

Notice of meeting of

Audit & Governance Committee

To:	Councillors B Watson (Chair), Brooks (Vice-Chair), Bowgett, Jamieson-Ball, Scott, Kirk and R Watson
Date:	Monday, 29 June 2009
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

Note:

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

1. Declarations of Interest

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

2. Minutes (Pages 3 - 10)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 31 March 2009.

3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the remit of the Audit and Governance Committee can do so. Anyone who wishes to register or requires further information is requested to contact the Democracy Officer on the contact details listed at the foot of this agenda. The deadline for registering is **Friday, 26 June 2009 at 5:00 pm.**

4. Audit and Governance Committee Forward Plan 2009 (Pages 11 - 16)

This report presents the future plan of items expected to be presented to the Committee during 2009/10, together with proposals to increase the number of meetings following a Members' self-assessment session against CIPFA best practice guidance for Audit Committees.

5. Review of the Effectiveness of the System of Internal Audit 2008/09 (Pages 17 - 32)

This report advise Members of the process and the outcomes of the 2008/09 review of the effectiveness of the Council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2008/09 Annual Governance Statement (AGS).

6. Annual Report of the Chief Internal Auditor (Pages 33 - 48)

This report summarises the outcome of audit and fraud work undertaken in 2008/09 and provides an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

7. Risk Monitor Quarter One 2009/10 and Risk Management Outturn Report 2008/09 (Pages 49 - 84)

This report provides Members with the quarter one risk monitor for 2009/10 and informs them of the progress made during 2008/09 in embedding corporate risk management across the organisation.

8. 2008/09 Annual Governance Statement (Pages 85 - 98)

This report invites Members to consider and approve the draft 2008/09 Annual Governance Statement (AGS), which is to be published as part of the Statement of Accounts for 2008/09.

9. Statement of Accounts 2008/09 (Pages 99 - 108)

This report asks Members to examine and approve the Council's pre-audit Statement of Accounts for the 2008/09 financial year.

Note:

The above report was published with this agenda on Wednesday, 24 June. Annex B to the report will be made available on the Council's website on Friday 26 June and can be accessed via the link below. Printed copies of the report and annexes have been circulated separately to Members:

http://www.york.gov.uk/council/council_budget/accounts/soa

10. Draft Revised Financial Regulations (Pages 109 - 160)

This report invites Members to comment on the content and format of the draft revised Financial Regulations, and to recommend them to the Executive for approval.

11. Audit Commission Data Quality Report 2008 (Pages 161 - 188)

This report presents the Audit Commission's 2008 Data Quality audit report and seeks approval for a revised data quality action plan to address the Audit Commission's findings.

12. Audit Commission 2008/09 Revised Plan and 2009/10 Plans (Pages 189 - 200)

This report presents the Supplementary Opinion Audit Plan 2008/09, the Annual Audit Plan 2009/10, the Annual Inspection Plan 2009/10 and associated fee structures, as received from the Audit Commission.

13. Summary of Audit Commission National Reports (Pages 201 - 204)

This report gives a brief overview of national reports produced by the Audit Commission during 2009 to date. Members are asked to note the report and comment on any areas for further consideration by the Committee or by Officers.

14. Annual Internal Audit and Fraud Plan for 2009/10 (Pages 205 - 224)

This report seeks Members' approval for the planned programme of internal audit and fraud work to be undertaken in 2009/10.

15. Urgent Business

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

Democracy Officer:

Name: Fiona Young

Contact details:

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

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

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

Contact details are set out above.

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If you would, you will need to:

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

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Further information about what's being discussed at this meeting

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

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

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

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Holding the Executive to Account

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

Scrutiny Committees

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

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

Who Gets Agenda and Reports for our Meetings?

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
- Relevant Council Officers get copies of relevant agenda and reports for the committees which they report to;
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City of York Council

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	31 MARCH 2009
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS (VICE-CHAIR), CRISP, JAMIESON-BALL, SCOTT, KIRK AND HYMAN (SUBSTITUTE)
APOLOGIES	COUNCILLOR R WATSON
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES)

38. DECLARATIONS OF INTEREST

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

39. MINUTES

With reference to Minute 27 (The Audit of the Financial Statements 2007/08 – A Progress Report), the Chair reported that he had now had two meetings with the new Assistant Director of Corporate Finance, who had shown him the protocol drawn up in consultation with the Audit Commission to ensure the implementation of the project plan.

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 13 January 2009 be approved and signed by the Chair as a correct record.

40. PUBLIC PARTICIPATION

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

41. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN 2009

Members considered a report which presented a forward plan of reports expected to be presented to the next four meetings of the Committee, up to March 2010, together with planned training and briefing events.

Members were invited to note the plan, which had been discussed with the Chair and key corporate Officers, and to identify any further items they wished to add.

It was reported at the meeting that the date for the interactive training event had now been confirmed as 19 May.

RESOLVED: That the Committee's Forward Plan for the period up to March 2010 be noted and approved subject to the addition of the following items to the agenda for the meeting in June 2009:¹

- a) Investigation of a corporate approach to handling petitions (as recommended in the report to Full Council on the Restructure of Scrutiny and the Decision Making Process);
- b) Clarification of arrangements regarding the granting of landlord's consent in respect of planning applications on Council owned land;
- c) The alarm system in the Mansion House / risks in relation to contents of the Mansion House (to be included in the Risk Management Quarterly Monitoring Report / Annual Report)

REASON: To ensure that the Committee receives regular reports in accordance with the functions of an effective audit committee and to ensure that issues raised by Members of the Committee are dealt with appropriately.

Action Required

1. Make arrangements to prepare reports on these items for SA inclusion on the agenda for the June meeting

42. ANNUAL AUDIT LETTER 2007/08 - AUDIT COMMISSION

Members considered a report which introduced the Audit Commission's Annual Audit Letter for 2007-2008, together with the Council's response. The District Auditor and the Comprehensive Area Assessment (CAA) Lead Officer were in attendance to present the Letter and to answer any questions.

The Letter, attached as an annex to the report, gave the District Auditor's opinion of the Council's corporate governance arrangements and summarised key findings and matters arising from the annual inspection programme, including the Council's refreshed Comprehensive Performance Assessment (CPA) scorecard and Direction of Travel (DoT) statement. A full report on the refreshed CPA score and DoT statement had been presented to the Executive meeting on 17 March 2009.

Key matters raised in the Letter were listed in paragraph 5 of the report, together with the actions and monitoring processes planned to ensure that they were resolved.

In presenting the Letter, the District Auditor outlined the new, outcome-based approach to performance reporting that would come into effect under the CAA system. This approach would also be more flexible, allowing for judgements to be made in the light of specific local circumstances. In the current economic climate, the key message for all local authorities was to remain focused and maintain the impetus towards improvement. In response to questions from Members, it was confirmed that the comment on 'effective political leadership' at page 6 of the Letter was intended to refer to the Council membership in general rather than a particular administration or political group.

RESOLVED: (i) That the contents of the report and the Annual Audit Letter be noted.

REASON: To comply with the statutory requirements for the external audit of the Council.

(ii) That the Council's response to the issues raised by the District Auditor, to be monitored by the Audit & Governance Committee at future meetings, be acknowledged.

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.

