants to confirm their entitlement to benefit.</p>	

Activity	Planned Days
<u>Reporting and Feedback</u>	
<u>General</u>	10
<p>Provision to report on the results of fraud prevention and investigations to the S151 Officer, appropriate Chief Officers and Members. Feedback will also be provided to staff making referrals, where appropriate. Where fraud has occurred as a result of weaknesses in systems and procedures then the relevant managers will be informed urgently so as to prevent similar problems in the future.</p>	
<u>Other</u>	
Review of the Counter Fraud and Corruption Strategy and related guidance and policies.	15
Ongoing maintenance, review and update of the Fraud Case Management System and related investigation procedures.	25
Liaison with the DWP Counter Fraud Investigation Service (CFIS), the National Investigation Service, Police, Inland Revenue, other Local Authority Fraud Investigators, and other stakeholders.	15
TOTAL	1160



Audit & Governance Committee

13 May 2008

The action plan arising from the annual Audit Letter 2006/07

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

Summary

- 1 This paper sets out a plan of the actions required in 2008/09 further to the issues highlighted by the District Auditor in his annual Audit Letter to the Council reported to the Executive on 25 March 2008.

Background

- 2 The District Auditor reports his independent opinion of the Council's arrangements each year based on an annual programme of work agreed in advance by officers and Members. This programme of work must meet the standards set out in the Code of Audit Practice and is focused across 3 main areas of interest:
 - the opinion given on the Council's annual Statement of Accounts and Statement of Internal Control;
 - 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 from the annual Inspection programme and includes the Council's CPA scorecard for 2007 and a related 'Direction of Travel' statement.
- 4 The Council's Constitution requires that the Letter be reported in the first instance to the Executive for consideration and acceptance on behalf of the Council. Following receipt of the Letter and action plan is prepared by officers and reported to the Audit & Governance Committee for in-year monitoring and follow up purposes.

The action plan

- 5 As reported to the Executive in March 2008, the District Auditor noted many positive achievements and improvements in his Letter, along with a variety of areas for improvement and on-going performance issues to be addressed by the Council. In summary, the District Auditor noted that the overall trend in 2006/07 was one of improvement generally and in particular that:
- the Council is “improving well” and demonstrating a 3 star (ie Good) overall performance for CPA purposes (*page 6, paragraph 15*);
 - the Council has significantly improved in a number of priority service areas and maintained high performance in others (*page 8, paragraph 17*);
 - the Council has contributed to improvements in community outcomes and access to services for hard to reach groups (*page 8, paragraph 17*);
 - Council services provide good value for money and it has enhanced capacity through investing in new technologies and developing its use of strategic procurement and risk management (*pages 8 & 12, paragraphs 17 & 33*);
 - recognition has been given to the progress made in developing the Council’s corporate arrangements in respect of:
 - prioritisation, improvement and development (*page 11, paragraphs 27*) although the overall conclusion of the Audit Commission is that further work is needed in this area to support effectiveness and achievement in the future (*page 17, paragraph 49*);
 - meaningful service and financial planning arrangements, action planning and progress monitoring (*page 11, paragraph 28*);
 - partnership working (*page 12, paragraph 34*);
 - strengthening its decision making processes further to the review of the Constitution (*page 12, paragraph 32*);
 - the steps taken to date in developing a more pro-active approach to sickness absence through the introduction of the Attendance at Work policy (*page 17, paragraph 50*);
 - significant improvements in the waste management service and good progress in partnership with others towards the future provision of waste disposal facilities (*page 13, paragraphs 36*);
 - sustained performance in key services areas, specifically children & young people (excellent), social services (good) and Benefits (good) (*page 14, paragraphs 38-40*);
 - an improvement in the overall Use of Resources score from a 2 in 2005/06 to a 3 in 2006/07, largely due to key improvements in KLOE 4 Internal Control (*page 16, paragraph 45*);

- an unqualified opinion on the 2006/07 accounts was issued on 28 September 2007 along with the conclusion that our value for money arrangements were adequate (*page 15, paragraph 41*).
- 6 The District Auditor noted also however that:
- the Council continues to experience disproportionately high levels of sickness absence (*page 4, paragraph 2*);
 - significant improvement is still needed in respect of the Council's arrangements for ensuring data quality and how this relates to the Council's performance management framework and decision making process (*page 4, paragraph 3*);
 - the Council's approach to equalities and inclusion is disjointed and not sufficiently strategic (*page 4, paragraph 4*);
 - arrangements for producing the annual accounts need to be improved to ensure they are properly prepared and adequately supported by detailed working papers (*page 15, paragraph 42*).
- 7 As the Letter is a retrospective review of matters arising in the previous audit year, this meant in effect that the District Auditor reported to Member on 25 March 2008, those matters noted in the 2006/07 audit year. Clearly, this means that some of the historic issues noted by the District Auditor had already been dealt with, or were no longer relevant by the time they were formally reported to the Council. A draft action plan has been prepared and is included at Annex 2 for Members to consider based on details of the action taken/to be taken as notified by the various responsible named lead officers by the 1 May 2008. There are two areas for action where the responsible officer has yet to advise of the actions taken/to be taken. Audit & Governance Members may wish to request that the responsible officers in question update them on those matters at the June meeting of the Audit & Governance Committee so they can be properly incorporated into the plan for on-going monitoring and review purposes throughout 2008/09.

Options & analysis

- 8 Not relevant for the purpose of this report.

Consultation

- 9 The action plan has been drafted in consultation with Corporate Management Team who have agreed the actions to be taken in response to their consideration of the key issues arising from the Letter of the District Auditor.

Corporate priorities

- 10 The external audit of the organisation contributes to the achievement of Corporate Priority Improvement Statement 13 'To improve efficiency and reduce waste to free up more resources'.

Implications

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

Risk Management

- 12 The Council is at risk of a poor CPA and/or specific inspection reports if the arrangements for the appropriate action to be taken in response to the findings of the audit of the organisation are judged to be unacceptable.

Recommendations

- 13 Members are asked to
- a) note the issues raised by the District Auditor in the annual Audit Letter and reported to the Executive on the 25 March 2008, as set out in paragraphs 5-6 above and the Letter included as Annex 1 to this report;

Reason

To advise Members of the scope and content of the Audit Letter.

- b) consider and endorse the draft action plan arising from the Letter attached as Annex 2 to this report.

Reason

To agree the action plan for subsequent in-year monitoring and follow up purposes by this Committee during 2007/08.

- c) require the responsible officers to update this Committee on the actions to be taken in respect of items 5 and 15 in the action plan attached as Annex 2 to this report.

Reason

To complete the action plan for subsequent in-year monitoring and follow up purposes by this Committee during 2007/08.

Author:

Liz Ackroyd
Assistant Director of Resources
(ARM)

Ext 2943

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

**Report
Approved**

Date 1 May 2008

Specialist Implications Officer(s)

Wards Affected Not applicable

All

For further information please contact the author of the report

Annexes

Annex 1 – The Annual Audit & Inspection Letter 2006/07

Annex 2 – The Action Plan Arising from the Annual Audit Letter 2008/09

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Annex 1

*The Annual Audit & Inspection Letter
as reported to the Executive on 25 March 2008*

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Annual Audit and Inspection Letter

City of York Council

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

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

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

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

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

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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www.audit-commission.gov.uk

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Key messages

- 1 By its nature audit and inspection work focuses on areas where there is scope for improvement. As a consequence this annual letter focuses on areas where further action is required by the Council but this does not detract from the overall finding that the Council is improving well and has achieved progress across a range of priority areas. There are, however, a number of priority areas where performance remains poor.
- 2 You continue to experience disproportionately high levels of sickness absence which significantly affect your capacity to deliver continued improvements.
- 3 There has been little improvement in your arrangements to ensure a high quality of data. Your data quality arrangements are focused on producing the data for the year end publication of performance indicators, and data quality is not routinely considered within the performance management framework and decision making process.
- 4 Although access to services has improved for 'hard-to-reach' groups such as ethnic minorities, people with disabilities and young people, your approach was not sufficiently strategic and not effectively co-ordinated between directorates.

Action needed by the Council

- 5 Seek out and adopt best practice arrangements for managing and minimising sickness absence. This will not only improve your organisational capacity but will also contribute towards the ongoing welfare of your workforce.
- 6 Implement your corporate equalities strategy and monitor progress against it, to demonstrate that you are addressing the needs of the increasingly diverse community.
- 7 Members with responsibility for the statement of accounts should obtain assurance that officers have strengthened the arrangements for producing the accounts free from material mis-statement and supported by clear and comprehensive working papers.
- 8 The profile of data quality should be raised across the council, and arrangements to produce accurate reliable data should be improved, to ensure that council decisions, whether they are made by officers or members are based on up to date and accurate data.

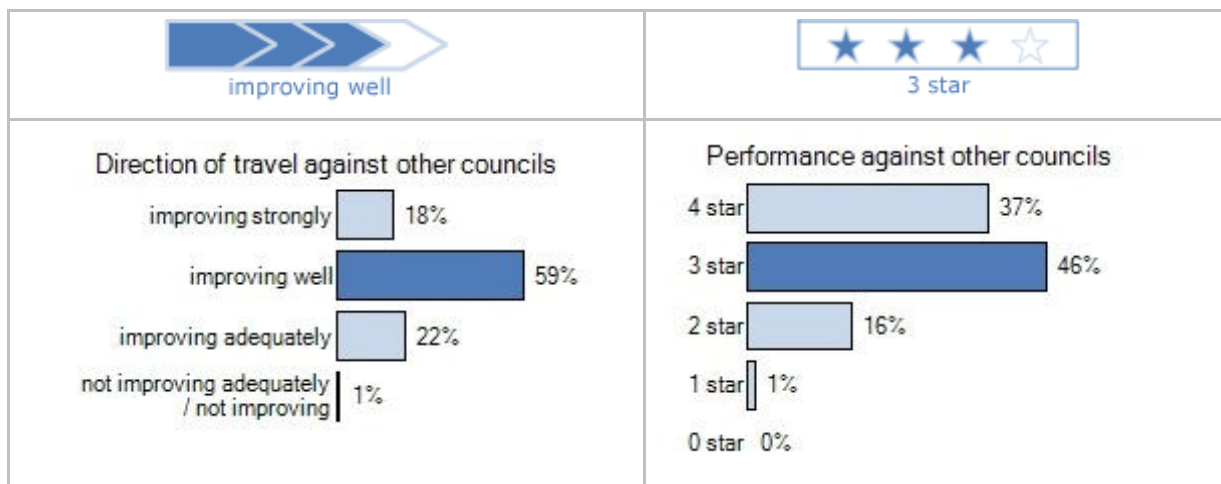
Purpose, responsibilities and scope

- 9 This report provides an overall summary of my assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It does not include the results of the February 2008 corporate assessment, which will not be published until May 2008.
- 10 I 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 you in meeting your responsibilities.
- 11 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 www.audit-commission.gov.uk. In addition you are planning to publish it on your website.
- 12 As your Appointed Auditor I am 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, I review and report 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); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 13 This letter includes the latest position 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.
- 14 The reports we have issued to the Council relating to the 2006/07 audit and inspection work are listed at the end of this letter.

How is City of York Council performing?

- 15 The Audit Commission’s overall judgement is that City of York Council is improving well, and we have given the Council a three star rating under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1



Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis.

Source: Audit Commission

- 16 Our detailed assessment is as follows.

Our overall assessment - the Council's CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 star
Corporate assessment/capacity to improve (This is based on the 2002 corporate assessment)	3 out of 4
Current performance	
Children and young people*	4 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 out of 4
Benefits	3 out of 4
Culture	2 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

Direction of Travel: Summary

- 17 City of York Council is improving well. The Council has significantly improved priority services including waste recycling, planning, street cleanliness and housing benefits and sustained its high performance within services for children and young people and adult social care. It has also contributed to improvements in a range of community outcomes such as crime reduction, economic regeneration and healthy living – not always reflected by corresponding improvements in public satisfaction. Access to services has improved for hard to reach groups including young people, people with disabilities and ethnic minority communities, with scope to adopt a more coordinated approach. The Council has strengthened its focus on priorities and a review of high-level strategies is underway. Council services provide good value for money and the Council is continuing its drive for further financial efficiencies as pressure on existing resources increases and staff sickness levels remain high. The Council has enhanced its capacity by investing in technology and developing its use of strategic procurement and risk management. It has made some good progress in reviewing strategic partnerships, although its approach to partnership working is not yet fully effective.

Direction of Travel: Detailed findings

- 18 You have achieved notable improvements within some priority services, although some have been from a relatively low base. You have sustained best quartile performance in services for children and young people and good performance in adult social care services. Some aspects of waste management have improved significantly; recycling levels improved from 24 per cent to almost 40 per cent during 2006/07. Planning performance has also improved substantially; the time taken to process major planning applications has moved from bottom to top quartile over the last three years.

- 19 Elsewhere, improvements have been less significant. For example, street cleanliness standards – a key issue for cities which rely heavily on tourism - improved, but remained within the worst quartile. However, you have undertaken a fundamental review of your approach to street cleanliness; your officers report significant improvements to the way it is delivered, and you anticipate a much improved level of performance by the end of 2007/08. Similarly, whilst the time taken to process new housing benefits claims did improve, the service remained in the worst quartile in 2006/07, but you report significant performance improvements during 2007/08. Your performance in dealing with homelessness also improved, but remains below average - though you were one of four councils in the region cited by DCLG as examples of good practice for implementing effective and innovative ways of dealing with homelessness and rough sleeping. Some corporate health indicators improved, but two thirds are still third or worst quartile; for example your performance at Council Tax and NNDR collection remains poor and your performance in areas such as workforce diversity and staff sickness has deteriorated.
- 20 You have contributed effectively to a range of improved outcomes for the local community. Your sustained focus on improving the street environment has helped to reduce the fear of crime; in addition, levels of crime in York have reduced. Levels of physical activity in York are increasing, particularly amongst children and young people. Your achievements in relation to the Healthy Schools Award are amongst the best in the country. Sustained high levels of educational attainment and the success of work-based learning opportunities are increasing the opportunities available to the city's young people. Although the city has suffered significant job losses in traditional manufacturing sectors over the last two years, the local economy has been sufficiently buoyant to absorb these losses and the rate of unemployment has actually gone down. Your input to Science City York has supported the growth of new business and job creation and there are signs that local business confidence is increasing.
- 21 Improvements in your performance have not always been matched by increased public satisfaction. Satisfaction with some priority services has increased – for example satisfaction with street cleanliness improved from third to second quartile. However, satisfaction with some others has fallen – for example satisfaction with your waste collection arrangements has fallen from best quartile in 2003/04 to worst quartile in 2006/07, despite improved performance. You attribute this drop in satisfaction to the introduction of initially unpopular alternate week collections. Concerns about the provision of leisure services are reflected by a significant fall in public satisfaction with the service, from second to worst quartile – for example, only 17 per cent of people surveyed were satisfied with the leisure provisions for young people available in York.