43. FINANCIAL PLANNING AND MONITORING: AUDIT COMMISSION REPORT

Members considered a report which introduced the Audit Commission's summary of their findings from a review of the Council's financial planning and financial monitoring procedures. The review report was attached as an annex and its findings were summarised in paragraph 3 of the cover report.

Medium term financial planning and budget monitoring was one of seven areas highlighted by the Audit Commission as needing attention in preparation for the new Use of Resources Assessment under the Comprehensive Area Assessment (CAA) regime due to begin this year.

The review report concluded that the Council had an established and well understood financial planning and monitoring system in place but now needed to focus on more corporate and cross-cutting issues. The Council was already responding to the majority of these findings in terms of efficiency, budget monitoring and regulation, the only recommendation not adopted being that relating to zero based budgeting.

In response to questions from Members, Officers explained that the decision not to adopt zero based budgeting did not amount to a significant disagreement with the Audit Commission. The Council aimed to achieve the same results via a different method, namely the appointment of an efficiency partner to help implement a major efficiency programme.

RESOLVED: That the report, and the progress the Council is making in addressing the areas for improvement, be noted.

REASON: To ensure the improvement of financial planning and monitoring arrangements within the Council.

44. CORPORATE GOVERNANCE REVIEW 2009

Members considered a report which outlined the background and early draft outcomes of the recently completed Corporate Governance review.

The review had consisted of a self assessment against the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework, the requirements of which had been reported to the Committee in September 2007.

Results of the work carried out to date indicated that areas likely to be highlighted for improvement in the Annual Governance Statement (AGS) and the Single Improvement Plan were: HR, Equalities, Scrutiny, Partnership Governance, Business Continuity, Project Management, Customer Strategy and Ethical Agenda & decision-making. Detailed outcomes would be reported to the Committee in June.

RESOLVED: (i) That the early findings of the Corporate Governance Review be noted.

REASON: So that Members understand the Council's internal control environment and potential areas for attention.

(ii) That it be acknowledged that the developing AGS and the Corporate Governance detailed findings and action plans will be brought to the Committee's meeting in June 2009 and to future meetings.

REASON: To ensure that relevant assurances are provided for Members to support the AGS, including the effective management and follow up of key action to be taken to support on-going development and improvement work at the Council.

45. RISK MANAGEMENT MONITOR QUARTER 4 2008/09

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

The monitor, attached as Annex A to the report, set out the position on key corporate risks (KCRs) at the end of the fourth quarter. This reflected work undertaken by Officers to update their risks, in accordance with comments made by Members at the meeting on 13 January. Attention was drawn to the following risks identified as 'critical' in the monitor:

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

At the January meeting, Members had requested further information in respect of the risk issues around Child Protection and details of the risks associated with the Waste PFI project. This information was supplied in Annexes B and C to the report. As requested, the Director of City Strategy was in attendance to answer any questions from Members on the Waste PFI project information at Annex C. In responding to these questions, he explained that the balance of the capital costs of the project would come from the provider, who would charge a gate fee for every tonne of waste, at a rate yet to be fixed. Although the project was expensive, not to proceed would be more costly to the Council.

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

REASON: To be aware of progress made to date in respect of the risk management agenda and framework at the Council.

(ii) That the evidence presented for management of the risks relating to child protection and the Waste PFI project be noted.

(iii) That a further detailed risk report on the Administration Accommodation Project be provided to the Committee's meeting in June 2009.¹

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

Action Required

1. Ask risk owner to produce an update report for the meeting in June

SA

46. FOLLOW UP OF AUDIT RECOMMENDATIONS

Members considered a report which set out the Council's progress towards implementing agreed internal audit recommendations and addressing recommendations raised by the external auditor.

In respect of the internal audit recommendations, a total of 133 had been followed up, of which 2 (1.5%) had been superseded and 102 (76.7%) had been satisfactorily implemented. In three cases, the reasons given for not progressing the recommendation had not been satisfactory and these issues were now being escalated.

In respect of the external audit recommendations, progress on the review of all Audit Commission reports issued since 2005/06 had been reported to the Committee in January (Minute 31 refers). The findings of that review,

attached as Annex 1 to the report, showed that action had been taken, or was planned or in progress, in every case. However, there was still a significant amount of work required in a number of areas. In future, it was proposed to continue monitoring progress on implementing these recommendations, reporting to the Committee every six months in a format similar to that used for reporting on the internal audit recommendations.

RESOLVED: (i) That the progress made in implementing internal and external audit recommendations, as reported in paragraphs 4-15 of the report, be noted.

REASON: In accordance with the Committee's role in providing independent assurance on the Council's control environment.

(ii) That the process for monitoring and reporting on on-going progress in implementing the Audit Commission's recommendations, as set out in paragraph 15, be approved.¹

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

Action Required

1. Ensure that arrangements are in place to monitor progress and to schedule 6-monthly update reports on the Committee's forward plan SA

47. DRAFT AUDIT PLAN CONSULTATION

Members considered a report which sought their views on the priority of internal audit work for 2009/10, in order to inform the preparation of the annual audit plan for 2009/10.

The annual review of the audit risk assessment and strategic plan had identified a total of 1,233 days of audit work in areas classified as high risk or required audits. These areas, set out in Annex 1 to the report, would form the bulk of the annual plan, subject to Members' views as to whether they had been properly classified. Annex 2 listed all other audit areas, in descending risk score order. Due to the shortfall in resources, only a relatively small number of these audits could be undertaken. Members were asked to consider which, if any, of these should be considered a priority for review.

Members agreed that Section 106 Agreements associated with large development projects should be a priority area for review, in order to determine whether they were being properly adhered to and the money spent for the purposes for which it was intended.

Following the debate on this item, the Chair noted that Max Thomas, Audit & Fraud Manager would shortly be leaving the Council and wished him well in his new post.

RESOLVED: (i) That Officers' assessments of the relative risks of the audit areas, as set out in Annexes 1 and 2 to the report, be noted and accepted, except for Section 106 Agreements (ref. No. 510), which should be treated as a high priority area for audit in 2009/10.¹

REASON: To ensure that scarce audit resources are used effectively and to address Members' concerns regarding Section 106 Agreements.

(ii) That concerns be raised with the Executive Member for Corporate Services regarding the shortfall in staffing levels within internal audit referred to in paragraph 4 of the report.²

REASON: In the interests of ensuring that staffing levels are sufficient to carry out essential audit work.

Action Required

- | | |
|--|----|
| 1. Prioritise the audit of S106 Agreements | SA |
| 2. Raise Members' concerns about staffing levels with the Executive Member | SA |

48. RISK MANAGEMENT POLICY AND STRATEGY

Members considered a report which presented for discussion and comment the Council's Corporate Risk Management Policy and Strategy.

Copies of the Policy and Strategy were attached as annexes A and B to the report. The Policy set out the Council's aspirations and objectives with regard to risk management, while the Strategy provided a framework of practical advice and guidance for implementing risk management practices within all activities of the organisation. Both documents would form an integral part of the risk management training to be delivered to Members and Officers during 2009/10.

RESOLVED: That the format and content of the Risk Management Policy and Strategy attached as Annexes A and B to the report be noted and approved.

REASON: To confirm that the Policy and Strategy meet the Committee's requirements and expectations.

49. CONTROL OF ASSETS AND DRAFT ASSET DISPOSAL PROCEDURE RULES

Members considered a report which presented for discussion and comment the Council's draft asset disposal procedure rules. It also

outlined the actions planned to improve the control of assets, as agreed at the meeting in January (Minute 35 refers).

The draft procedure rules, attached as Annex A to the report, set out the Council's commitment to good stewardship of its assets, providing detailed guidance to Officers on the action they must take when disposing of Council assets. They would form supplementary guidance to the Council's revised financial regulations, which would be brought to the Committee for approval in June.

The schedule of assets lost or stolen would be reported to the Committee on an annual basis. This information would help to highlight areas where the Council needed to improve the security of its assets.

It was suggested that the procedure rules could be reviewed in the future to ensure their effectiveness once they had been put in place.

RESOLVED: That the format and content of the asset disposal procedure rules attached as Annex A to the report be noted and approved.

REASON: To confirm that the rules meet the Committee's requirements and expectations.

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 8.10 pm].



Audit and Governance Committee

29 June 2009

Report of the Director of Resources

Audit & Governance Committee Forward Plan 2009

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee during 2009/10 together with proposals to increase the number of meetings following a members' self-assessment session against CIPFA best practice guidance for Audit Committees.

Background

2. There are currently four fixed meetings of the Committee in a calendar year. To assist members in their work, attached at Annex 1 is the indicative rolling Forward Plan for the next two scheduled meetings in 2009/10 (September 2009 and January 2010). The content is subject to change depending on key internal control and governance developments at the time; a rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes. The plan will also include known training/briefing events to support members in their role on the Committee.
3. On 19th May 2009, members of the Committee attended a self-assessment session during which there was facilitated discussion around compliance with best practice standards for audit committees (CIPFA's 'Audit Committees - Practical Guidance for Local Authorities'). One matter raised was around the question 'Does the Committee meet regularly?'. Members raised concerns around the frequency of meetings and the large number of agenda items at each meeting particularly where there are significant and important matters to consider. They were particularly concerned about the length of the agenda for the 29 June 2009 meeting when the Statement of Accounts is due to be presented for the Committee's approval. The general feeling was that increasing the number of meetings to say six per year would greatly assist the Committee with its workload and allow full and effective consideration where significant items were to be presented for comment and approval.
4. The proposals therefore are as follows for the forthcoming period to the end of July 2010:
 - Meet as scheduled in **September 2009**;
 - Provide an extra meeting in early **December 2009** to assist in considering the outcomes of the first Comprehensive Area

Assessment (CAA) inspection process (to be reported in November 2009) ;

- Defer the scheduled January 2010 meeting until **February 2010**.
- Next meetings would be:
April 2010 which would allow for early consideration of a draft Annual Governance Statement
June 2010 which be dedicated to the Statement of Accounts and any associated reports feeding into the Annual Governance Statement
July 2011 to consider all other reports which would previously have been considered at the June Committee.

5. These changes would take the number of Audit & Governance Committees to six a year.

Consultation

6. Members who attended the self-assessment session in May initiated the proposals outlined in this report. The Officer Governance Group including the Head of Civic, Democratic & Legal Services have contributed to the report recommendations.

Options

7. Members may either approve the changes or choose to retain the existing timetable of four meetings a year.

Analysis

8. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

10.
 - (a) **Financial** - There are no implications
 - (b) **Human Resources (HR)** - There are resource implications for Democratic Services who will have to support the extra meetings
 - (c) **Equalities** - There are no implications
 - (d) **Legal** - There are no implications
 - (e) **Crime and Disorder** - There are no implications
 - (f) **Information Technology (IT)** - There are no implications

- (g) **Property** - There are no implications

Risk Management

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

Recommendations

12. (a) The Committee's Forward Plan for the period up to January 2010 be noted.

Reason

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

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

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

- (c) Members agree to increase the number of Committee meetings to six a year in line with the proposals at paragraph 4. of the report.

Reason

To ensure the Committee has time to consider all reports including the opportunity to give full and effective challenge of proposals put before them.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
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Report Approved

Date 15 June 2009

Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Audit & Governance Committee Forward Plan 2009/10

Audit & Governance Committee Forward Plan 2009/10

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

- **September 2009**

Annual Governance Report (first under CAA) – Audit Commission
Including review of actions from previous Annual Governance Report

Corporate Governance Update

Risk Management Quarterly Monitoring Report

Follow-up of Internal and External Audit Recommendations

Breaches & Waivers Annual Report

Internal Audit & Fraud Plan Progress Report

Security Issues at the Mansion House

Petitions Report (deferred from June meeting)

Contract Procedure Rules

External Funding/Grant Guidance Manual

Review of Terms of reference of Audit & Governance Committee

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

- **January 2010**

Annual Audit Letter (first under CAA) – Audit Commission

Review of Actions from previous Annual Audit Letter

Data Quality Progress Report

Risk Management Quarterly Monitoring Report

Internal Audit & Fraud Plan Progress Report

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

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Audit and Governance Committee

29 June 2009

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

Review of the Effectiveness of the System of Internal Audit 2008/09

Summary

1. To advise members of the process and the outcomes of the 2008/09 review of the effectiveness of the council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2008/09 Annual Governance Statement (AGS).

Background

Legislative Requirements

2. The Accounts and Audit Regulations 2003, as amended, require each local authority to conduct an annual review of the effectiveness of its system of internal audit, and to report the findings of this review to an appropriate committee. The changes came into effect from 1 April 2006 onwards. The process is intended to form part of the wider review of the effectiveness of the system of internal control which is necessary to prepare the Annual Governance Statement (which is a later item on this agenda).
3. All local authorities have a statutory requirement to make provision for internal audit in accordance with proper standards of professional practice, as set out in the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit is defined as an assurance function that provides an independent and objective opinion to the organisation on the effectiveness of the control environment. As such Internal Audit forms an essential part of the council's corporate governance arrangements.

Defining the System of Internal Audit

4. The Regulations require, as a primary matter, that the body shall maintain an adequate and effective system of internal audit, of its accounting records and of its system of internal control in accordance with proper internal audit practices.
5. Before considering the process of reviewing the effectiveness of the system of internal audit it is therefore necessary for the body to define what effectiveness means (see paragraph 12 below) and what the system of internal audit is. Until 1 October 2007, it consisted solely of

the internally provided Internal Audit and Counter Fraud service provided, from this point authority was given by members to operate an informal shared service with North Yorkshire County Council. This was formalised on 1st of April 2009 when the service was transferred to Veritau Ltd. This change will be reflected in the 2009/10 effectiveness review.

6. The principal functions of Internal Audit are to:
 - (a) provide assurance to members, chief officers, other key stakeholders and the wider community on the effectiveness of the governance arrangements and internal controls at the council;
 - (b) provide advice and make recommendations to improve controls and/or address the poor or inappropriate use of the council's resources;
 - (c) examine and evaluate the probity, legality and value for money of the council's activities;
 - (d) act as a visible deterrent against all fraudulent activity, corruption and other wrong doing;
 - (e) respond to and investigate any instances of suspected fraud or corruption.

7. The best practice guidance states that the effectiveness of the system of internal audit should include the effectiveness of the Audit Committee itself (to the extent that its work relates to Internal Audit) as well as the performance of the audit provider.