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- 22** Despite generally good levels of tenant satisfaction, satisfaction with the way you provide opportunities for tenant participation has fallen from 70 per cent (best quartile) to 61 per cent (worst quartile) over the last three years. Overall, only one in seven residents (15 per cent) feel there has been an improvement in the way the Council operates. You have recognised the importance of effective engagement with local people and have plans to re-introduce a residents' newspaper as a way of keeping people informed about your plans and priorities. Whilst this will be beneficial, experience elsewhere shows that a residents' newspaper is unlikely to engage or inform all of your residents - so should be regarded as just one strand of your engagement portfolio. It is essential that local people are effectively informed about issues affecting their quality of life and continue to be involved in the decision-making process.
- 23** Your actions to engage with hard-to-reach and vulnerable groups and to address social inclusion have not been fully effective. Despite some success, your approach was not sufficiently strategic or effectively co-ordinated between directorates. You have raised the profile of equalities issues through the Social Inclusion Working Group and the appointment of member champions for social inclusion, older people and children and young people. Initiatives taken to tackle the issues include equalities conferences on disability and ethnicity, improved partnership working with the voluntary and community sector and specific initiatives to engage with hard to reach children and young people and older people.
- 24** You have produced a draft Anti-Poverty Strategy, continue to invest in initiatives which improve access to services – such as the roll out of Easy@York – and have raised the profile of local demographic changes and inclusion/cohesion issues within your recently refreshed Corporate Strategy. However, there has been little focus on implementing your corporate equalities strategy, Pride in Our Communities, or on monitoring progress against it. This makes it difficult to demonstrate that the needs of an increasingly diverse community are being met in a co-ordinated and consistent way. This is particularly important in a city such as York, where the profile of the local community is changing so quickly.
- 25** You have invested significant resources in a review of your improvement plans over the last twelve months. With partners, you agreed and introduced a Local Area Agreement in April 2007, although this is now being reviewed in the light of more recent government guidance. You also reviewed the structure of Without Walls, the local strategic partnership (LSP), to ensure that it remained fit for purpose and early steps are now being taken towards developing a sustainable community strategy. You are also reviewing your corporate strategy to clarify your long-term direction and to address emerging issues such as climate change. The agreement of clear, effectively communicated, high-level strategies will mean you and your partners will be well placed to deliver improvements in outcomes for local people.
- 26** Existing performance management arrangements are being developed further to enable you to measure the impact of the Local Area Agreement. It is essential that service and financial planning processes are similarly aligned if you are to maximise your contribution to the LSP.

- 27 Your use of improvement statements, underpinned by Delivery and Innovation Plans (DIPs) has been effective at sustaining the focus on your priorities for improvement. Each has an officer 'champion' to ensure co-ordination across the Council and there are clear links to your service plans. The DIPs provide a clearer user focus; although some outcome targets are under-developed you have recently developed key measures intended to quantify success against your priorities for improvement. Meaningful outcome targets are essential as a means of articulating what improvements for local people will actually look like.
- 28 The majority of your service plans – including those for children and young people, adult social care and transport – are robust. There are clear links between service and financial planning, and service plans such as the housing strategy take account of cross-cutting issues such as diversity and health. Service strategies are underpinned by action plans and your monitoring systems indicate good progress in most areas. For example, you are making good progress against community safety action plans and the Crime and Disorder Partnership is on track to meet its overall crime reduction targets.
- 29 You have also made good progress against the housing strategy. Over 70 per cent of actions are complete or on target, although a number of overdue actions relate to affordable housing - a service priority. You have agreed and financed short-term plans to address waste minimisation and recycling. Longer-term plans, which depend on the provision of residual waste treatment services, have now progressed to the procurement phase. This means you are well placed to deliver further improvements in the future.
- 30 You are making good progress on major projects such as the office accommodation project, which you expect to complete on time. You have also revisited your plans for the York Central regeneration project to take account of the impact of the closure of the British Sugar site. These schemes are now incorporated within the York Northwest Area Action Plan which you are currently consulting on. You anticipate that the successful delivery of these projects will significant benefit the City and help to improve the quality of life for your residents.
- 31 You have taken a range of robust actions to enhance your capacity for further improvement, although a number of key challenges still remain. The tight financial constraints you have lived with in recent years are set to continue. In response your Medium Term Financial Strategy recognises the need to generate further financial savings. You have a good track record in generating efficiencies, helping you to provide good value for money for local taxpayers. However, the continued drive for efficiency is placing increasing pressure on your resources. Your recent staff survey identified that a significant proportion of staff are struggling to cope with the demands of their jobs and the overall sickness level of your workforce is among the highest of any unitary council. You have introduced an Attendance at Work policy to provide a more proactive approach to absence management and better support to staff. However, completion of your pay and grading review will involve some significant financial and operational risk. Internal capacity must be carefully managed and developed if improvements are to be sustained.

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- 32 The May 2007 local elections resulted in a significant change in the Council's political balance. Political consensus has been reached in the form of a policy prospectus agreed by group leaders. Good progress has already been made to address some of the issues it contains. The Council's constitution has also been reviewed to reflect amended decision-making processes. Having clear, agreed priorities, supported by effective decision making, will help you to align your resources to the issues that are most important to local people.
- 33 You have made good progress in developing a strategic approach to procurement, which you report has already led to significant savings being made across the organisation during 2007/08. You have also strengthened risk management arrangements, developing clear roles for both Corporate Management Team and the Audit and Governance Committee, with ongoing work to further embed your risk management arrangements. You have continued to invest in technology as a way of enhancing your capacity, including expansion of the Easy@York programme and improved support systems such as those for financial management and supplier contract management.
- 34 You have recognised the increasing significance of partnership working, particularly as you move towards a regime of Comprehensive Area Assessment. You have reviewed the structure of the LSP - which now has an independent chair – to promote effective partnership working. However, the Future York report, commissioned as a result of recent job losses in the city, made a series of recommendations to improve the effectiveness of your approach to partnership working - particularly about how you engage with the business community. Since the Future York Group report, you have worked with Yorkshire Forward and york-england.com to strengthen and co-ordinate the approach to key account management and the Economic Development Partnership Board recently agreed to review membership to make this more business-orientated. They also agreed to establish a wider business forum to engage with a greater number of businesses on an informal basis. Building on this for the future, it is important for all partners to be effectively engaged and that the revised community and corporate priorities act as a driver for the Council and all its partners.
- 35 We completed our direction of travel work in December 2007, prior to completing a corporate assessment in early February 2008 - for which the report will be published in May 2008. If necessary, I will update your direction of travel statement and judgement if our findings from the corporate assessment - which involved a more detailed and extensive review of how the Council is run - identify any materially relevant issues which were not apparent during the Direction of Travel review.

Service inspections

Follow-up of waste management inspection

- 36 The objective of this review was to determine how well you have responded to the findings of our 2004 inspection and to consider the progress being made in your proposals for future waste disposal arrangements. We identified some significant improvements in your waste management service and concluded that you have taken a structured and effective response to our earlier inspection findings. We also concluded that you, together with your partners, were making good progress and taking appropriate advice towards the future provision of waste disposal facilities.

Other inspectorates

- 37 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. During the last year you have received the following assessments from other inspectorates.

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Annual Performance Assessment of services for Children and Young People

- 38** Ofsted provided a detailed assessment of your performance which concluded that you had sustained and further improved the quality of your services for children and young people. You have maintained your overall service score of Excellent.

Annual Performance Assessment of Social Care services for Adults

- 39** CSCI provided a detailed assessment of your performance which concluded that your overall arrangements for delivering outcomes was Good and that your capacity to improve was Promising. You have maintained your overall service score of Good.

Annual Performance Assessment of the Benefits service

- 40** BFI provided a detailed assessment of performance which concluded that you had sustained your scores for the individual Performance Standards themes and maintained your overall service score of Good.

The audit of the accounts and value for money

- 41 As your Appointed Auditor, I have reported separately to the Audit & Governance Committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, on 28 September 2007, providing an unqualified opinion on your accounts, and a conclusion that your value for money arrangements are adequate; and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

Financial statements audit

- 42 The issues raised in my Annual Governance Report were significant, and recorded the need for you to improve its arrangements for producing your annual accounts to ensure that they are properly prepared and are adequately supported by detailed working papers. We have subsequently discussed and agreed with officers the expected standard for working papers, and provided an initial indication of the working papers that we require for audit.

Use of Resources

- 43 My audit findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from my work in the following areas.
- Financial reporting (including the preparation of your accounts and the way these are presented to the public).
 - Financial management (including how financial management is integrated with strategy to support your priorities).
 - Financial standing (including the strength of the your financial position).
 - Internal control (including how effectively you maintain proper stewardship and control of your finances).
 - Value for money (including an assessment of how well you balance the costs and quality of your services).
- 44 For the purposes of the CPA we have assessed your arrangements for use of resources in these five areas as follows.

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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 of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 45 Overall your score has improved from a 2 last year to a 3. This improvement is largely due to some key improvements in the internal control element. In particular we identified strong performance relating to the publicity of successful fraud convictions.
- 46 Performance against the financial reporting element reflects the issues arising from our audit of your accounts, reported earlier in this letter.
- 47 Other areas where the council needs to make further improvements include:
- improving the communication (both internally and externally) of your medium term financial strategy;
 - monitoring how financial plans and strategies have contributed to the achievement of your corporate objectives;
 - implementing a comprehensive asset register and introduce controls to ensure that it is kept up to date;
 - improving the budget monitoring systems, to ensure that you are aware of all significant under-spends or over-spends, and can take action accordingly;
 - developing risk management reports so that they include comprehensive information on the corporate risks to enable members to fulfil their risk management responsibilities; and
 - demonstrate that there is equity in access to services and value for money delivered across the diverse and changing community.
- 48 More detail, and a more comprehensive list of areas for improvement, is contained in our report on the Use of Resources assessment, which was issued in December 2007.

Follow-up review of deciding and delivering council priorities

- 49 We followed up the findings of our July 2006 review of your corporate prioritisation arrangements, and found that, although you had acted on some of our recommendations, progress in other areas had been slow. We concluded that until you have comprehensively addressed the issues raised and embedded your new corporate planning and prioritisation arrangements throughout the organisation, your effectiveness and your achievements would be constrained.

Absence management

- 50 The objective of this review was to determine how well you have responded to the findings of our 2004 review of your people management arrangements. Our work focused on your arrangements for managing sickness absence, reflecting your inability to sustain reductions in the levels of sickness absence, despite actions to improve the way sickness absence is managed. You have responded well to the issues we raised in the original review, and you are taking steps to develop a more proactive approach to sickness absence through your Attendance at Work policy. Nevertheless, we found widespread inconsistencies and a lack of coordination in your approach to staff management and change management which were undermining your ability to make the best use of your human resources.
- 51 Our findings from each of these reviews have been discussed with your senior officers and action plans to address our recommendations have been agreed.

Data quality

- 52 During 2006/07 there has been some improvement in corporate processes including the use of your three stage data quality model. However, you have made relatively little progress in implementing the key actions from your own development plan to strengthen data quality.
- 53 Key weaknesses identified by our previous review remain to be effectively addressed and the risk remains that your decisions are based on inaccurate and incomplete data. In particular:
- data quality continues to have a low profile; arrangements focus primarily on the year end publishing requirements, and are not routinely considered within your existing performance and risk management frameworks;
 - there is significant inconsistency between directorates in the degree to which data quality arrangements have been developed and are applied; and
 - there is a lack of ownership of data quality at operational management level in some areas evidenced by recurrent problems with the compilation and accuracy of particular indicators.
- 54 More detail, and a more comprehensive list of areas for improvement, is contained in our report on data quality, which was issued in December 2007.

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Additional services

- 55 During 2007 you asked us to carry out a review of your ethical governance framework. We carried out the review under the powers we have in section 35 of the Audit Commission Act 1998, ie work that is outside the scope of our audit plan:
- 56 The review is delivered in three stages, the first two stages are complete, and the third stage will be delivered later in 2008. The review has focused on:
- stage 1 - an evaluation of your policies, procedures and arrangements to comply with their ethical responsibilities;
 - stage 2 - a survey of council members and officers to ascertain their views of your approach to ethical governance; and
 - stage 3 - workshops with members and officers to identify improvement areas and facilitate discussions.
- 57 Stages 1 and 2 were reported during 2007. The benefits the work has provided to date are:
- you have received a comprehensive and independent assessment of the strengths and weaknesses with your current arrangements;
 - we have worked with officers to develop an action plan to improve arrangements; and
 - the profile of ethical governance has been raised within the council.

Looking ahead

- 58** The public service inspectorates are currently developing 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.
- 59** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and sustainability.
- 60** 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 Local Area Agreements.

Closing remarks

- 61 This letter will be discussed and agreed with officers. A copy of the letter will be presented at the Executive meeting on 25 March 2008. A copy of this letter needs to be provided to all Council members.
- 62 Further detailed findings, conclusions and recommendations 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 2006
Review of the council's internal audit function	August 2007
Waste management service re-inspection	August 2007
Ethical audit stage 1 report	August 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	December 2007
Review of data quality	December 2007
Use of Resources - auditor judgements	December 2007
Your business @ risk	September 2007
Ethical audit stage 2 report	November 2007
Absence management	January 2008
Annual audit and inspection letter	March 2008

- 63 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank your officers for their cooperation.

Availability of this letter

- 64 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on your website.

Mark Kirkham
Relationship Manager

March 2008

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Annex 2

*The Action Plan Arising from the Annual Audit
Letter 2008/09*

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	DA recommendation	Para	Action(s) taken/to be taken	Due date	RO	Status
1	The Council should effectively research and adopt best practice arrangements for managing and monitoring sickness absence	5	Done and reported to CMT report on 10/1007. Best practice researched and used to inform new sickness absence processes implemented from October 2007 onwards.	N/A	HR CT	Done
2	The profile and importance of data quality should be raised across the Council and the necessary arrangements put in place to ensure the accuracy and reliability of data to support the performance management and decision making needs of the organisation.	8	CEX appointed CMT lead (Director of Neighbourhood Services) in March 08 to chair a new corporate project group to scope a suitable programme of work to be undertaken in 08/09 to meet the Council's DQ requirements	31/3/09	TC PL	WIP
3	The Council should implement a comprehensive and coherent equalities strategy and monitor progress against it to demonstrate it is meeting the needs of an increasingly diverse community.	6	As set out in the accompanying attachment to this plan (Annex A)	See Annex A	HR EC	WIP
4	Officers should provide Members with all necessary assurances that the appropriate action has been taken to strengthen arrangements for producing the accounts free from material mis-statement and improving the quality of supporting working papers to ensure they are suitably clear and comprehensive	7	<p>Follow up of key issues raised by AC from 06/07</p> <ul style="list-style-type: none"> • Bank Reconciliation on schedule • CO review of year end working papers scheduled as part of closedown • Valuations – TW to liaise with Property to inform of changes. NH to certify valuations in accounts, he will seek assurance from Housing on the inputs <p>Key changes to requirements identified and analysed and being incorporated as necessary.</p> <p>Regular meetings with AC scheduled</p>	30 June 08	SW SH	WIP

	Areas for improvement	Para	Action(s) to be taken	Due date	RO	Status
5	Develop a fully effective approach to partnership working	17	Unknown. Actions have yet to be advised by the responsible officers.	Sept 09	BW RR	Unknown
6	<p>Address bottom quartile performance issues identified in 2006/07 in respect of:</p> <ul style="list-style-type: none"> Council Tax and NNDR 	19	<p>Both Council Tax and NNDR recovery and collection regimes were amended following the last audit and the new processes/management checks are being monitored for their effectiveness. This included taking action earlier on arrears cases (previously allowed customers to be a month in arrears with payments).</p> <p>Introduction of quarterly small balances runs.</p> <p>Housekeeping work is now undertaken to ensure that accounts do not get 'stuck' at a particular recovery stage.</p> <p>Processes for post Court collection have been reviewed and 'tightened up' as part of the Easy Programme work (includes automation of special payment arrangements).</p> <p>Post Court recovery is currently under further review (looking at 'Propensity to Pay' scoring from Experian).</p> <p>Increased DD take up as a result of introduction of telephone sign up.</p> <p>Currently exploring NNDR with a view to a Shared or Managed Service.</p> <p>Performance in 07/08 places the CTAX service in a minimum of Quartile 3.</p> <p>NNDR remains in Quartile 4, but recovery has increased in 2007/08</p> <p>Further planned restructure of Services is planned for the Summer 2008 to drive further service improvements.</p>	June 08	SW SHA	WIP

	Areas for improvement	Para	Action(s) to be taken	Due date	RO	Status
7	<ul style="list-style-type: none"> Workforce diversity 		<p>New draft People Strategy includes workforce diversity as a key strand.</p> <p>Corporate and directorate improvement plans in place.</p>	Sept 08	HR CT	WIP
8	<ul style="list-style-type: none"> Staff sickness 		<p>Work completed to review sickness absence reporting, monitoring and management procedures. New processes implemented October 2007.</p> <p>CMT report scheduled for 21/05/08 to scope and agree proactive Occupational Health interventions and flexible working provisions to positively facilitate attendance at work.</p> <p>2007/08 outturn figures should improve from bottom to third quartile</p>	N/A	HR CT	Done
9	<p>Take action to address disappointing customer satisfaction ratings</p> <ul style="list-style-type: none"> Council overall 	21-22	<p>There is evidence from the market research firm MORI and the LGA that there is a correlation between overall satisfaction and good communications with residents. To this end a new communications strategy is in preparation and a monthly newsletter is being procured and will be in place during 08/09</p>	Sept 08	BMcC MB	WIP
10	<ul style="list-style-type: none"> Waste collection 		<p>The positive CPA report in June 2007 on waste services identified that there had been a drop in customer satisfaction from previous surveys but that York was recovering with a noticeable improving trend. Further key action being taken to improve further includes:</p> <ul style="list-style-type: none"> The reduction in missed bins. Down from 70/100,000 to March 2007 to 45/100,000 at Match 2008. Increase the numbers of missed bins put right with 24 hours from 68% up to 96% for the same period. The public celebration of the recycling successes. The publication of the revised waste minimisation and recycling policies. Customer care training for frontline staff. 	March 09	TC JG	WIP

	Areas for improvement	Para	Action(s) to be taken	Due date	RO	Status
11	<ul style="list-style-type: none"> Sports & leisure facilities 	21-22	<p>Members approved strategy to address swimming and leisure facilities last year. Further to the strategy the refurbishment of Yearsley Pool was completed during 2007 and new swimming pool and sports facilities are now being developed on the York High site due to open in June 2009.</p> <p>The Council has entered into a partnership with the University of York to build a competition standard pool and sports facilities on the new Heslington campus by 2011</p> <p>The Council is actively exploring the feasibility of a city centre swimming facility as part of the long term redevelopment of York North West</p> <p>An integrated Young People's Services for York (incorporating Connexions staff) went live from 1/4/08 facilitating new opportunities to enhance provision for young people in the city. The core aim of the new service is to ensure a wide range of easily-accessed provision, evenly spread across the city, giving young people a choice of places to go and things to do.</p>	<p>June 09</p> <p>2011</p> <p>NYD</p> <p>On-going</p>	<p>PD CC</p> <p>PM</p>	<p>WIP</p> <p>WIP</p> <p>On-going</p>
12	<ul style="list-style-type: none"> Tenant participation 	21-22	<p>The Housing Customer Involvement Compact was launched in Autumn 2007 and work is underway to develop new methods of involvement such as customer expert panels. The 2007 Annual Housing Monitor showed 64% satisfaction with the opportunities for participation in management and decision-making- a significant improvement on 57% satisfaction in 2006 and 55% in 2005.</p>	On-going	BH SWad	WIP
13	Align performance management arrangements with service and financial planning processes	26	Proposal to incorporate two functions into one section, under one AD as part of corporate restructure	Oct 08	SW SH	On-going
14	Develop risk management reporting routines to enable the organisation and Members to properly monitor key corporate risks	47	New reporting routine agreed by CMT on 2/4/08. Quarterly reports to CMT from June 2008 alongside performance dashboard and then to A&G Committee.	Effective from June 2008	SW ERA	Done & on-going

	Areas for improvement	Para	Action(s) to be taken	Due date	RD & RO	Status
15	Demonstrate equality of access to services and VFM delivered across a diverse and changing community	47	Unknown. Actions have yet to be advised by the responsible officers.	?	HR PL	Unknown
16	Address all outstanding issues and recommendations made by the District Auditor in the AC 'Corporate Priorities' report (July 2006)	49	See agreed action plan arising from the audit attached as Annex B to this plan	Various	HR PL	WIP
17	Address widespread inconsistencies and lack of co-ordination in approach to staff management and change management in helping to make best use of human resources	50-51	Review of People Management commenced in September 2007. Organising principled agreed by CMT in December 2007 and model of delivery agreed by CMT in March 2008. Implementation agreed to be phased to take into account interdependencies with revised HR structure due to be considered by CMT in June 2008. New People Strategy in development.	Sept 2008	HR CT	WIP
	Improve financial management arrangements by:	47				
18	<ul style="list-style-type: none"> Better communication of the medium term financial plan both within and without the organisation 		Visits to all DMTs scheduled to mid May. Meeting with CEX at end of April and going to CMT end of May and end of June with priorities and options for inclusion. Discussions to also be held with SAMs and Members. Communications work to be built into Medium Term Financial Strategy, work now on-going programmed to be complete by end of July 08	July 08	SW SH	WIP
19	<ul style="list-style-type: none"> Monitoring how financial plans and strategies have contributed to achieving corporate objectives 		Review of assets register (held in Finance) being undertaken. Audit trail to be established linking all different databases	June 08	SH NH	WIP

	Areas for improvement	Para	Action(s) to be taken	Due date	RO	Status
20	<ul style="list-style-type: none"> Establishing a fully comprehensive asset register and putting controls in place to ensure it is kept up to date 		Part of monthly monitoring – corporate dashboard Monthly monitoring being reported at SAMs meeting wef June 08	June 08 & on- going	SW SH	WIP
21	<ul style="list-style-type: none"> Enhancing budget monitoring arrangements to ensure significant variances are reported and the necessary action taken in a timely way throughout the year 		Visits to all DMTs scheduled (until mid May) Meeting CE end of April and going to CMT end of May and end of June with priorities and options for inclusion. Discussions to also be held with SAMs and members	June 08 & on-going	SW SH	WIP

KEY - Responsible Directors & Reporting Officers

HR	Heather Rice	SW	Simon Wiles
CT	Chris Tissaman	SH	Sian Hansom
TC	Terry Collins	ERA	Liz Ackroyd
PL	Peter Lowe	NH	Neil Hindhaugh
EC	Evie Chandler	SHA	Stuart Halliday
BMcC	Bill McCarthy	MB	Matt Beer
BH	Bill Hodson	SWad	Steve Waddington
JG	John Goodyear	BW	Bill Woolley
RR	Roger Ransom	PD	Pete Dwyer
CC	Charlie Croft	TW	Tom Wilkinson

KEY – Acronyms

WIP	Work in progress
SAMs	Senior Accountancy Management Group

Annex A to the Action Plan Arising from the Annual Audit Letter of the District Auditor

CYC action plan regarding Equality Impact Assessing key policies strategies and plans 2008/9

1. CYC will concentrate on EIAs of key policies strategies and processes as agreed by DMTs in Dec/Jan 2007/8 . These can be found on our intranet.
2. Regarding each of the selected policies strategies and plans, there are a number of options as to what to equality impact assess. These are:
 - a. The process of arriving at a policy/strategy/plan
 - b. The contents of the policy/strategy/plan
 - c. Specific processes (or changes to specific processes) which arise from the policy/strategy/plan.
3. We shall focus on identifying and dealing with disability, race, gender issues at first instance. These are most relevant when we take into account York's demographic profile from the census in 2001. Further we have a legal duty to do EIAs around gender, race and disability.
4. Where we have baseline data and/or it is relevant (for example as in the case of the Lifelong Learning and Culture Service Plan), we shall cover sexual orientation and religion & belief as well.
5. Between June and the 2nd week in October 2008, we shall complete desk-top EIAs, with action plans in response to issues identified in each EIA. **“Completed” EIAs must be checked by the corporate Equalities team before progressing past this point.**
6. During the first week in November, the Equalities team will organise an event (the “EIAs Fair”) where representatives from community groups which are involved in the Social Inclusion Working Group will be invited to attend and "equality-proof " the EIAs and arising action plans.
7. Between November and December 2008, finalised EIAs with action plans will be taken to DMTs or relevant partnership boards for sign-off
8. January 2008 and beyond, action plans arising from each EIA will begin to be implemented.

Reporting Officer
Evie Chandler (Chief Executive's)

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Audit and Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

2007/08 Annual Governance Statement

Summary

- 1 The purpose of this report is to provide Members with details of the progress which has been made;
 - to prepare the 2007/08 Annual Governance Statement (AGS), formerly the Statement on Internal Control (SIC), which is to be published with the Statement of Accounts.
 - to address the significant control issues identified in the 2006/07 SIC.

Background

- 2 As reported to the last meeting of this Committee (on 15 January 2008), the Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of its system of internal control and to publish a SIC as part of the annual accounts.
- 3 CIPFA/SOLACE originally published a guidance document for local authorities in 2001, called *Corporate Governance in Local Government: A Keystone for Community Governance*. The guidance was not mandatory but was intended to help authorities to develop and maintain strong governance arrangements.
- 4 CIPFA/SOLACE recently published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' set out six core principles of governance which authorities are required to adopt. In accordance with this requirement, the Council adopted a new local Code of Governance in September 2007 which reflects the new CIPFA/SOLACE framework.
- 5 The new guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC (from 2007/08 onwards). In preparing the AGS it is necessary to address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

2007/08 Annual Governance Statement (AGS)

- 6 The Council had previously developed a robust system to prepare the annual SIC. As agreed by this Committee, the system is being used as the basis for preparing the new AGS, subject to the changes detailed in paragraph 8 below.
- 7 The process continues to be coordinated by the Officer Governance Group, and a key element of the process remains the review of the Council's governance arrangements and systems of internal control. This review includes a requirement for each Directorate to complete a self assessment of the key controls within their respective areas. Each Director must then complete and sign a Directorate Assurance Statement, using the information obtained from the review of key controls and associated evidence. The S151 Officer and Monitoring Officer must also complete and sign disclosure statements. The review process will also take account of the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment. In addition, Internal Audit are undertaking a review of other documentary evidence to identify possible control weaknesses (for example, internal and external audit reports and other inspection reports).
- 8 The following specific changes have been made to the process:
 - the Directorate and Corporate self assessments have been adapted so that they clearly focus on the six governance principles rather than simply the Council's system of internal control;
 - Corporate Management Team has taken ownership of the corporate self assessment and for addressing any weaknesses which may be identified;
 - The Chief Executive is now required to complete and sign an Assurance Statement;
 - For the 2007/08 AGS, Internal Audit will map the Council's existing governance arrangements and identify gaps. This exercise will help to confirm the existence of the current governance arrangements, identify ownership and assess the level of assurance required;
 - In future years, Internal Audit will provide independent assurance on the effectiveness of these governance arrangements. This will necessitate some changes in emphasis when the Audit Plan is prepared.
- 9 The Officer Governance Group will evaluate any control issues identified through the review process and consider which should be disclosed in the AGS as significant control weakness. A control weakness will be considered to be significant where;
 - a) the issue has seriously prejudiced or prevented achievement of a principal Council aim or objective;

- b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the Council's services;
 - c) the issue has led to a material impact on the accounts;
 - d) the Audit and Governance Committee has advised that it should be considered significant for this purpose;
 - e) the Chief Internal Auditor has reported on it as significant in the annual opinion on the Council's internal control environment;
 - f) the issue, or its impact, has attracted significant public interest or has seriously damaged the Council's reputation;
 - g) the issue has resulted in formal action being taken by the S151 Officer and/or the Monitoring Officer.
- 10 A copy of the timetable to prepare the AGS is attached at Annex 1, for information.

Progress to Date

- 11 Internal Audit has reviewed the progress which has been made to address the nine significant control issues identified in the 2006/07 SIC. In all cases work is ongoing to improve the relevant governance arrangements and control framework. For some of those control issues where work is still ongoing there is still insufficient evidence that the new or improved control arrangements are fully embedded across the Council. Further details of the progress which has been made to address the significant control weaknesses are given in Annex 2.
- 12 Internal Audit has completed the amendments to the Directorate and Corporate control self assessments to reflect the new requirements for the AGS. Directorates are currently in the process of reviewing and completing their key control self assessments, and providing evidence of:
- a) what action(s) they had been taken to address any control weaknesses identified as part of the 2006/07 SIC review, plus
 - b) any new or emerging control weaknesses.
- 13 Directorate responses are being verified as part of the review of governance arrangements which Internal Audit is currently undertaking. CMT has also considered the issues identified in the corporate self assessment.
- 14 The Officer Governance Group will take account of the results of the follow up exercise prior to the preparation of the draft AGS.