8. The CIPFA Code of Practice for Internal Audit in Local government sets out eleven standards (or principles) for the establishment of a professional service. Each principle is supported by detailed guidance. The principles cover the following areas:
 - (a) Scope of Internal Audit (Terms of Reference)
 - (b) Independence
 - (c) Ethics for Internal Auditors
 - (d) Audit Committees (including Internal Audit's relationship with the Audit Committee)
 - (e) Relationships (with management, elected Members and other auditors)
 - (f) Staffing, Training and Continuing Professional Development
 - (g) Audit Strategy and Planning
 - (h) Undertaking Audit Work
 - (i) Due Professional Care
 - (j) Reporting
 - (k) Performance, Quality and Effectiveness.

Who Should Undertake the Review?

9. The Regulations require either the Council itself or a committee of the Council to review the system of internal audit. The main reasons why, in York's case, the Audit & Governance Committee is considered as "an appropriate means through which to carry out the review of Internal Audit" are:
 - (a) It is already a core responsibility of the Committee to approve Internal Audit plans and monitor its work;
 - (b) The Committee is independent of the management of the council;
 - (c) The annual report and the opinion of the Head of Internal Audit is considered by the Committee;
 - (d) The external auditor reports to the Committee and is therefore readily available to give a view on the report on Internal Audit;
 - (e) The review of the effectiveness of the system of internal audit feeds into the AGS review which is already being considered by the Committee.
10. A key point is that it is the responsibility of the council to conduct the annual review; it is not a review that is carried out by the external auditor as part of the annual audit. The Audit Commission review elements of Internal Audit's work to assess what reliance can be placed upon it for other purposes and the audit of the accounts. However, this review will not cover all the elements of the system of internal audit and, therefore, in the Audit Commission's view, cannot be relied upon to fulfil the requirements of the Regulations. Nor will the review of Internal Audit under the Use of Resources assessment in itself satisfy the requirements of the regulations, as this is a wider review of which internal audit forms only a small part.
11. There are no hard and fast rules as to who performs the review but the Audit and Governance Committee's own expectations on this need to be considered as members will need to be satisfied that the review has been completed correctly. Given the timing of the review in line with the review of the whole system of internal control by the Officer Governance Group (OGG), the review therefore has been carried out by the OGG based on a self-assessment completed by the Assistant Director of Resources (Customer Service & Governance) who was responsible for the provision of Internal Audit & Fraud Services during 2008/09. This is wholly in line with CIPFA guidance on the recommended process.

Scope of the Review

12. The review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion contained in the Annual Report provided by the Head of Internal Audit may be relied upon as a key source of evidence in the AGS statement. The focus of the review should concentrate on the delivery of the internal audit function to the required standard in order to produce the required

outcome i.e. a reliable assurance on internal control and the management of risks in the council, rather than an assessment of value for money.

13. Other sources of assurance that the Committee receives, from which it can take a view on the effectiveness of the service include:
 - (a) regular outturn reports on Internal Audit & Counter Fraud work and related performance measures;
 - (b) Internal Audit Annual Report;
 - (c) Internal Audit Strategy and Annual Plan;
 - (d) The outcomes of the Use of Resources assessment.

2008/09 Review of the Effectiveness of the System of Internal Audit

14. For the purposes of this review, the following work has been completed:
 - (a) A further review has been undertaken to assess the progress which has been made to address the recommendations for improvement arising from the 2007 Audit Commission report;
 - (b) Consideration of Audit Commission views expressed in any of their reports published during 2008/09;
 - (c) The Code of Practice self assessment checklist has been refreshed so as to identify any significant changes in the degree of compliance against the Code, and this has informed the effectiveness assessment shown in Annex A;
 - (d) Customer survey results have been considered as part of this review;
 - (e) The results of the latest benchmarking data available from CIPFA, have been reviewed, so to establish how cost effective the service is compared to other unitary councils.

Audit Commission Review of Internal Audit – Progress

15. To comply with International Auditing Standards, the external auditors are required to periodically review the internal audit function. The Audit Commission last reviewed the work of Internal Audit and assessed compliance with the standards set out in the Code of Practice, in Spring 2007. They concluded that the service met the requirements of all eleven standards and that it could continue to rely on the work carried out by Internal Audit. A small number of areas were identified where there was scope to enhance the existing working arrangements. Four recommendations for improvement were made.
16. The actions taken to address the four recommendations for improvement made by the Audit Commission are detailed below:

Agreed Recommendation	Action Taken to Date
Incorporate formal reminders of auditors' ethical responsibilities into performance appraisals as planned.	Auditors have been reminded of their ethical responsibilities at team meetings during the year, and as part of the going performance appraisals.
Deliver plans to require all auditors to sign confidentiality agreements.	A statement of standards and values was prepared and discussed with staff. The statement incorporates a commitment to safeguard confidential information. Some revisions to this statement are however being made to reflect the move to the shared service.
Ensure that the working protocols are kept up to date.	The protocols with external agencies were reviewed and updated. A new protocol is however being developed with North Yorkshire Police to reflect the move to the shared service.
Enhance the existing strategy by including narrative information to set out Internal Audit's strategic purpose, direction and approach.	Work is ongoing to review and update the Internal Audit Strategy, so that it includes the required information. This work will be complete by 30 September 2009.

Audit Commission Opinions expressed during 2008/09

17. (a) There were no matters of concern raised regarding Internal Audit in the Annual Governance Report 2007/08 reported to this Committee in September 2008.
- (b) The council retained its score of '3 – performing well' on KLOE 4.2 (the council has arrangements in place to maintain a sound system of internal control) in its Use of Resources assessment for 2007/08 which included the arrangements for providing internal audit. This was reported to this Committee in January 2009.

- (c) There were no matters raised regarding internal audit arrangements in the Annual Audit Letter 2007/08 which was reported to this Committee in March 2009.

Code of Practice Self Assessment Checklist

- 18 The self assessment checklist has been updated for 2008/09. Considerable work was undertaken to integrate working practices and systems across the shared service and to select best practice from both partners' organisations. In the Assistant Director of Resources' view there has therefore been some changes in operational arrangements, but adherence with the professional standards set out in the Code has been maintained or enhanced. There are a small number of areas for development which the Chief Internal Auditor will build into work plans for the current financial year as follows:
- (a) The Internal Audit Terms of Reference and the council's Constitution need updating to reflect the change to Veritau Ltd and the transfer of the Head of Internal Audit role from the Assistant Director of Resources to the Chief Internal Auditor at Veritau Ltd;
 - (b) A full skills audit of all Veritau staff is to be undertaken in 2009/10;
 - (c) This will inform the development of a training plan linked to the service's business plan.

Customer Satisfaction Surveys

19. After each audit review, the audit clients are asked to give their opinion of the quality of the work undertaken by Internal Audit. The feedback covers:
- (a) The scope of audit work undertaken
 - (b) The objectivity and professionalism of the audit staff
 - (c) The conduct of the audit itself
 - (d) The audit report
 - (e) Customer service.

The recipients of the surveys are asked to answer 12 questions in total, ranking each 1 to 5 (where 5 is very good and 1 is poor). There is also an opportunity for service managers to raise any other issues about the audit process and to identify possible specific service improvements.

20. The results of the surveys are summarised in Annex B. 13 surveys were returned during the year. The overall weighted average score for 2008/09 was 77.3% (2007/08 – 80%). Where issues were identified then these were followed up with the relevant Service Manager. The Audit and Fraud Manager has built improvement areas from previous surveys into Service Plans, and in preparation work for the launch of Veritau Ltd. A similar detailed survey to the one sent to chief officers and senior managers last year will be undertaken shortly. This will

enable account to be taken of the views of chief officers about overall service delivery and to enable trends in performance to be assessed.

Benchmarking

21. The latest benchmarking data available from CIPFA relates to the exercise undertaken in May 2007. This exercise included a comparison between unitary authorities of the 2007/08 budget estimates for internal audit. A summary of the results is given in Annex C. This shows that compared to other unitary councils, the internal audit function at York remains cost effective.

Conclusion

22. Based on the results of this review, the council's system of internal audit is considered to be operating in accordance with accepted professional best practice, and it remains effective. The council can therefore continue to place reliance on its internal audit arrangements when preparing the Annual Governance Statement. For the 2009/10, the opinion will take into account a planned in-depth review of the service to be carried out in Autumn 2009 by the Audit Commission.

Consultation

22. Not relevant for the purpose of the report.

Options

23. Not relevant for the purpose of the report.

Analysis

24. Not relevant for the purpose of the report.

Corporate Priorities

25. This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It also contributes to the improving Effective Organisation corporate priority.

Implications

26. 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

27. The council will fail to comply with the Accounts and Audit Regulations if it does not undertake an annual review of the effectiveness of internal audit, as part of the wider review of the effectiveness of the system of internal control. The council could be criticised by the external auditor, and this in turn would adversely impact on the council's CAA score for the Use of Resources.

Recommendation

28. Members are asked to note the results of the review of the effectiveness of the council's system of internal audit.

Reason

To enable members to consider the adequacy and effectiveness of the council's control environment.

Contact Details

Author:

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Chief Officer Responsible for the report:

Ian Floyd
Director of Resources

Report Approved



Date 15 June 2009

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- Accounts and Audit Regulations 2003
- Accounts and Audit (Amendments) (England) Regulations 2006
- Department of Communities and Local Government (DCLG) – Guidance on the accounts and audit regulations

- CIPFA Rough Guide to the Review of Effectiveness of the System of Internal Control
- CIPFA Code of Practice For Internal Audit in Local Government in United Kingdom 2006

Annexes

Annex A – Effectiveness Checklist for Internal Audit

Annex B – Client survey feedback results

Annex C - CIPFA Benchmarking Results – 2008/09

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CIPFA Code of Practice 2006
Review of Characteristics of Effectiveness of York Audit & Counter Fraud Service
2008/09
(now Veritau Limited)

Characteristics of 'effectiveness'	Evidence of Achievement	Y E S	N O	P A R T	Comments
Understand its position in respect of the organisation's other sources of assurance and plan its work accordingly.	Internal audit identifies other sources of assurance and takes into account when preparing the internal audit plan.	√			
Understand the whole organisation, its needs and objectives.	The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives. Individual audit assignments identify risks to the achievement of those objectives.	√			
Be seen as a catalyst for change at the heart of the organisation.	Supportive role of audit for corporate developments. Individual assignments may be catalyst for change.	√			Subject to resources available
Add value and assist the organisation in achieving its objectives	Demonstrated through individual audit assignments and also corporate work.	√			
Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	Internal audit provides help and advice on request and supports specific projects identified in the plan and on an ad hoc basis.	√			Subject to there being no risk to audit independence.

Characteristics of 'effectiveness'	Evidence of Achievement	Y E S	N O	P A R T	Comments
Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	When identifying risks and in formulating the plan changes on the national agenda are considered. The audit section maintains awareness of new developments in the services it audits, risk management and corporate governance and disseminates this knowledge to other parts of the local authority.	√			
Be innovative and challenging – shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.	Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers to develop their own responses to those risks, rather than audit recommendations. The aim of this is to encourage greater ownership of the control environment amongst managers.	√			The new reporting arrangements will be implemented in early 2009/10
Ensure the right resources are available	The skills mix, capacity, specialism and qualifications experience requirements all change constantly.	√			Added capacity (including new specialist skills) will be available in 2009/10 as a result of the contract arrangements with Veritau Limited.

Customer Satisfaction Surveys – Results for 2008/09

Total Number of Responses received

Question / Category	1	2	3	4	5
The notice given	1	2	1	5	4
The level of consultation on the scope and objectives of the audit	0	0	3	10	0
The auditors understanding of the systems and operational issues	0	0	3	8	2
The organisation of the audit and the impact on the service	1	1	3	6	2
The level of consultation during the audit	0	0	2	8	3
The professionalism and objectivity of the auditor	0	0	0	6	7
The exit meeting and/or feedback on the results of the audit	0	0	1	9	3
The opportunity to comment on the findings of the audit	0	0	0	9	4
The quality of the report – clarity and conciseness	0	0	3	6	4
The time taken to issue the report	4	1	5	3	0
The practicality and usefulness of the recommendations in the report	0	0	2	11	0
The overall benefit of the audit	0	0	3	8	2
Total	6	4	26	89	31
%	3.8%	2.5%	16.7%	57.0%	20.0%

Key

- 1 Poor
- 2 Just adequate
- 3 Satisfactory
- 4 Good
- 5 Very Good

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CIPFA Benchmarking Results – 2008/09

	CYC	Unitary Average
Audit days per £'m gross turnover	4.33	3.89
Cost per £'m gross turnover	£1,055	£1,117
Chargeable days per auditor	170	176
Cost per auditor	£43,333	£52,811
Staff cost per auditor	£33,750	£42,277
Overheads per auditor	£9,583	£10,534

Based on 2008/09 estimates

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Audit and Governance Committee

29 June 2009

Report of the Head of Internal Audit

Annual Report of the Chief Internal Auditor

Summary

- 1 This report summarises the outcome of audit and fraud work undertaken in 2008/09 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government (issued in 2006). In accordance with the Code of Practice, the Chief Internal Auditor (CIA) is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

2008/09 Internal Audit and Counter Fraud Plans

- 3 The internal audit service delivered 94.2% of the 2008/09 internal audit plan by 30 April 2009. Details of the work completed and the reports issued are given in Annex 2.
- 4 Counter fraud work was also undertaken in accordance with the approved plan, and a summary of the work completed during the year is included in Annex 3.

Opinion of the Chief Internal Auditor

- 5 The audit and counter fraud work undertaken during the year is designed to provide assurance to members and officers on the adequacy of the control environment as an essential part of the council's corporate governance framework. Audit testing has also been undertaken so as to provide assurance to the S151 Officer, to help him discharge his responsibility for ensuring that proper arrangements exist for the administration of the council's financial affairs.
- 6 The reports detailed in Annex 2, together with the results of investigations into suspected fraud and corruption, have been sent to the relevant directors, service managers, and where necessary to the

S151 Officer. All audit reports include recommendations and action plans agreed with the relevant parties aimed at remedying identified weaknesses in control. In addition, follow up reviews are conducted on an ongoing basis to track the progress made by managers in implementing agreed recommendations. The follow up work undertaken in 2008/09 identified that while there were issues in some areas which required escalation in accordance with the agreed policy, good progress was made overall to rectify weaknesses in control.