Consultation

15 Not relevant for the purpose of the report.

Options

16 Not relevant for the purpose of the report.

Analysis

17 Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

19 The implications are;

- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there is a legal requirement for the Council to publish a Annual Governance Statement as part of the annual Statement of Accounts.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

20 The Council will fail to comply with legislative requirements if it does not publish a Annual Governance Statement with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Annual Governance Statement was not sufficiently robust. This in turn would adversely impact on the Council's CPA score for the Use of Resources.

Recommendation

21 Members are asked to;

- note the results of the work completed to date by Internal Audit to prepare the 2007/08 AGS.

Reason

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

- consider the results of the follow up review of the 2006/07 SIC action plan.

Reason

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

Contact Details

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Report Approved



Date 29 April 2008

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- CIPFA/SOLACE – ‘Delivering Good Governance in Local Government’ – Framework and Guidance Note for English Authorities
- Accounts and Audit Regulations 2003 (as amended)
- CIPFA guidance – ‘The Annual Governance Statement’ – Meeting the Requirements of the Accounts and Audit Regulations 2003 (as amended 2006)

Annexes

Annex 1 – Timetable for preparing the 2007/08 AGS

Annex 2 - 2006/07 SIC Action Plan Follow Up

Timetable for Preparation of the 2007/08 AGS

Action	Target Completion Date
Completion of amendments to Directorate and Corporate key control self assessments by Internal Audit	31/01/08
Deadline for receipt of Directorate key control self assessments	30/4/08
Deadline for the completion of the Corporate key control self assessment	30/4/08
Deadline for receipt of Directorate Assurance Statements	9/5/08
Deadline for receipt of Chief Executive, S151 and Monitoring Officer Disclosure Statements	9/5/08
Completion of exercise for mapping the Council's Governance processes and evidence gathering (by Internal Audit)	9/5/08
Deadline for the receipt of control/governance related issues from Members	9/5/08
Consideration of identified control weaknesses by OGG, for possible inclusion in the AGS	16/5/08
Deadline for the preparation of the draft AGS and circulation to OGG	23/5/08
Consideration of the draft AGS by CMT	4/6/08
Completion of the formal consultation on the draft AGS with the Leader and Chief Executive	11/6/08
Final amendments to the AGS to be completed	13/6/08
Audit and Governance Committee to receive the Annual Report of the Chief Internal Auditor, and the Review of the Effectiveness of Internal Audit.	26/6/08*
Audit and Governance Committee to consider the draft Annual Governance Statement	26/6/08*

Annex 1

Executive to receive the Annual Governance Statement (together with the 2007/08 Statement of Accounts)	30/6/08*
Full Council to approve the Annual Governance Statement (together with the 2007/08 Statement of Accounts)	30/6/08*
AGS to be signed by the Leader and Chief Executive	30/6/08*

* dates of meetings to be confirmed.

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Sickness			
<p>The levels of sickness across the Council remain higher than for comparable local authorities. The 2005/06 SIC identified continuing weaknesses in the Council's procedures for monitoring and reporting sickness absence. Although good progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded.</p>	<p>A corporate Attendance Management Policy was implemented in October 2006. Work has also been undertaken to improve the Council's management information on sickness. The following actions are planned;</p> <ul style="list-style-type: none"> a) Revised procedures and guidelines to support the implementation of the Policy will be issued to staff. b) Revised corporate management reporting arrangements will commence in October 2007. c) A strategic review of the Council's Occupational Health arrangements will be undertaken. This will include consideration of the benefits of proactive health promotion and early interventions designed to minimise the occurrence of unavoidable sickness absence. Any changes will be closely aligned with the Council's well- 	<p>All of the proposed actions have been taken and identified weaknesses addressed.</p> <p>The Council's sickness absence reporting, recording, monitoring and management procedures have been comprehensively re-written and the revised processes were implemented in October 2007. The implementation of the new processes were supported by a publicity campaign and a corporate training programme. HR are also running bespoke training sessions in directorates where necessary. Internal Audit were consulted during the development of the new processes. Sickness absence levels remain high but early indications, since the implementation of the new processes, are that levels have begun to decrease. In addition the Council has continued to build upon its approach to enabling attendance at work, which will ensure increases in attendance levels are sustainable in the long term.</p> <p>A strategic review of Occupational Health provision has been undertaken and the contract for OH services has recently been re-tendered with an emphasis on health promotion and proactive interventions rather than simply reactive referrals.</p> <p>Internal Audit are currently carrying out a follow up review of the recommendations made as part of the last Sickness Management Audit in 2005/06. The</p>	<p>The follow up audit is due to be completed by the end of March 2008, which will give a further indication of the likelihood of disclosure in the 2007/08 AGS. However, given the continuing high levels of sickness, it is likely that a disclosure will be made.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
	<p>being agenda and participation in the Health & Safety Executive's Strategic Intervention Programme.</p> <p>Responsibility – Director of People and Improvement</p>	<p>findings of this review will establish the impact of the new Absence Management Policy and the extent to which new procedures are embedded.</p>	
Recruitment and Selection Procedures			
<p>As identified in the 2005/06 SIC, the Council's Recruitment and Selection Policy is not always followed. Although good progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded.</p>	<p>Directorate Management Teams have been briefed on the revised Recruitment and Selection Policy and processes. Staff have also been made aware of the new requirements. A further follow up audit to examine compliance with the revised policy and procedures, will be undertaken in 2007/08.</p> <p>Responsibility – Director of People and Improvement</p>	<p>Actions to address previously identified weaknesses already taken and initial follow up audit confirmed the new recruitment and selection processes address all of the previously identified weaknesses.</p> <p>A second follow up audit is currently being undertaken by Internal Audit, the results of which will indicate the extent to which Recruitment and Selection Procedures are now embedded across the Council.</p>	<p>Awaiting outcome of the second follow up audit.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Health and Safety			
<p>The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. The 2005/06 SIC identified the need to develop greater consistency in health and safety performance and a more robust corporate framework in order to drive improvement and ensure compliance with legislation and best practice. It was also recognised that the Council needed to satisfy itself that adequate resources were available to provide professional advice and meet statutory requirements. Although some progress has been made there is still insufficient evidence that the required processes are fully embedded across the Council.</p>	<p>During 2006/07 progress was made to develop appropriate Corporate health and safety policies. In January 2007, the new post of Director for People and Improvement was created with a specific role of Council Health and Safety Champion. In March 2007, an additional Health and Safety Advisor post was created to increase the capacity within the team to provide professional advice. Council Officers met with the Health and Safety Executive (HSE) to discuss a proposed management model and associated work plan. The proposals were positively received by the HSE. The associated documents will be presented to Directorate Management Teams before the end of July 2007 for their formal acceptance.</p> <p>Responsibility – Director of People and Improvement</p>	<p>A strategic review of the Council's health and safety arrangements is currently underway and is expected to report by the end of March 2008. The review is also looking at how the Council can move to operating on the wider concept of wellbeing rather than just taking a traditional approach to H&S.</p> <p>In the meantime work continues to build the relationship with the HSE and the Council is continuing to participate in the HSE's strategic intervention programme.</p> <p>A number of specific pieces of work are underway in directorates where risks have been identified for instance a stress reduction pilot is operating in HASS alongside the directorate's work to increase attendance levels. In addition the profile of H&S has been raised in the Council and senior management commitment has been gained to improve performance in this area. A programme of audits has also commenced with high risk areas being prioritised.</p>	<p>Although progress has been made to address this control weakness, it is likely that it will need to be disclosed in the 2007/08 AGS. A further period of time is considered necessary to ensure that the new processes are fully embedded.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Competition and Procurement			
<p>The Council's competition arrangements and procurement rules and procedures contribute to the efficient and effective use of resources and the delivery of best value. The 2005/06 SIC identified continuing weaknesses in the Council's competition and procurement arrangements. New Financial Regulations, encompassing comprehensive procurement rules were adopted by Full Council in May 2006, and a training programme to raise awareness was undertaken across directorates. The Corporate Procurement Strategy has however been delayed. During the period the procurement of goods and services across the organisation has also not always complied with EU procurement legislation and the Council's procurement rules and procedures.</p>	<p>The Corporate Procurement Strategy will be adopted in June 2007. The Strategy will include a Competition Policy and a strategic plan for developing the use of procurement by the Council. It will also cover the function of procurement as a whole at the Council over the next three years. In addition, the overall competition and procurement framework will be strengthened by the adoption of a;</p> <ul style="list-style-type: none"> a) Strategic Procurement Programme - this is a programme of strategic procurements that will take place across the Council over the next five years. b) Thin-client methodology. c) Procurement practitioner guidance manual. <p>Responsibility – Director of Resources</p>	<p>The Corporate Procurement Strategy was formally adopted by the Executive on 26 June 2007, together with a medium term action plan. On 23 October 2007 the Competition Policy was adopted in principle by the Executive and will be formally adopted by the Council when the Competition Strategy is presented in 2008/09.</p> <p>The review of thin-client methodology is currently on-hold and may delay the Competition Strategy in the new year. The control issue has largely been addressed by the adoption of the Corporate Procurement Strategy as it provides an encompassing policy framework. Early indications of the impact of the Corporate Procurement Strategy are good, with evidence from the breaches and waivers audit for 2006/07 supporting this. For 2006/07 a total of 20 breaches were reported, compared to 40 for 2005/06. The trend has seen a decrease in the number of new breaches reported from 13 in 2005/06 to 9 in 2006/07.</p> <p>As a result of these developments since the publication of the 2006/07 SIC, it was felt the competition and procurement is now well developed and robust but that the control issue has moved away from one of unlawfulness (with respect to EU procurement legislation) to one of management capacity and skills particularly regarding client and contract management knowledge.</p>	<p>Good progress has continued to be made to address this control issue. However, the control issue is likely to remain with respect to the lack of sufficient management capacity and skills for client and contract management.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Accounting Misstatement			
<p>The 2005/06 Statement of Accounts included a material misstatement. The misstatement was caused by a change in government guidance on the valuation of social housing, with the change not being reflected in the annual valuation exercise. Although this was a technical accounting issue, controls should have existed to identify the error before the final valuation figures were included in the approved Statement of Accounts.</p>	<p>For the closing of the 2006/07 accounts, the Head of Finance has carried out a case file review for each department/finance manager. In addition, the Director of Resources has met with the Head of Finance and the accountancy manager to review the draft accounts and question key elements, in particular those related to the balance sheet.</p> <p>In future, steps will be taken to concentrate this work around the identification and review of key changes to the accounts compared to previous years.</p> <p>Responsibility – Director of Resources</p>	<p>For the 2006/07 closedown of accounts, additional reviews were conducted to highlight any potential issues. These included departmental file review and also a review meeting held by the Head of Finance and Director of Resources. However it is acknowledged that more progress is needed, particularly in terms of a formalised review and sign-off by the Head of Finance and Director of Resources. A framework is in place but it needs to be embedded and further developed.</p> <p>For the 2006/07 Statement of Accounts, more errors were found and it was necessary to take a revised statement to Members after 30 June 2007. 2006/07 was not a typical year for the preparation of accounts given the statutory changes required to the format of the accounts and prior year restatement process as a result. Together with this there was the staffing capacity issue at closedown. Under resourcing of the Strategic Finance section is also a contributory factor, particularly as a result of the involvement in Job Evaluation, as well as the revised accounts and the FMS replacement project.</p> <p>Once implemented towards the end of 2008 the new ledger system should address and tighten these areas of weakness, but until that time the weakness will remain.</p>	<p>Insufficient progress has been made in addressing this issue. It is therefore likely that this will need to be reported in the 2007/08 AGS.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Equalities			
<p>Although the Council has an equalities strategy there is insufficient evidence that the Council's policies and procedures are fully embedded within each directorate. Equalities monitoring arrangements need to be strengthened. Staff awareness also needs to be improved so as to ensure compliance with equalities legislation.</p>	<p>The Council's Equality Strategy and action plan is currently being reviewed and updated. The Corporate Equalities Leadership Group has also recently been established to promote the equalities agenda. Four key areas for improvement have been identified;</p> <ul style="list-style-type: none"> a) Monitoring in respect of employment procedures and service users. b) Training for staff. c) Community engagement. d) Awareness of the equalities agenda and Equalities Unit's work programme. <p>Responsibility – Director of People and Improvement</p>	<p>Promoting equalities and inclusion continues to be an organisational priority. This is reflected strongly in the council's refreshed Corporate Strategy. "Promoting cohesive and inclusive communities" is part of the Council's vision; reducing inequalities is a theme running through a number of the Council's ten priorities for improvement; and the need to respond to the city's changing (diverse) population has been identified as an imperative which needs action now.</p> <p>Whilst equalities is a priority, and good progress has been made in some areas, a significant amount of work is still required to:</p> <ul style="list-style-type: none"> • embed equalities • realise our equality related ambitions (for example, relating to the Equality Standard) and • ensure that the Council meets (an expanded range) of statutory equality duties in relation to the 6 equality strands. <p>The Corporate Management Team have agreed a set of actions to ensure that this work is completed, including prioritising equalities on their own agenda, supporting a bid for additional equalities resources, vesting further responsibilities in DMTs for promoting equalities and by committing to the Equalities Leadership Group (which also has Executive</p>	<p>Although progress has been made, it is widely accepted that a considerable amount of work remains to be completed in this area. It is therefore likely that this will need to be reported in the 2007/08 AGS.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
		<p>member representation).</p> <p>These key actions include:</p> <ul style="list-style-type: none"> • Revision of the Equality Strategy - with a set of targeted actions to achieve successive levels of the Equality Standard. • Completion of a programme of priority Equality Impact Assessments (in relation to the Council's key policies and strategies) (a number to be completed by end March 08) • Provision of an extensive programme of equality training and awareness for both staff and elected members • Significant improvement to systems for equality performance monitoring <p>A detailed timetable for these actions is currently being agreed with CMT via the Equality Leadership Group, but it is anticipated that further progress will be made by the end of March 2008.</p>	

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Business Continuity			
<p>Business continuity plans and procedures are required to enable the Council to respond effectively to any major events which may impact on the city and/or the ability of the Council to maintain its services. The 2005/06 SIC identified continuing weaknesses in the Council’s business continuity arrangements. Although the Council has approved a Business Continuity Policy and Strategy and each directorate has appointed a business continuity champion, the quality of individual directorate plans is still not at the required standard.</p>	<p>A review has been undertaken of the progress made to complete business continuity plans throughout the Council. As a result of the review, the format of the plans has been significantly amended to meet new national guidance. An exemplar document has been prepared together with a template for use by all groups and directorates. This exemplar and template is currently being implemented across the Council with a view to completing group plans by mid-Autumn. Further work on business continuity has included the preparation of an information document, which has been distributed to businesses in the city.</p> <p>Responsibility – Director of City Strategy</p>	<p>Business continuity planning within the council has not progressed in accordance with the agreed implementation plan. A Business Continuity Working Group has been established to promote and support the completion of the plans and training to group members (i.e. those charged with BC responsibilities) has been provided. The Emergency Planning Unit (EPU) section has produced a revised plan template and offered support at regular intervals to assist with the business continuity plan production. However the commitment and resources have not been put in place corporately and the priority for business continuity is low within directorates, with greater commitment being required from senior management.</p> <p>Business Continuity Plans at Directorate level are not yet complete, which is attributable to the fact that group plans for each service area are still incomplete. This is despite a deadline of the end of January being set for their completion.</p> <p>Both HASS and LCCS have sought consultancy advice to support the completion of their respective plans.</p> <p>In the meantime the EPU has continued to work to raise the profile of business continuity and emergency planning. A simple 4-page Business Impact Analysis document, developed for use in the</p>	<p>There has been insufficient progress made by Directorates in addressing this control weakness and it will therefore need to be disclosed in the 2007/08 AGS.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
		Business Continuity Workshops which the team have run, has been praised by the Civil Contingencies Secretariat and offered nationally as 'good practice'. It has been used by other partner agencies (e.g. PCT, South Yorkshire Police) in developing business continuity planning in their organisations.	

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
Partnership Governance Arrangements			
<p>The Council currently has a database of the partnerships it has an interest in, and a partnership support and development programme. All of these are designed to improve the effectiveness of partnerships and ensure good management arrangements are in place. However, there is still a need to further develop the Council's monitoring and support arrangements to ensure that all partnerships have suitable governance and performance management arrangements in place.</p>	<p>The Council has recently increased its investment in partnership working by creating a Strategic Partnerships Team, that has responsibility for consolidating and improving the Council's approach to partnership working.</p> <p>The governance arrangements of the Local Strategic Partnership were reviewed in late 2006, to reflect the new requirements of the Local Area Agreement and proposals in the Local Government White Paper. An Executive Delivery Board was created to focus on delivery of the Local Area Agreement. These new governance arrangements will be implemented during 2007/08.</p> <p>It is anticipated that the processes of revising the Community Strategy and reviewing the Council's corporate priorities during 2007/08 will further identify links between partners, and promote the need for high standards of governance and performance management.</p>	<p>The Local Strategic Partnership now has an Independent Chair and an Executive Delivery Board to meet recommended best practice. Strategic considerations are now addressed separately at board meetings.</p> <p>It has been agreed that the Community Strategy will be revised by April 2008 to reflect the new Corporate Priorities; the Council will then revise its own Corporate Strategy. (The Local Development Fund2 will be revisited once the Community Strategy has been revised).</p> <p>Although a lot of work has been done on the Local Area Agreement, further work must be undertaken to take account of the new legislation requiring 35 Performance Indicators. These need to be agreed by Central Government. Revision needs to be done by June which is on track, twin-tracked with the revision of the Corporate Strategy.</p> <p>The partnerships database has been developed further so that it is more effective.</p> <p>The work of the Strategic Partnerships team (SPT) has been hindered by a change in two key members of personnel. One of the vacant posts manages the database, it is expected that a replacement will be in post by April 2008.</p> <p>The area where improvement is still needed is in the</p>	<p>Although some progress has been made in addressing this issue, it is likely that this it will need to be reported in the AGS. The focus will shift to the performance management arrangements and identification of/support for smaller partnerships.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
	<p>Responsibility – Director of City Strategy</p>	<p>provision of support to smaller partnerships. The City Strategy partnerships provide a good working example but within the other Directorates support is not always sought from the Partnership team.</p> <p>The SPT have provided lunchtime learning sessions to address this but there is still acceptance that all partnerships have not been identified. Further work needs to be completed to raise awareness about support available.</p> <p>Another issue is that although the larger/strategic partnerships now have well embedded governance arrangements, a weakness now lies in the Council's ability to assess the performance of those partnerships.</p>	

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
<p>Project Management, Programme Management and Benefit Realisation</p>			
<p>As identified in the 2005/06 SIC, some progress has been made to develop in-house management skills and capacity. However, there was still a need to ensure consistency across the Council. As a result major projects do not always realise the anticipated benefits to the Council. The resources to support key projects also remain limited. Only limited progress has been made to address these issues during 2006/07.</p>	<p>Improving project and programme management is a key action within the Organisational Effectiveness Programme (OEP). Specific improvement work in conjunction with the Audit Commission and the OEP Board has been started. Initially this work is using the OEP as a pilot area, and will continue, building on learning from other key projects (for example, easy@york) during the first part of 2007/08. Once this phase of work is completed (September 2007), it is proposed that the approach and key principles will be applied to other projects during the second half of the year.</p> <p>Responsibility – Director of People and Improvement</p>	<p>Improving project and programme management remains a key action within the OEP.</p> <p>Building on the work and support from the Audit Commission, improvements have been built into the programme management arrangements for the OEP itself, and will develop and learn from these, and other highly successful examples (e.g. easy@york), in developing a scaleable programme/project model for Council-wide application. This will be designed to include clear arrangements for identifying anticipated and actual benefits. The finalisation and roll-out of these approaches has been delayed however due to resource constraints and the need to prioritise other elements of the OEP for immediate completion. This will be picked up as a priority once these other elements have been delivered.</p> <p>In view of this delay, and recognising the need to ensure that the major culture and organisational change projects within the council need to be better co-ordinated and aligned, good progress has been made in developing a process for ensuring that all these strategic projects are "joined-up". This has been achieved through close working and collaboration between the programme and project sponsors for all the Council's major change projects (predominantly sited within the Resources and Chief Executives directorates) - and ensuring the</p>	<p>Although progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded. It is therefore possible that this issue will need to be disclosed in the 2006/07 SIC.</p>

2006/07 Statement of Internal Control – Action Plan Follow Up Report

Control Issue (as included in the 2006/07 SIC)	Original Planned Action / Due Date (as included in the 2006/07 SIC)	Actual Progress To Date	Comment
		alignment of the OEP and major change projects such as Admin Accommodation, easy@york, Pay and Grading, around a small number of agreed, strategic outcomes - namely the "Values" element of the Council's refreshed vision (leadership, customers, improvement and people).	

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Audit & Governance Committee

13 May 2008

Report of the Assistant Director (Audit & Risk Management)

Officer Governance Group 2007/08 work programme outturn

Summary

- 1 The purpose of this report is to advise Members of the progress made during 2007/08 in respect of the Officer Governance Group work programme. This report sets out;
 - the background to the Governance Group being established and the purpose of the Group further to the overall governance agenda at the Council;
 - progress against the plan and the key issues being addressed by the Governance Group on behalf of the organisation during 2007/08 and arrangements for the on-going management of the group during 2008/09 following the imminent departure of the current Director of Resources and Assistant Director of Resources (ARM).

Background

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

- 3 Many of the weaknesses identified by the District Auditor had remained unresolved for many years and risked seriously compromising the Council's future CPA score unless satisfactorily resolved.
- 4 Following a meeting of the District Auditor with the Chief Executive and the Director of Resources in early 2005 it was agreed that an officer group should be established to deal with corporate governance issues and provide a vehicle for exercising the on-going stewardship responsibilities of the S151 Officer and Monitoring Officer.

Role & function

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

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

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

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

The Council must ensure that it acts within the law and that all relevant legislation, codified practice, local regulation etc is observed and complied with by Members and Officers. Non-compliance must be dealt with and reported by the S151 Officer and/or the Monitoring Officer further to the stewardship responsibilities placed upon them variously by extant statute.
- 6 The Group's remit is to deliver a corporate governance development agenda on behalf of the Council, to keep implementation under on-going review and to report progress on a regular basis to both

Corporate Management Team (CMT) and those Members charged with governance at the Council (A&G Committee). The Group is not be responsible for day to day operational matters or deployment, nor may it form part of any control system in its own right.

Working arrangements

- 7 Given the nature of the work involved and the commitment required to the governance agenda by all Directors, it was important for the Group to be constituted as a sub-group of CMT and report progress to CMT and A&G Members on a regular basis. The Group's membership comprises only a few core members: the S151 Officer, the Monitoring Officer and the Chief Internal Auditor. These officers are supported by a number of named associate members who are involved in specific development work as and when needed to minimise additional meetings burdens on key staff.

Progress to date

- 8 The Group's work programme for 2007/08 is attached as Annex 1 to this report. It sets out the work scheduled for completion in year, lead officer responsibilities for each main area of development, time-tabling commitments, reporting requirements and progress to date.
- 9 As Annex 1 shows a great deal of the work programme has already been achieved and/or is currently in hand. Key work currently outstanding or still to complete includes:
 - **Sub-section 2 - Stakeholder awareness and information work** – more communications work is required generally and specifically in respect of briefing key Members and CLG. This area of work was de-prioritised by the Group in 2007/08 due to resourcing constraints. Further work in this area will therefore need to be scheduled in 2008/09;
 - **Sub-section 4b – Financial health** – this work has been outstanding for a very long time and failures to tackle this previously did adversely impact on the 2007 CPA UOR score as reported to CMT in February 2008. These matters need to be progressed by the new Head of Finance in 2008/09;
 - **Sub-section 7 – Money Laundering** – this work needs to be progressed by the new Monitoring Officer during 2008/09 and reported to Audit & Governance Committee;
 - **Sub-section 11 – A&G training & awareness** – the new Assistant Director (ARM) will need to complete the work needed to prepare a new training programme for A&G members, all other members (following AGM) and undertake a stakeholder surveying exercise during 2008/09.

- **Sub-section 14e – Review of Scrutiny** – the new Monitoring Officer has indicated recently that he will progress this work further to his responsibilities to regularly review and maintain the Council's Constitution.

- 10 Members attention is also drawn to the fact that the planned roll-out of the Council's MAGIQUE risk management system had to be pended during 2008/09 after the IT Development Board rejected the funding bid put forward to cover the costs of the additional licenses needed to roll the system out to all relevant staff across all Directorates. This has made embedding the Council's approach to risk management during 2007/08 far harder and it is likely that the Council will be criticised again by the District Auditor for this failure in the 2008 UOR CPA assessment. A bid will be made to seek this funding from contingency in 2008/09 but that will be subject to the approval of the Executive in June when it considers a list of similar unfunded service requirements.
- 11 Arrangements have been made to hand over interim responsibility for the on-going management of OGG to the Acting Head of Finance with effect from 14 May 2008, in light of the imminent departure of the current Director of Resources (S151 Officer) and the Assistant Director of Resources (Chief Internal Auditor) and the likelihood that one or both of these posts will not be recruited to before the departure of the current post-holders. The new S151 Officer will become the new Chair of OGG once they take up post.

Options

- 12 Not relevant for the purpose of the report.

Analysis

- 13 Not relevant for the purpose of the report.

Corporate Priorities

- 14 Not relevant for the purpose of the report.

Implications

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

Risk Management Assessment

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

Conclusions

- 17 A great deal of good and relatively speedy progress has continued to be made in respect of the OGG work programme. However, some key areas of work are outstanding from 2007/08 to complete. These along with a number of new requirements will mean that OGG's work in 2008/09 will remain challenging. It is suggested therefore that a mid-term monitoring report is brought to A&G Committee in September 2008 to report the new work programme for 08/09 and advise Members of the progress of the Group and key developments following the departure of the in June 2008.

Recommendations

- 18 It is recommended that Members:
- a) note the progress made in respect of the Group's work programme in 2007/08 as set out in Annex 1;
Reason
In fulfilment of the delegated responsibilities of the Committee as set out in Article 13 of the Council's Constitution
 - b) note the outstanding matters detailed at paragraph 9;
Reason
To ensure the effective management and follow-up of key action to be taken to support on-going development and improvement work at the Council
 - c) note the management arrangements for the Group in light of the imminent departure of the current Director of Resources and Assistant Director (ARM);
Reason
To ensure the effective management of the key action to be taken to support on-going development and improvement work at the Council in 2008/09
 - d) endorse the need for the Group to provide a mid-term monitoring report on progress in September 2008;

Reason

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

Author:

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Resources
Ext 1706

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Yes

Date 1 May 2008

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

Annexes

Annex 1 2007/08 Work Programme

Key tasks & deliverables	Meeting schedule		March 07	April 07	May 07	June 07	July 07	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	March 08	April 08
	Lead	Status	Financial year 07/08													
Group operations																
1 Specification, role & remit																
a	Review & update membership details	ALL	Done													
b	Approve 07/08 Work Plan	ALL	Done													
2 Communications & awareness work																
a	Report to CMT on 06/07 outturn and 07/08 work programme	ERA	Done													
b	Stakeholder awareness & information sessions															
b1	CLG event	ERA	Done													
b2	Council Members															
	i Leader	SW	Done													
	ii Political Groups	SW	O/S													
	iii Standards Committee	SH	Done													
	iv Audit & Governance Committee	ERA	Done													
	v SMC	SH	O/S													
	vi Members induction programme	SH	O/S													
b3	Intranet site	DM	O/S													
b4	News & Jobs feature	DM	O/S													
Internal control environment																
3 Known control issues 2005/06																
a	Document review															
a1	Issues arising from the SIC 06/07															
	i review O/S 05/06 actions and report to OGG & A&G	MT	Done													
	ii prepare 06/07 action plan	MT	Done													
a2	Outstanding DA actions for follow up															
	i schedule as part of 07/08 AAL Action Plan	ERA	Done													
	ii report back to CMT/GG	ERA	Done													
	iii report to A&G for monitoring and action	ERA	Done													
a3	Outstanding IA actions for follow up															
	i regular in-year monitor to OGG	RS	Done													
	ii regular in-year monitor to A&G	RS	Done													
a4	Registers of Interest															
	i Review of Directorate arrangements	MT/KG	Done													
	ii Members Induction Programme	SH	O/S													
	iii compliance audit	MT	Done													
a5	Issues arising from the annual review of B&W															
	i incorporate into IA follow up programme	MT	Done													
	ii schedule CPT support to key areas	DW	Done													
	iii maintain WP files & register	RS	Done													
	iv 2007/08 report to OGG	RS	Done													
	v 2007/08 report to A&G	RS	Done													