- 7 The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the council's internal control environment is given in Annex 1. The opinion is based on the results of the audit and counter fraud work completed during the year. The establishment of adequate control systems is however the responsibility of management. Internal audit work is conducted on a sample basis and cannot therefore review every transaction. Therefore, while the implementation of internal audit recommendations can reduce risk, and may lead to a system of controls being considered adequate, they cannot eliminate risk altogether. In giving this opinion attention is drawn to the following significant control weaknesses which are considered relevant to the preparation of the 2008/09 Annual Governance Statement.
 - a) There are inconsistencies in the application of the council's policies in relation to the declaration of employees' interests and acceptance of gifts and hospitality. While no evidence of any impropriety was identified there is a need to ensure improved consistency and compliance. Management are currently preparing an action plan as part of the council's Improvement Plan to address these issues following the recent issue of the draft audit report and outcomes of the Corporate Governance Review.
 - b) Weaknesses in the council's financial accounting arrangements, including the systems for accounting for fixed assets, were highlighted by the Audit Commission as part of their audit of the 2007/08 statutory accounts. Management prepared a detailed action plan to address these weaknesses. Work has been ongoing during 2008/09 to ensure that the accounting systems are improved.
 - c) There were weaknesses in financial planning and monitoring arrangements during 2008/09. These were identified by senior management, and the area was also the subject of reviews by the Audit Commission and internal audit. Actions to address the issues identified were developed by management and have been implemented.

Consultation

- 8 Not relevant for the purpose of the report.

Options

- 9 Not relevant for the purpose of the report.

Analysis

10 Not relevant for the purpose of the report.

Corporate Priorities

11 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It also contributes to the effective organisation corporate priority.

Implications

12 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

13 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported and the annual statement and opinion of the CIA is not considered by those charged with governance. This in turn could adversely impact on the council's Use of Resources score and therefore its overall CAA score.

Recommendations

14 Members are asked to;

- Note the results of the audit and fraud work undertaken in 2008/09.

Reason

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

- Accept the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the council's internal control environment;

Reason

To enable Members to consider the opinion of the Chief Internal Auditor.

- Note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

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Limited
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Chief Officer Responsible for the report:

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Report Approved



Date 15/6/09

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Internal Audit Risk Assessment and Strategic Audit Plan
2008/09 Audit Plan
2008/09 Counter Fraud Activity Plan

Annexes

Annex 1 - Opinion of the Chief Internal Auditor
Annex 2 – 2008/09 Audits Completed and Reports Issued
Annex 3 - Counter Fraud Activity

Opinion of the Chief Internal Auditor

I have evaluated the results of the audit and fraud work undertaken during the year. In my opinion the council can continue to place reliance on the adequacy and effectiveness of its systems of internal control and the control environment.

Signed

Max Thomas
Head of Internal Audit
Veritau Ltd

16 June 2009

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Annex 2

2008/09 Audits Completed and Reports Issued

Systems/establishment audits

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

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

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

Definition of Priority

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

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

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

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

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

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

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

Draft Reports

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

Opinion	Number
“High standard”	2
“Good”	12
“Acceptable”	7
“Weak”	4
“Not acceptable”	1

“Not given” 1

The findings from these audits are still being discussed and the actions to be taken being agreed with management and therefore it is not yet appropriate to formally report on the outcomes. However, the following issues from draft reports are felt to be relevant to the Chief Internal Auditor’s Opinion:

- 1) A review of systems for the declaration of employee interests, and acceptance of gifts and hospitality identified that there are weaknesses in procedures, and that records may not be being completed as required.
- 2) There are weaknesses in procedures for accounting for fixed assets – although these are recognised by management and action is being taken to address the issues.

Final Reports

The table below shows audit reports finalised during the year. In all cases the recommendations made have been accepted by management, and will be subject to follow up by Internal Audit. The table includes reports finalised since the last monitoring report to this committee on 13 January 2008.

Description	Date Final Report Issued	Opinion	Recommendations		Work done / significant weaknesses , issues identified
			Total number	Number which are a ‘high’ priority	
St George's RC Primary School	05/11/08	Good	7	0	Recommendations were made to address minor issues.
New Performance Regime (BVPI)	10/12/08	None Given	0	0	A review of systems for producing performance indicators including arrangements for ensuring the accuracy of data.

Description	Date Final Report Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
Burnholme Community College	22/12/08	Acceptable	9	0	A number of recommendations were made to address minor issues.
Woodthorpe Primary School	23/12/08	Good	6	0	The status of the breakfast club at the school required clarification. Minor recommendations were made in other areas.
Knavesmire Primary School	23/12/08	Good	5	0	Recommendations were made to address minor issues.
Elvington CE Primary School	23/12/08	High Standard	3	0	No significant weaknesses identified.
Burton Green Infant School	08/01/09	Good	5	0	The governors needed to approve a formal scheme of delegation to the headteacher. Minor recommendations were made in other areas.
Park Grove Primary School	28/01/09	Good	7	0	Recommendations were made to address minor issues.
Robert Wilkinson Primary School	10/02/09	High Standard	3	0	No significant weaknesses identified.

Description	Date Final Report Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
Dringhouses Primary School	24/02/09	High Standard	4	0	No significant weaknesses identified.
St Lawrence's CE Primary School	18/03/09	Good	4	0	Recommendations were made to address minor issues.
Budgetary Control	17/04/09	Not Acceptable	0	0	While there are significant weaknesses, the issues are well known and actions to address these have already been agreed following the recent Audit Commission report on financial planning and monitoring.
Skelton Primary School	20/04/09	Good	6	0	Recommendations were made to address minor issues.
LCCS Capital Programme	23/04/09	None Given	0	0	This was a limited review of issues around the building schools for the future programme.
Cashiers	01/05/09	High Standard	1	0	A review of processes and controls for receiving and processing payments and cash handling. No significant concerns were identified.

Description	Date Final Report Issued	Opinion	Recommendations		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
Customer Accounts (Debtors)	05/05/09	Acceptable	3	1	<p>There were weaknesses noted in relation to overall policy and procedures, system reports, and performance management arrangements.</p> <p>High Priority Recommendation: Performance management arrangements for debtors should be put in place as a matter of urgency.</p>
Concessionary Travel	01/06/09	None Given	0	0	The audit reviewed the accuracy of data used to calculate payments to bus companies in relation to concessionary bus passes. No significant weaknesses were identified.
Nursery Education Grants	01/06/09	High Standard	1	0	The purpose of the audit was to ensure that claims for funding submitted by nursery providers were valid.