Key tasks & deliverables			Meeting schedule		March 07	April 07	May 07	June 07	July 07	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	March 08	April 08
			Lead	Status	Financial year 07/08													
Internal control environment																		
4	Known control issues 2005/06 (cont)																	
	b	Financial health																
	b1	Establish arrangements to formally report on key financial systems performance & targets to S151 and A&G Members	PS	O/S														
	b2	Undertake regular monitoring routine	PS	O/S														
	b3	Monitoring report to S151 Officer	PS	O/S														
	b4	Exceptions report to A&G (if necessary)	PS	O/S														
	b5	Implement robust quality assurance routines as part of annual closedown & accounts preparation	PS/JL	O/S														
	b6	Improvements to final accounts working papers to be implemented as agreed with DA	PS/JL	O/S														
	b7	Prepare annual report	PS	Done														
	c	Partnership arrangements																
	c1	Prepare guidance note on expected standards for financial reporting & governance arrangements	ST	O/S														
	d	Whistle-blowing policy																
	d1	Complete review and report to Members	CT	Done														
	d2	Re-launch of new policy to all staff	CT	Done														
	e	Managing compliance & embedding the control framework																
	e1	Review requirements & current arrgts	ALL/HR	O/S														
	e2	Report back to CMT on required development	ERA	Done														
5	Forward planning & mgt 2006/07 onwards																	
	a	Intergated audit & reporting arrgts																
	a1	Planning																
		i DA annual plan	ERA	Done														
		ii IA annual plan	MT	Done														
	a2	Delivery & reporting																
		i Officer client monitoring DA plan	ERA	Done														
	a3	Reporting																
		i Annual report of the CIA to A&G	ERA	Done														
		ii Client monitoring on DA plan to A&G	ERA	Done														
		iii IAS monitoring report to A&G	MT	Done														
Legality & regulation																		
6	Stewardship responsibilities of the S151 Officer & MO																	
	a	Exception reporting to A&G (if necessary)	SW	N/R														
	b	Exception reporting to Standards (if necessary)	SH	N/R														
7	Money Laundering																	
	a	Complete implementation of 06/07 action plan	SH	O/S														
	b	Progress report to OGG	SH	Done														
	c	Exception and/or year end report to A&G (if necessary)	SH	O/S														

Key tasks & deliverables	Meetings schedule		March 07	April 07	May 07	June 07	July 07	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	March 08	April 08
	Lead	Status	Financial year07/08													
Legality & regulation																
8	Information governance															
	a	OGG to review policy framework, arrangements & compliance	RB	Done												
Transparency & decision making																
9	The Review of the Constitution															
	a	Complete post-implementation review & report to OGG	ALL	Done												
	a1	HR procedure rules (see also 10 below)	JS	WIP												
	a2	Review of the ECP	RG	WIP												
	a3	Officers Code of Conduct	SH	WIP												
	a4	Revisions to Fin Regs														
		i addendum: procurement partnership contracts	ERA	WIP												
		ii review: Part 5 Partnership & 3rd party working	ERA	WIP												
	a5	Review of Scrutiny	SH/DS	WIP												
	b	Report to Council	SH	WIP												
10	HR rules of procedure & scheme of delegation															
	a	Review and update further to 9a above	CT	Done												
	b	Associated policy development	CT	WIP												
	c	Roll out, implementation and training	CT	O/S												
11	Audit & Governance Committee															
	a	Rehearse TOR, role & remit with new Members	ERA	Done												
	b	Prepare annual training programme	ERA	O/S												
	c	Undertake stakeholder survey: role & effectiveness	ERA	O/S												
	d	Schedule all Member workshop on the role of A&G	ERA	O/S												
12	Strategic decision making & reporting															
	a	Competition framework														
	a1	Competition policy	ERA	Done												
	a2	Competition Handbook (Rollo Review/Thin Client)	ERA	O/S												
	a3	Strategic Procurement Programme - monitoring arrgts	DW	Done												
	a4	Corporate Procurement Strategy	ERA	Done												
13	Data Quality Development & Improvement															
	a	Champion data quality action plan	ERA	Done												
	b	Monitor progress	ALL	O/S												

Key tasks & deliverables	Meetings schedule		March 07	April 07	May 07	June 07	July 07	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	March 08	April 08
	Lead	Status	Financial year 07/08													
Transparency & decision making																
14 Strategic decision making & reporting (cont)																
b	Capital & Asset Management															
b1	Project mgt arrgts for asset/land disposals	NH/TW	Done													
b2	Reporting capital receipts risk assessments	NH/TW	Done													
c	Service & performance reporting															
c1	Objectives & target setting	SW	O/S													
c2	Client responsibilities for DSO reporting	SW	O/S													
d	Member Champions															
d1	Develop active champion role	ALL	Done													
e	Scrutiny															
e1	Review scrutiny function	SH/DS	O/S													
e2	Draft proposals for revising function as part of 9 above	SH	O/S													
e3	Implement new arrangements	SH	O/S													
f	Risk Management arrangements															
f1	Roll-out MAGIGUE system to all users	DW	PEND													
f2	Devise and deliver annual training programme/key events for all Members (Member induction programme)	DW	Done													
f3	Devise and deliver annual staff training programme	DW	Done													
f4	Review roll out and compliance	DW	Done													
Ethical working practices & standards																
15 Role of the Standards Committee																
a	Report to OGG on 'ethical audit' outcomes	SH	Done													
b	Prepare action plan following ethical audit for OGG	SH	O/S													
c	Declarations of interest - post election	SH	Done													
16 Codes of Conduct																
a	Officer Code of Conduct															
a1	Prepare interim local Code in advance of national Code	HR/SH	Done													
b	Members Code of Conduct															
b1	New Members & post-election induction arrgts	SH/DS	Done													
17 Other management arrangements																
a	Fraud & Corruption															
a1	Review impact of 2006/07 Counter Fraud Awareness campaigns	MT	Done													
b	Use of Resources CPA KLOE															
b1	Review 2006 assessment requirements & report CMT and the Executive	ERA	Done													
b2	Co-ordinate 2007 assessment and return	ERA/RB	Done													
b3	DA audit process	ERA	Done													

Subject to funding from contingency in 08/09 following ITD Board rejection of bid application for support funding



Audit & Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

Risk Management Outturn Report 2007/08

Summary

1. The purpose of this paper is to inform Members of the progress made during 2007/08 in delivering and embedding risk management arrangements across the organisation and in particular:
 - a) progress against the 2007/08 risk management work plan
 - b) progress in achieving the CPA Key Lines of Enquiry
 - c) the key deliverables of 2008/09 work plan

Background

2. Risk management is a business discipline that public and private sector organisations use to better manage potential opportunities and threats to the achievement of corporate objectives. Risk management forms a key part of the Council's corporate governance arrangements, strategic management and performance management process.
3. Effective risk management should act as an enabler – supporting well-informed decision making and facilitating sustainable improvements in service delivery. It is fundamental to good management practice and should not be viewed as a separate discipline or token paper exercise to be carried out in isolation

Progress in delivering 2007/08 Work plan

4. The teams work plan for 2007/08 comprised two key work streams, development of the corporate risk register including key corporate risks and training & communication.
5. The Council has been actively developing and deploying effective risk management arrangements across the organisation since 2002. The introduction of risk consideration into service planning and more

recently the implementation of a web based risk register (Magique) has resulted in the compilation of a comprehensive and robust corporate risk register. The register includes details of approximately 450 risks across all directorates stratified according to whether they are regarded as corporate, strategic, operational or project. The register can be accessed through the Council intranet on the following link (Please contact the Risk Management Section for a password to access the system)

<http://webapp001/Galileo/default.aspx?ReturnUrl=%2fGalileo%2fHome%2fGalileo.aspx>

6 The Turnbull Report (1999), which established the basis for risk management in both the public and private sector, recommends that the corporate management team should be informed by and focussed on the effective management of its corporate risks or jeopardies. Turnbull further suggests that recommended best practice would have in the order of anything up to 15 key corporate risks. This is not to say that an organisation will not have more than 15 risks across the complexity of all its services but that other risks may be better thought through and managed at the appropriate level e.g. Directorate, Programme and Project risks.

7 In the spirit of the Turnbull report eleven Key Corporate Risk focus areas were identified for corporate monitoring purposes further to a workshop held at a session of the Corporate Leadership Group (CLG) in September 2007 and agreed by the Executive in October 2007. The key corporate risk focus areas are;

- I KCR 0001 – Implementation of the Pay & Grading Review Implementation
- II KCR 0002 – Unsuccessful delivery of accommodation review project
- III KCR 0003 – Failure of waste management strategy partnership
- IV KCR 0004 – Ensuring the Council achieves a balanced budget year on year
- V KCR 0005 – Failure to deliver the Corporate Strategy
- VI KCR 0006 – Failure to achieve agreed efficiency programme outcomes
- VII KCR 0007 – Failure to deliver Local Area Agreement
- VIII KCR 0008 – Failure to prepare adequately for CAA & New Use of Resources
- IX KCR 0009 – Failure to coordinate significant programmes of change
- X KCR 0010 – Failure to ensure Business Continuity
- XI KCR 0011 – Failure to effectively govern and manage partnerships

- 8 These risk focus areas form the basis of the quarterly risk monitors that are to be reported to CMT and A&G on a quarterly basis. The initial risk monitor was due at CMT in April (Quarter 1) however the first complete monitor will not be presented to CMT until June (Quarter 2). The reasons for the delay are primarily around identifying and scoring the key risks associated with the eleven risk focus areas detailed at paragraph 7 above. Annex A of this report provides an example of the agreed format and how it will look when populated the data contained is fictitious. This is further to the template that was provided to A&G in January 2008.
- 9 Underpinning the objectives of the Corporate Risk Strategy is the necessity to provide effective training and communication to Officers and Members across the organisation. While resources in the risk management team are small the corporate risk management officer has delivered a comprehensive training programme during 2007/08. A summary of this programme is detailed in the table below:

Date	Officer Training Title	Number of Delegates
28 September 2007	Risk Management Awareness	25
7 November 2007	Risk Management Awareness	7
13 & 14 November 2007	Risk Management Awareness	24
16 January 2008	Risk Management Awareness	6
5 February 2008	Use of Risk Register	8
13 February 2008	Use of Risk Register	9
21 February 2008	Use of Risk Register	15
25 February 2008	Use of Risk Register	10
5 March 2008	Use of Risk Register	2
26 March 2008	Use of Risk Register	1
January & February	Use of Risk Register for Projects	5
Member Training		
19 March 2008	Risk Management Awareness	4
Communication		
June 2007	New & Jobs article – Risk Register	
October 2007	News & Jobs Article – Risk Awareness	
January 2008	New & Jobs article – Risk Register	
November 2007	New website Launched	210 Hits (Dec 07 – Feb 08)

- 10 Training & communication is a critical component in delivering the Council's risk management programme and further sessions are currently being planned for 2008/09 including further Member training sessions.

CPA Key Lines of Enquiry

11. Risk management forms one of the key strands (Internal Control) of the CPA inspection process. The Audit Commission will shortly be reviewing the documentation and supporting evidence to determine the

2007 refresh score. The Council's score for this criteria has consistently been 2 (Fair) and much work was undertaken in 2007/08 to ensure that risk management met the minimum requirements to score at least a 3 (Good) in the 2007 CPA refresh. This work has included:

- Risk identification with CLG, CMT and directorate management teams.
- Development of a corporate risk management framework.
- Review of significant Partnership.
- Ensuring risk is considered in major projects & programmes.
- Delivery of an Officer & Member training programme.
- Reporting of key risks, controls and actions to Members
- Ensuing committee papers have a risk management entry to provide evidence of risk based decision making

Work plan 2008/09

12. At the core of the 2008/09 work plan is the necessity to embed risk management into Council processes, continue to raise awareness through further training and aligning the risk register to the corporate priorities. Achieving this ambitious work plan should help the Council to lower its exposure to risk while ensuring it develops more robust services prepared to take advantage of opportunity through a better understanding of their risks.
13. The work plan is attached to this report at Annex B. The key deliverables within the plan include:
 - ensuring risks are linked to the Corporate Strategy
 - update and review of all risk register entries
 - development of the Member and Officer Risk Champion roles
 - further risk management training for Members and Officers
 - a more formal consideration of opportunities as well as risks
 - publication of the risk management framework document

Options

14. Not applicable.

Corporate Priorities

15. Risk management supports and underpins the Values, Direction and 10 priorities of the Corporate Strategy 2007 – 2011.

Implications

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

Risk Management

17. In compliance with the Councils Risk Management strategy. There are no risks associated with the recommendations of this report

Recommendations

18. Audit and Governance Committee are asked to:
 - a) note the contents of this report;

Reason

To raise awareness of the progress made to date in respect of the risk management framework at the Council and advise Members of the 2008/09 work programme.

Contact Details

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Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Date 30 April 2008

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None.

Annexes

Annex A – Example Risk Monitor
Annex B – Risk Management Work Plan

KCR 0001 - Implementation of new pay & grading structure

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

	RES	CS	NS	CE	LCCS	HASS
1. Inability to retain staff	17	16	21	12	15	12
2. Inability to recruit staff	25	25	16	12	19	23
3. Industrial action	6	22	21	22	13	18
4. Decline in customer service	6	16	18	22	20	5
5. Increase staff absence	9	25	23	25	13	23
6. Reduced staff productivity	1	5	21	12	12	19
7. Inability to deliver work plan	21	4	15	18	15	18

Resources

- Poor grading of positions could make it difficult to retain accountants
- Poor grading of positions could make it difficult to recruit auditors
- Shared service deadlines could be missed

Control Judgement	Movement	Current Monitor
✓	↑	17
✗	↑	25
✗	↓	21

City Strategy

- Highways inspectors may resign
- Inability to fill the Partnership Officer post
- Strike action would result in closure of the offices
- Demoralised staff will not provide good customer service
- Staff absense figures rise above 20%

Control Judgement	Movement	Current Monitor
✓	↑	16
✓	↑	25
✗	↓	22
✗	=	16
✗	=	25

Neighbourhood Services

- Poor grading of positions could make it difficult to retain accountants
- Poor grading of positions could make it difficult to recruit auditors
- Strike action would result in closure of the offices
- Demoralised staff will not provide good customer service
- Staff absense figures rise above 20%
- Reduced ability to deliver same standard of services

Control Judgement	Movement	Current Monitor
✗	↑	21
✗	↓	16
✗	↓	21
✗	=	18
✗	=	23
✓	↓	21

Chief Executives

- Strike action would result in closure of the offices
- Demoralised staff will not provide good customer service
- Staff absense figures rise above 20%
- Shared service deadlines could be missed

Control Judgement	Movement	Current Monitor
✓	↓	22
✓	=	22
✓	=	25
✓	↓	18

LCCS

- Inability to fill the Partnership Officer post
- Demoralised staff will not provide good customer service

Control Judgement	Movement	Current Monitor
✗	=	19
✗	↓	20

HASS

- Inability to fill the Partnership Officer post
- Strike action would result in closure of the offices
- Staff absense figures rise above 20%
- Reduced ability to deliver same standard of services
- Shared service deadlines could be missed

Control Judgement	Movement	Current Monitor
✓	↑	23
✓	↓	18
✓	↓	23
✓	=	19
✓	=	18

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Risk Management Work Plan 2008/09

Work stream	Progress/Comments	Target Date	Priority	Complete
Risk Register				
Update and review all entries in risk register and save trend		May-08	High	
Link risks to corporate strategy		Mar-09	High	
Update user guide		On-going	Low	
Increase number of users		On-going	Medium	
Update Risk Assessment page		Jun-08	Low	
Develop 'opportunities' section of Magique		Dec-08	Low	
Framework				
Publish Risk Management Policy		Sep-08	Low	
Publish Risk Management Strategy		Sep-08	Low	
Publish Risk Management guidance		Sep-08	Low	
Review framework, including key documents and guidance		Aug-08	Medium	
Undertake annual risk identification sessions with each DMT & CMT		Sep-08	Medium	
Review Member Risk Management Champion remit		Jun-08	Low	

Risk Management Work Plan 2008/09

Establish or review standard procedures and issue guidance for consideration of risk within the following business processes: -				
· Service planning		Sep-08	Medium	
· Performance Management		Sep-08	Medium	
· ITD bid documents		Jun-08	Medium	
Review & Update Standard Council documents to include appropriate RM Entry		Mar-09	Medium	
Partnerships				
Develop partnership questionnaire and issued to lead officers of significant partnerships.		Jan-09	Medium	
Update risk register with outcome of questionnaire and review with lead officers.		Mar-09	Medium	
Development Work				
Business Continuity Plan		Sep-08	Low	
Undertake a benchmarking exercise		Jan-09	Low	

Risk Management Work Plan 2008/09

Training & Communication				
Review and update Officer Training material		Apr-08	High	Yes
Deliver Officer Training	Separate Training & Communication (T&C) plan developed	As per T&C Plan	High	
Deliver Member Training	Separate Training & Communication (T&C) plan developed	As per T&C Plan	High	
Provide Magique training	Separate Training & Communication (T&C) plan developed	As per T&C Plan	High	
Publish News & Jobs articles	Separate Training & Communication (T&C) plan developed	As per T&C Plan	High	
Review webpage		On-going	High	
Develop relationship with champions		On-going	Medium	
Develop e-learning training		Jun-08	High	
Additional items				
Review and update ITD Bid forms		Jun-08	High	
Conduct full review of Resources' risks in Magique		Jul-08	High	

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Audit and Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

Follow Up of Internal Audit Recommendations

Summary

1. This report sets out the progress made by departments in implementing those agreed audit recommendations which were due to have been implemented by 29 February 2008.
2. The report also includes a summary of progress made in addressing the implementation of the recommendation made in the Youth Services audit regarding Criminal Records Bureau (CRB) checks and recommendations made as part of the Car Parking audit 2007/08, for which Members requested that a priority follow up was conducted.

Background

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

Consultation

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

Follow Up of Recommendations

5. A total of 158 recommendations were followed up as part of this review. A summary of the priority of these recommendations is included in figure 1, below.

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

Priority of Recommendations	No. of Recommendations Followed Up
1 (High)	5
2 (Medium)	97
3 (Low)	56
Total	158

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

Figure 2: Recommendations followed up by Directorate

Priority of Recommendations	No. of Recommendations Followed Up by Directorate					
	Chief Executives	City Strategy	HASS	LCCS	Resources	Neighbourhood Services
1 (High)	0	0	0	3	1	1
2 (Medium)	1	6	0	73	14	3
3 (Low)	4	2	0	39	10	1
Total	5	8	0	115	25	5

7. Of the 158 recommendations, 5 (3%) had been superseded (for example by business developments or because of cessation of service). Of the remaining recommendations, 133 (84%) had been satisfactorily implemented.
8. In 20 cases (13%), the recommendations had not been implemented (although progress had been made in some cases). These were referred back to the relevant service manager or assistant director. Following this, a revised implementation deadline has been agreed. These will be followed up again after the revised deadline, and if necessary will proceed to the next stage of the approved escalation procedure.

Youth Services CRB Checks

9. During the 2007/08 Youth Services audit, it was identified that CRB checks were not being carried out for all staff working with young people. Therefore a recommendation was made that all current staff needed to have a check made, and that in future new staff should not be allowed to start work without having had a check carried out.
10. In January 2008, when this recommendation was reported to Members of the Audit & Governance Committee, a request was made that Internal Audit carry out a priority follow up to establish whether progress had been made in this area.
11. The follow up reviewed samples of existing staff and new starters within Youth Services and concluded that the recommendation had been implemented.

2007/08 Follow Up Audit of Car Parking

12. Having received the report on the follow up audit of car parking in January 2008, Members requested that a progress report be presented to the next meeting. This further review is currently being completed, and a verbal update will be provided to the Committee.

Conclusions

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

Options

14. Not relevant for the purpose of the report.

Analysis

15. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

17. The implications are:
 - **Financial** – there are no financial implications 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

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

Recommendations

19. Members of the Audit and Governance Committee are asked to:
- consider the progress made in implementing audit recommendations as reported above (paragraphs 7 – 12).

Reason

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

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Report Approved

Date 29 April 2008

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

None



Audit and Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

Review of the Council's Counter Fraud and Corruption Policies

Summary

- 1 The purpose of the report is to advise Members of recent changes to the Council's counter fraud and corruption policy framework. The changes are designed to further strengthen and improve the Council's overall governance arrangements, and involve the adoption of a new Counter Fraud and Corruption Policy, together with some minor amendments to the existing Fraud and Corruption Prosecution Policy. The report also advises Members of the role of this Committee in monitoring the counter fraud and corruption policy framework.

Background

- 2 Under the Council's Constitution responsibility for the approval of Counter Fraud and Corruption Policies rests with the Executive Member for Corporate Services. The Audit and Governance Committee has in turn delegated responsibility for monitoring the implementation and effectiveness of the Council's counter fraud and corruption policy framework.
- 3 The Council's framework for countering fraud and corruption variously comprises the Financial Regulations; the Fraud and Corruption Response Plan; the Fraud and Corruption Prosecution Policy; the Constitution; the Whistleblowing Policy; and the Anti Money Laundering Guidance. The financial regulations (Part C) set out the Council's overarching view and approach to dealing with fraud and corruption, and the particular responsibilities of named officers, staff and members in respect of such matters. The Council has also been recognised latterly as a '*site of notable practice*' for the excellence of its counter fraud and awareness work further to the 2007 Comprehensive Performance Assessment (CPA) Use of Resources Assessment. Whilst our working practices are therefore regarded as exemplary, it was considered appropriate for the Council to adopt an overarching Counter Fraud and Corruption Policy to document our approach and demonstrate its consistency with best practice requirements. In doing so, it was also considered necessary to review and re-fresh the Council's existing Fraud and Corruption Prosecution Policy for consideration by Members at the same time.

- 4 The new Counter Fraud and Corruption Policy, and the revisions to the Prosecution Policy were approved by the Executive Member for Corporate Services on 18 March 2008.

Counter Fraud and Corruption Policy

- 5 The new policy is attached at Annex 1 for information. The policy has been prepared in accordance with the good practice principles set out in the CIPFA¹ Better Governance Forum publication "*Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*". The policy is intended as a high level statement of overall principles and approach, (rather than detailed guidance) that underpin the existing policy framework and provide a focus for the further development of the systems needed for countering fraud and corruption in accordance with best practice requirements. It sets out:
- a) the general principles and approach taken by this Council in respect of fraud or corruption at the authority;
 - b) the specific responsibilities of named Members, officers, committees and officer working groups for preventing, detecting, and investigating fraud and corruption as well as the general responsibilities of all Members and staff in countering and referring potential fraud and corruption in the work place.
 - c) the Council's overall management arrangements for countering fraud and corruption, minimising the risks, publicising the action taken as a means of deterrence and recovering monies lost or costs incurred as a result of any fraud being perpetrated against the authority.

Fraud and Corruption Prosecution Policy

- 6 It is vital to keep the policies of any organisation under regular review as a matter of good management practice. As reported to this Committee in October 2007, the Fraud and Corruption Prosecution Policy was last reviewed by Members in September 2006. The policy has now been subject to a re-fresh exercise by officers, which identified a number of necessary, albeit minor amendments as follows:
- a) the addition of the Deputy Audit and Fraud Manager to the list of officers who are able to make decisions about prosecutions and sanctions and amendment of the responsibilities for administering cautions and administrative penalties, to reflect the minor management re-structure in the Audit & Fraud team at CYC, (necessary to support the successful implementation of phase I of the shared service initiative with North Yorkshire County Council in October 2007);
 - b) an amendment to the financial guidelines for making decisions about prosecutions and sanctions in relation to Housing and Council Tax Benefit fraud, to ensure the Council's response is proportionate. In

¹ The Chartered Institute of Public Finance and Accountancy

cases where there is a small overpayment (less than £100) then the Council will not automatically consider prosecution or a formal sanction, unless there are exceptional circumstances that would make such action necessary or appropriate for any reason.

- 7 A copy of the revised policy is attached at Annex 2, for information.

Monitoring Arrangements

- 8 The monitoring role that the Committee can fulfil is important in ensuring that the policies;
- a) continue to comply with relevant legislation and best practice;
 - b) remain effective particularly in acting as a deterrent against future acts of fraud or corruption.
- 9 It is proposed that an annual report on the application of these policies will be made to this Committee each January. The report will identify new and emerging fraud and corruption risks, including those identified through ongoing audit work. The report will also provide summary details of instances of fraud and corruption which have been detected and investigated within the Council in the preceding year, together with details of any remedial action taken. The results will inform future development of the policy framework as well as assisting in the preparation of the annual audit plan.

Consultation

- 10 Not relevant for the purpose of the report

Options

- 11 Not relevant for the purpose of the report.

Analysis

- 12 Not relevant for the purpose of the report

Corporate Priorities

- 13 Effective measures to counter the risk of fraud and corruption will contribute to the effective function of governance arrangements at the Council, helping to minimise losses and risks to the organisation and thereby contributing to the achievement of overall Council priorities.

Implications

- 14 The implications are
- **Financial** - there are no financial implications to this report

- **Human Resources (HR)** - there are no HR implications to this report.
- **Equalities** - an equalities impact assessment was carried out as part of the development of the Counter Fraud and Corruption Policy and the review and re-fresh of the Fraud and Corruption Prosecution Policy.
- **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

- 15 If the Council fails to put in place proper policies regarding fraud and corruption, it will be unable to demonstrate adherence to proper practices in relation to the prevention and detection of fraud and its actions or decisions could be challenged. The Council also faces financial and reputational risk and/or other loss and damage if it fails to make adequate counter fraud & corruption arrangements across the organisation. Equally, not to do so, would risk future CPA Use of Resources ratings in relation to those criteria specifically related to counter fraud activity and fraud investigation & prosecution work.

Recommendations

- 16 Members are asked to;
- note the new Counter Fraud and Corruption Policy, and the changes to the Prosecution Policy;
Reason
To ensure that the Council has robust arrangements in place to counter fraud and corruption.
 - approve the proposed monitoring arrangements for the counter fraud and corruption policy framework;
Reason
To ensure that the Council's Counter Fraud and Corruption Policies remain effective.

Contact Details

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Report Approved



Date 29 May 2008

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers:

“Managing the Risk of Fraud – Actions to Counter Fraud and Corruption” – CIPFA Better Governance Forum
Council Financial Regulations

Annexes

Annex 1 – Counter Fraud and Corruption Policy
Annex 2 – Fraud and Corruption Prosecution Policy

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CITY OF YORK COUNCIL
COUNTER FRAUD AND CORRUPTION POLICY

1 Introduction

- 1.1 All organisations are at increasing risk of fraud and corruption. It is estimated that total fraud in the UK amounts to approximately £20 billion per annum, of which £6.8 billion relates to the public sector. Around 55% of organisations admit to being a victim of fraud in the last two years. It is therefore a risk that the Council cannot and should not ignore.
- 1.2 Any fraud committed against the Council effectively constitutes the theft of taxpayers money. It is unlawful and deprives the Council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the Council can reduce losses which impact on service delivery as a contribution to the achievement of overall Council priorities.
- 1.3 This document sets out the Council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It forms part of the Council's overall policy framework for combating fraud and corruption and should be read in conjunction with the Constitution, the Financial Regulations and Procurement Rules, the Fraud and Corruption Prosecution Policy, the Whistleblowing Policy, disciplinary procedures, and the Anti-Money Laundering Guidance.

2 Definitions and Scope

- 2.1 For the purpose of this policy, the term fraud is used broadly to encompass:
- acts which would fall under the definition in the Fraud Act 2006
 - anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
 - any act of corruption (ie the giving or receipt of gifts with a view to the giver receiving a more favourable treatment than they would otherwise be entitled to)
 - acts of theft
 - any other irregularity which is to the detriment of the Council whether financially or otherwise, or by which someone gains benefit they are not entitled to.
- 2.2 This policy does not cover fraud or corruption against third parties, even where the Council takes part in its investigation or prosecution. In addition,

it does not cover other acts – for example offences involving violence - which may affect the Council, and which should be to be reported directly to the Police.

3 Principles

- 3.1 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that Members and all staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the Constitution, the Council's policy framework, and all relevant professional and other codes of practice.
- 3.2 The Council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.
- 3.3 The Council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. Due to its nature, the investigation of Housing and Council Tax Benefit Fraud will be subject to prioritisation using formal risk assessment criteria. The Council may refer any incident of suspected fraud to the Police or other agency for investigation, if appropriate.
- 3.4 To act as a deterrent, the Council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the Fraud and Corruption Prosecution Policy.
- 3.5 As a further deterrent, and to minimise losses, the Council will attempt to recover any losses incurred through civil or legal action. In addition, the Council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

4 Responsibilities

- 4.1 Overall responsibility for the approval of this policy rests with the Executive Member for Corporate Services on behalf of the Council in accordance with the terms of the Council's Scheme of Delegation.
- 4.2 The Audit and Governance Committee has a responsibility to provide advice to the Council on issues arising out of fraud investigations and report any remedial or preventative action that has or which ought to be taken by the Council in relation to such matters. It also monitors Council policies on Whistle blowing and Counter Fraud & Corruption and can consider any matter referred to it in accordance with the Council's Whistle-blowing Policy and procedures.
- 4.3 The Officer Governance Group has a responsibility for ensuring that the Council has effective fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.
- 4.4 The Audit and Fraud Service is responsible for maintenance of the Counter Fraud and Corruption Policy and Fraud and Corruption Prosecution Policy. In addition, the department leads on fraud prevention and detection issues for the Council and is responsible for investigating any suspected cases of fraud or corruption. The Internal Audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Chief Internal Auditor is required to report his/her professional opinion on the Council's control environment to Members of the Audit & Governance Committee on an annual basis in accordance with Financial Regulations and professional best practice requirements.
- 4.5 All directors have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of Internal Audit or by other means are addressed promptly. The Chief Financial Officer is required by statute and non-statutory codified best practice to ensure there are appropriate systems of control in place to prevent and detect fraud.
- 4.6 The Head of Civic, Democratic and Legal Services is the Council's nominated Money Laundering Reporting Officer for the purposes of the Money Laundering Regulations (2003), and has a statutory responsibility for reporting any issues referred in this capacity.
- 4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to the

Audit and Fraud Service. Where appropriate, staff may use the Whistleblowing Policy to raise concerns anonymously.