Other Work Completed during 2008/09

- Completion of work on the shared service initiative culminating in the transfer of internal audit services to Veritau on 1 April 2009
- Coordination of the process for preparing the Annual Governance Statement for 2007/08, and support in preparing the 2008/09 statement
- Review of the effectiveness of Internal Audit completed and reported to A&G on 26 June 2008
- Report of the Chief Internal Auditor for 2007/08 prepared and presented to A&G on 26 June 2008
- Assessment of compliance with the Financial Management Standard in Schools for all York schools
- Annual review of the strategic audit plan and preparation of the annual audit plan
- Internal Audit Mid Term Monitoring Report for A&G (January 2009)
- Preparation of the Counter Fraud and Corruption Policy and update of the Fraud and Corruption Prosecution Policy (presented to A&G on 13 May 2008)
- Ongoing support and advice to departments across the council on control issues, and support in relation to specific projects eg Waste PFI, new financial management system.
- Review of progress made by management to implement previously agreed audit recommendations – reported to A&G in September 2008 and March 2009
- Review of progress made by service departments to address Audit Commission recommendations
- Annual report on non-compliance with Financial Regulations and EU Procurement legislation (breaches and waivers) presented to A&G on 24 September 2008
- Chargeable work including grant claim audits (LAA, Supporting People, DTI grant), North Yorkshire Audit Partnership Internal Audit, report to Museums Trust Audit Committee, certification of LPSA 2 indicators
- Completion of 5 internal investigations in conjunction with the Fraud Team

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**Annex 3
Counter Fraud Activity 2008/09**

Activity	Work Completed or in Progress
Investigations (Housing and Council Tax Benefit)	809 fraud referrals were received in the year, of which 282 were passed for investigation. A total of 317 investigations were completed that resulted in 24 prosecutions, 22 cautions, and 9 administrative penalties. Benefit overpayments of £304k were identified by the team.
Fraud Awareness	<p>Work has included:</p> <ul style="list-style-type: none"> • the provision of fraud awareness training for all Housing and Council Tax Benefit staff • ongoing publication of successful prosecutions through the local press • an in depth article on the work of the fraud team in Street Scene • articles in News & Jobs.
Advice and Guidance	Ongoing advice and guidance is provided on the design and implementation of measures to prevent and detect fraud and other financial irregularities. For example changes to the design of benefit claim forms and the implementation of security measures in council establishments and offices. Feedback is given to relevant staff on all cases investigated. This feedback is intended to encourage more referrals and also includes recommendations to change or improve systems and procedures so as to prevent or detect fraud in the future, where necessary.
Data Matching	<i>Audit Commission National Fraud Initiative (NFI):</i> Work in 2008/09 has included analysis of the pilot council tax single persons discount match and preparation of data for the wider 2009/10 match. This includes coordinating data extracts from departments across the council, providing support to ensure fair processing notices have been published, data cleansing, and the secure submission of data to the Audit Commission. .

	<i>Housing Benefit Matching Service (HBMS):</i> The fraud team has continued to investigate potential benefit fraud cases identified by the DWP through the HBMS data match process. The council received 376 HBMS referrals during the year. Benefit overpayments identified as a result of this work totalled £68k of which £49k was fraudulent.
Joint Working with Other Agencies	The service has continued to work closely with the DWP in the investigation of benefit fraud – a total of 17 joint council and DWP cases were prosecuted in 2008/09. The team has also continued to develop its relationships with other council departments and external agencies. This includes information sharing and support on joint cases with housing and trading standards, and involvement with police led search and arrest operations.
Financial Investigations	All investigations are monitored to assess their suitability for financial investigation and asset recovery. The team commenced 3 financial investigations during the year, and 2 other cases are ongoing.
Proactive Work	Based on analysis of benefit records, 80 cases were identified for proactive visits in 2008/09. Of these, 23 cases resulted in more detailed investigations being launched (these are ongoing).
Other	Six internal investigations have been undertaken by the audit and fraud teams in 2008/09.



Audit & Governance Committee

29 June 2009

Report of the Assistant Director (Customer Service & Governance)

Risk Monitor Quarter One 2009/10 & Risk Management Outturn Report 2008/09

Summary

- 1 The purpose of this paper is to provide Audit & Governance Committee (A&G) with the quarter one risk monitor for 2009/10 (Annex A) and to inform them of the progress made during 2008/09 in embedding corporate risk management across the organisation.

Background

- 2 Risk management is used to better manage potential opportunities and threats to the achievement of corporate objectives. It forms a key part of the council's corporate governance arrangements and strategic management process. Effective risk management acts as an enabler by supporting well informed decision making and can facilitate sustainable improvements in service delivery.
- 3 The Key Corporate Risk monitor was established during 2008/09, and was initially only reported to Council Management Team (CMT). As A&G are charged with ensuring effective and robust risk management arrangements are in place at the council, and at their request, this was extended to A&G during 2008/09.

Key Developments

- 4 The refreshed risk management policy and strategy that was approved by A&G in March 2009 (due at Executive in July) allows directorates to escalate significant (high & critical) risks through their management hierarchy to CMT initially and then A&G as part of the regular monitoring process. This is to ensure that all business significant risks, not just those listed as key corporate risks, can be brought to the attention of both directors and members.
- 5 This process has now been put in place across the council and the first set of high/critical risks identified by directorates can be found on the final page of the quarterly monitor set out at Annex A of this report.

Quarter One Monitor

- 6 The position of the Key Corporate Risks (KCRs) at the end of the first quarter of 2009/10 are detailed at Annex A of this report. The monitor is complete in terms of accurately reflecting the information recorded in the council's risk register (Magique) however, there is an on-going requirement for risk owners to ensure their risks are accurate, complete and up-to-date.
- 7 While A&G will need to review the monitor (Annex A) in its entirety they may wish to consider the critical (red) risks in more detail, these include the following:

KCR 0001 Implementation of the new pay & grading structure

- Neighbourhood Services risk 9 (Legal Challenge)

KCR 0002 Accommodation Review Project

- Design & Planning risk 1 (Planning Approval)
- Challenge to Procurement risk 1 (Procurement)
- Development brief risk 2 (Procurement)

KCR 0003 Waste Management Strategy Partnership

- Planning Consent risk 4 (Failure to secure consent)
- Financial risk 1 (Increased costs)
- Financial risk 4 (Insufficient budget)
- Financial risk 5 (Inability to secure private finance)
- Leadership & Communication risk 4 (Termination)

- 8 If further information is required in relation to any of the above risks or others contained within the monitor this can be obtained by inviting the relevant risk owner to either bring a report or make a presentation to A&G.
- 9 At the A&G Committee in March 2009 Members requested a report on the security issues at the Mansion House. The security and insurance concerns relating to the Mansion House and Civic Regalia are complex and need to be considered in detail. With regards to the contents of the Mansion House and the Civic Regalia there have been previous papers brought to CMT and discussions around how best to manage the risk since Sotheby's undertook a valuation in the early 1990's. Considerations around the physical security of the building itself are more straightforward than the risk and insurance issues relating to the Civic Regalia much of which is unique to York. It is recommended that the Head of Civic Democratic & Legal Services with the support and input of the council's risk and insurance officers bring a fuller paper on these issues to the September A&G meeting.