- 4.8 Officers within Human Resources have a responsibility to support service departments in undertaking any necessary disciplinary process after consultation and initial investigation, where appropriate, by the Audit and Fraud Service.
- 4.9 The Risk Management, Procurement and Insurance Service has responsibilities for ensuring that:
- overall procurement arrangements are robust and designed in such a way as to minimise the risk of fraud and corruption wherever possible;
 - procedures are developed to prevent and detect fraud in respect of all contracting activities undertaken in the name of the Council
 - potential losses due to fraud or corruption are considered by all parts of the organisation further to the Council's corporate Risk Management Strategy & Policy and supporting processes and procedures.

5 Overall Counter Fraud Arrangements

Introduction

- 5.1 The purpose of this section is to set out the Council's overall framework for countering the risk of fraud and corruption. While the Council aims to follow best practice in relation to counter fraud activity¹, it recognises that there are areas for further development. This section therefore also sets out those areas of practice it wishes to develop further.

Measurement

- 5.2 The Council will maintain systems for assessing potential risks and losses due to fraud and corruption (for example through its risk management arrangements), and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud² and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will

¹ For example the CIPFA Better Governance Forum publication "*Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*"

² All suspected fraud should be reported to the Audit and Fraud Service. A record of all such information will be maintained on a confidential basis.

be reported to the Audit and Governance Committee on an annual basis as part of the Audit and Fraud planning cycle.

Culture

5.3 The Council will promote a culture whereby all staff, Members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:

- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, Council Members, partners, stakeholders or members of the public;
- investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the Financial Regulations & Procurement Rules, Fraud and Corruption Prosecution Policy, Disciplinary Process, Members Code of Conduct, or any relevant legislation;
- ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

Prevention and Detection

Controls

5.4 As part of its ongoing operating procedures, the Council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored by directorates, and a formal report is made as part of the process for preparing the Annual Governance Statement. The Council maintains a system of Internal Audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.

5.5 Services will be encouraged to consider the risk of fraud as part of the Council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

Proactive Work

5.6 The Council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk

areas. This work will be carried out by the Audit and Fraud Service as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local Councils.

- 5.7 The Council will take part in projects led by other agencies such as the DWP and Audit Commission to identify potential fraud. For example the National Fraud Initiative and HBMS Data Matching Service. Resources will be allocated to follow up all data matches as part of the Audit and Fraud Team workplan. The Audit and Fraud Service will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

Relationships

- 5.8 The Council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new ones to further the prevention and detection of fraud. Organisations which the Council will work with include:

- The Police
- Audit Commission
- Courts
- Department for Works and Pensions
- Other Councils
- Office of Fair Trading
- Community Groups

- 5.9 The Audit and Fraud Service will work with other Council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust. Where appropriate, formal protocols will be developed setting out departments responsibilities (for example between Audit and Fraud and Human Resources).

Fraud Awareness Training

- 5.10 As part of its annual workplan, the Audit and Fraud Service will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

Investigation

- 5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. The Audit and Fraud Service will act as a first

port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the Police). The Audit and Fraud Service will determine the extent of the investigation to be carried out in consultation with service departments and Human Resources³. Where necessary, the Audit and Fraud Service may refer cases directly to other agencies without consultation (for example the Police or Audit Commission) at the discretion of the Chief Internal Auditor.

- 5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, and the Criminal Procedures Investigations Act. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).
- 5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.
- 5.14 The Chief Internal Auditor will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

Publicity

- 5.15 The Council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.
- 5.16 In addition, a targeted campaign of publicity will be undertaken each year to raise the awareness of fraud to staff, Members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:
- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud
 - inform all stakeholders of the procedures to be followed if they have suspicions of fraud
 - ensure that all stakeholders are aware that the Council will not tolerate fraud and the consequences of committing fraud against it.

³ For suspected Housing Benefit or Council Tax Benefit Fraud the Audit and Fraud Service will determine the extent of investigation required based on a risk scoring system.

Recovery of Monies

- 5.17 Where any loss has been incurred by the Council or additional costs have been incurred as a result of fraud or corruption, the Council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the Council is minimised and act as a deterrent. As a further deterrent, the Council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.
- 5.18 Methods of recovery may include:
- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation)
 - bankruptcy where appropriate
 - recovery from future salary payments if an individual remains an employee of the Council
 - recovery of pension contributions from employees or Members who are members of the North Yorkshire Pension Fund.

6 Monitoring & review arrangements

- 6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the Audit and Fraud planning cycle and will include the Fraud and Corruption Prosecution Policy, and other related guidance. The Audit and Fraud Service will work with other departments to ensure that other related guidance and policy (such as the Whistleblowing Policy) are reviewed on a regular basis and any amendments or necessary changes in policy or approach reported to Members for consideration, update and approval purposes as they arise. Notwithstanding the need for any interim review, that the entire policy framework will be subject to review by members at least once every three years and monitored in-year by Members of the Audit & Governance Committee.

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CITY OF YORK COUNCIL
FRAUD AND CORRUPTION PROSECUTION POLICY

1 Scope and Purpose

- 1.1 The Fraud and Corruption Prosecution Policy forms part of the Council's overall counter-fraud and corruption strategy. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or Members of the Council, or committed by members of the public, or other organisations or their employees, against the Council.
- 1.2 The policy sets out the circumstances in which the Council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The Policy does not cover internal disciplinary procedures which are the subject of the Council's separate Disciplinary Policy and procedures.
- 1.3 This policy should be read in conjunction with the Council's Constitution, Financial Regulations & Procurement Rules, the Counter Fraud and Corruption Policy, the Whistleblowing Policy and the Council's Disciplinary Policy and procedures.
- 1.4 Housing and Council Tax Benefit fraud is the most common type of fraudulent act committed against the Council. The Policy contains specific guidelines for determining the most appropriate course of action when fraud of this kind has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations and/or the collection of taxes) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.
- 1.5 In accordance with the Council's Financial Regulations all staff and Members must inform the Chief Internal Auditor (the AD Resources - ARM) immediately if they suspect or know of any impropriety, financial irregularity, fraud or corrupt practice. Where fraud or corruption is subsequently proven then any decision on whether to prosecute the perpetrator(s) can only be taken by one of the following 'authorised officers', subject to the specific requirements regarding consultation with relevant Director(s) and the Chief Finance Officer (the Director of Resources) as set out in the Financial Regulations;
- the AD Resources (ARM);
 - the Audit and Fraud Manager;
 - the Deputy Audit and Fraud Manager;
 - and/or any other officer specifically named as an 'authorised officer' in the Council's Officer Scheme of Delegation.

Where there is any doubt about the circumstances of a particular case then the Director of Resources will be asked to make the final decision.

2 Principles

- 2.1 The Council is committed to an effective anti-fraud and corruption strategy. The strategy is designed to encourage the prevention and detection of fraud and corruption. As part of the strategy the Council is also committed to taking appropriate action against anyone believed to have attempted and/or committed a fraudulent or corrupt act against it. The Council considers that those guilty of fraud or corruption must take responsibility for their actions before the courts.
- 2.2 The Policy is designed to ensure that the Council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.
- 2.3 Staff and Members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the Council may decide to take, including disciplinary proceedings in the case of staff and referral to the Council's Standards Committee and/or the Standards Board for England in the case of Members. Any decision not to prosecute a member of staff for fraud and corruption does not prevent the Chief Finance Officer (the Director of Resources) from requiring remedial action to be taken by the relevant Director(s) (including disciplinary action) in accordance with the Council's Financial Regulations.
- 2.4 This Policy is also designed to be consistent with Council policies on equalities. The Council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.
- 2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The Council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.
- 2.6 Any decision taken by an 'authorised officer' to prosecute an individual or to offer a formal sanction (HB/CTB cases only) will be recorded in writing. The reason for the decision being taken will also be recorded.
- 2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the Council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3 Prosecution

- 3.1 The policy is intended to ensure the successful prosecution of offenders

in court. However, not every contravention of the law should be considered for prosecution. The Council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.

- 3.2 To consider a case for prosecution the Council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **Evidential Test**. Secondly, it must be in the public interest to proceed – the **Public Interest Test**.
- 3.3 To pass the Evidential Test, the authorised officer must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).
- 3.4 To pass the Public Interest Test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;
 - the likely sentence (if convicted);
 - any previous convictions and the conduct of the defendant;
 - whether there are grounds for believing the offence is likely to be repeated;
 - the prevalence of the offence in the area;
 - whether the offence was committed as a result of a genuine mistake or misunderstanding;
 - any undue delay between the offence taking place and/or being detected and the date of the trial;
 - the likely effect that a prosecution will have on the defendant;
 - whether the defendant has put right the loss or harm caused.
- 3.5 It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;
 - the actual or potential loss to the Council was substantial (and for benefit related fraud exceeds the thresholds set out in the financial guidelines which form part of this Policy);
 - the fraud has continued over a long period of time;
 - the fraud was calculated and deliberate;
 - the person has previously committed fraud against the Council (even if prosecution did not result) and/or there has

- been a history of fraudulent activity;
- the person was in a position of trust (for example, a member of staff);
- there has been an abuse of position or privilege;
- the person has declined the offer of a caution or administrative penalty, or has withdrawn the offer to pay an administrative penalty (HB/CTB cases only);
- the case has arisen from a collusive employer or landlord investigation (HB/CTB cases only);
- the case has involved the use of false identities and/or false or forged documents (HB/CTB cases only);

4 Mitigating Factors

- 4.1 The following mitigating factors will be taken into account when determining whether to prosecute;

Voluntary Disclosure

- 4.2 A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the Council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;
- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the Council is already undertaking an investigation in this area and/or other counter fraud activity);
- offender only admits the facts when challenged or questioned;
- offender supplies the correct facts when making a claim to Legal Aid;
- disclosure comes to light in some other way, for example, by the issue of a Housing Benefits review form (HB/CTB cases only).

Ill Health or Disability

- 4.3 Where the perpetrator (and/or their partner in HB/CTB cases) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not be prosecuted unless in exceptional

circumstances. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. For HB/CTB cases it is also necessary to prove that the person understood the rules governing receipt of benefit and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

Social Factors

- 4.4 A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

Exceptional Circumstances

- 4.5 In certain exceptional circumstances the Council may decide not to prosecute an offender. Such circumstances include;
- the lack of sufficient resources to complete the investigation within a reasonable period of time (even after requesting assistance from the police and the DWP);
 - the prosecution would not be in the interests of the Council.

5 Alternatives to Prosecution (HB/CTB cases only)

- 5.1 If a Housing or Council Tax Benefits case is considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the Council may consider the offer of a sanction instead. The two sanctions available are;
- formal cautions, or;
 - administrative penalties.

Formal Cautions

- 5.2 A formal caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. A formal caution is a serious matter and all cautions are recorded by the DWP. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.
- 5.3 Subject to the thresholds set out in the financial guidelines below, a formal caution will normally be offered where all of the following apply;
- there is sufficient evidence to justify instituting criminal proceedings;

- the person has admitted the offence;
- it was a first offence, and;
- an administrative penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

- 5.4 Cautions will be administered by the Audit and Fraud Manager, Deputy Audit and Fraud Manager, or the Fraud Team Leader. If a caution is offered but not accepted then the Council will usually consider the case for prosecution. In such cases the Court will be informed that the defendant was offered a penalty but declined to accept it.

Administrative Penalties

- 5.5 Section 115A of the Social Security Administration Act 1992 as amended by Section 15 of the Social Security Administration (Fraud) Act 1997, permits an administrative penalty to be offered to claimants as an alternative to prosecution. The penalty is set at a rate of 30% of the total benefit overpayment. Once an administrative penalty is accepted, the claimant has 28 days to change their mind.

- 5.6 Subject to the thresholds set out in the financial guidelines below, an administrative penalty will normally be offered by the Council in the following circumstances;

- the Council believes that there is sufficient evidence to prosecute;
- it was a first offence or a previous offence was dealt with by way of a caution, and;
- in the opinion of the Council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;
- the claimant has the means to repay both the overpayment and the penalty, and;
- there is a strong likelihood that both the overpayment and the penalty will be repaid.

- 5.7 It is important to note that the claimant does not need to have admitted the offence for an administrative penalty to be offered. Administrative penalties will be administered by the Audit and Fraud Manager, Deputy Audit and Fraud Manager, or the Fraud Team Leader. If an administrative penalty is not accepted or is withdrawn then the Council will usually consider the case for prosecution. In such cases the Court will be informed that the defendant was offered a penalty but declined to accept it.

6 Financial Guidelines (HB/CTB cases only)

- 6.1 Where the 'authorised officer' considers that justice can be best served with a caution or administrative penalty where the overpayment is higher than the figures shown below then discretion may be applied. Equally, discretion may be applied where it is considered reasonable to prosecute but the overpayment is lower than the limit prescribed.
- 6.2 The following guidelines apply in helping to determine the appropriate action to take;
- A formal caution or an Administrative Penalty may be offered where the overpayment is under £2,000. The decision on which to offer will depend on the circumstances of the case and whether the offence has been admitted or not by the accused.
 - If the overpayment is over £2,000 and it is considered to be in the public interest then prosecution proceedings will generally be instigated.
 - The Council will not normally consider prosecution or a formal sanction in cases where the total overpayment is less than £100 (unless there are particular circumstances which make this desirable) although the overpayment will still be recovered from the claimant.
- 6.3 Where the size of the overpayment is such that the Council would normally prosecute but there are mitigating factors which make such a prosecution undesirable then a formal sanction may be offered instead.
- 6.4 Serious attempted fraud which is discovered before benefits have been put into payment (and where there is no overpayment of benefit as a result) will also be considered for prosecution or sanction. The criteria for determining whether a prosecution is appropriate will be the potential seriousness of the fraud as opposed to the value of the overpayment. Each case will be considered on its own merits and action will be taken as appropriate.

7 Proceeds of Crime Act 2002 (POCA)

- 7.1 In addition to the actions set out in this policy, the Council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the Council to recover its losses from assets which are found to be the proceeds of crime.

8 Implementation Date

- 8.1 This revised policy is effective from 1 April 2008 and covers all fraudulent or corrupt acts which are identified after this date.

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