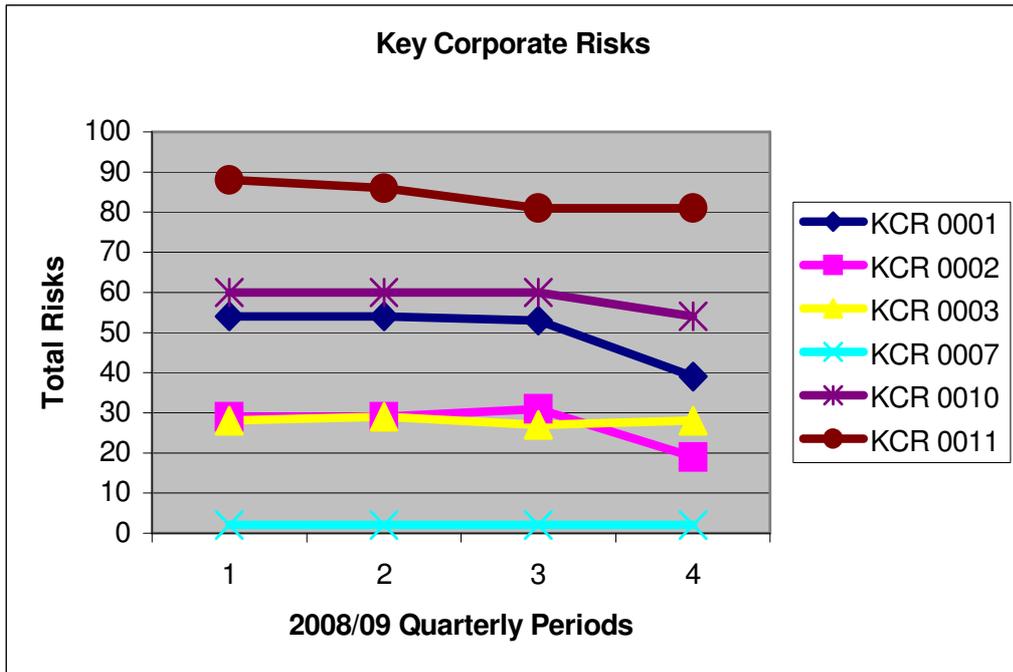
- 10 At A&G in March 2009 at members request, a report on the risk and issues around the Waste PFI project was presented by the Director of City Strategy. As part of an ongoing process of reviewing in more detail some of the key risks contained within the monitor a report on the new Accommodation Project was requested by A&G Members for this meeting. This project again falls under the responsibility of the Director of City Strategy and he has provided a more detailed report on the key risks and issues facing the project. This report is set out in detail at Annex B of this paper. Following the presentation of this report members may wish to suggest a further detailed risk report from another area for consideration at A&G in September 2009

Outturn Report 2008/09

- 11 The council has been actively developing and deploying risk management arrangements across the organisation since 2002. The corporate risk register 'Magique' along with the refreshed policy and strategy continue to provide the key framework and tools for developing and embedding risk management and providing the up to date, accurate and relevant information to populate the KCRs.
- 12 There is evidence in key documents and plans that the organisation as a whole is considering risk in a much more positive way across its major projects and within service delivery. This approach is in part driven from prior failures and in part through better understanding of risk as an enabler to more successful delivery coupled with a willingness by the council to seek opportunity and improve efficiency.
- 13 The ownership of risk has now moved from the Risk Management Officer in Resources and is owned, managed and delivered as part of good business practice by officers across the organisation. Key projects such as the Administrative Accommodation Project and Access York Phase 1 actively use risk to help guide the project, decision making and deliver successful outcomes. The inclusion of risk in the council's Improvement Plan and Business Model helps support and underpin the new Corporate Strategy and in turn the Sustainable Community Strategy.
- 14 It is not just officers across the council who have better engaged in managing risk but the Audit & Governance Committee (A&G) themselves now play a much greater role. A&G actively reviewing key corporate risk on a quarterly basis has been particularly effective in raising Members awareness of the risks and opportunities associated with major projects and programmes of work.
- 15 It will always be difficult to prove that risk management helps to deliver a project more successfully or that performance has improved as a result of better understanding the challenges involved in service delivery. There have, however, been demonstrable changes in risk assessments; risks have either decreased, hopefully as a result of

being managed and mitigated, or increased as risks have become more likely or have increased in potential impact – these changes can be seen through the quarterly monitoring reports reviewed at both CMT and A&G. A summary of changes in the Key Corporate Risks (KCRs) profile is reflected at Table 1 below. The table shows the movement in the number of individual risks associated with each focus area (KCR) across the four quarters of 2009/10. In most but not all cases the number of risks has been reduced over the course of the year.

Table 1



Key

KCR ref	KCR Title
KCR 0001	Implementation of new pay & grading structure
KCR 0002	Delivery of the Accommodation review project
KCR 0003	Waste management strategy partnership
KCR 0007	Delivery of the Local Area Agreement
KCR 0010	Business Continuity Planning
KCR 0011	Managing and governing partnerships

16 It is more noticeable that risk is being considered as a natural part of the council’s business processes and is no longer an add-on or separate bureaucratic process. There will always be an element of

process in terms of risk registers, framework and policy but there would now seem to be a fundamental change in the way risks are more routinely identified and managed. This cultural change has been delivered with very little resource (one member of staff) and it is hoped that this improvement will be reflected in the council's next Use of Resources score for risk management.

Inspection outcomes

- 17 Risk management was one of the Key Lines of Enquiry of the Use of Resources (CPA) inspection process. The Audit Commission have reviewed the documentation and supporting evidence to determine the 2008 refresh score and made a judgement that risk management is at level 2 (Fair). The council's score for this criteria has consistently been judged at level 2 in previous years and much work was undertaken in 2008/09 to ensure that risk management should meet the minimum requirements to score at least a level 3 (Good) in the 2009 Use of Resources (CAA) assessment. This work has included:
- i enhancement of the corporate-wide risk reporting framework;
 - ii improved reporting of significant business risks to senior management and elected Members;
 - iii enhancement of the corporate risk management framework.

Work plan 2009/10

- 18 At the core of the 2009/10 work plan is the continued need to embed risk management into all council processes, to raise awareness through further training, and align the risk register to the refreshed Corporate Strategy. Achieving this ambitious work plan can help the council lower its exposure to risk while ensuring it develops more robust services prepared to take advantage of opportunities through a better understanding of the associated threats.
- 19 The key deliverables within the 2009/10 work plan include:
- i linking appropriate risks to the refreshed Corporate Strategy;
 - ii updating and reviewing all risk register entries;
 - iii continuing risk management training for members and officers;
 - iv refresh of the Key Corporate Risks;
 - v integration of risk reporting in to the Finance & Performance monitor.

Consultation

20 There is no formal consultation applicable to this report however all the information contained within the monitor at Annex A is provided by officers across the council not the risk management team.

Options

21 Not applicable.

Analysis

22 Not applicable

Corporate Priorities

23 The effective consideration and management of risk within all of the council's business processes will aid the successful delivery of each theme within the Corporate Strategy. It specifically contributes to the achievements of the Effective Organisation theme as risk management has been identified as a priority area in the council's Improvement Plan.

Implications

- (a) **Financial** - There are no implications.
- (b) **Human Resources (HR)** - There are no implications.
- (c) **Equalities** - There are no implications.
- (d) **Legal** - There are no implications.
- (e) **Crime and Disorder** - There are no implications.
- (f) **Information Technology (IT)** - There are no implications.
- (g) **Property** - There are no implications.

Risk Management

24 This report has been produced in compliance with the council's Risk Management strategy. The risk associated with the recommendation of this report is "Failure to provide adequate documentation to achieve a level 3 for risk management in CAA UOR" and was originally assessed at a net level of 18 (High).

Recommendations

25 It is recommended that the Audit & Governance Committee:

- a) notes the contents of this report and progress made to date;

Reason

To raise awareness of the progress made to date in respect of risk management arrangements at the council.

- b) considers & comments on the risks set out at Annex A and at paragraph 7 of this report;

Reason

To note the progress made to date in developing the corporate monitoring and reporting arrangements for the council's KCRs;

- c) suggests a further detailed risk report for A&G in September as set out at paragraph 10;

Reason

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

- d) approves the presentation of a formal report on security issues at the Mansion House at the September A&G Committee.

Reason

To provide assurance that key risks associated with the Mansion House and Civic Regalia are being properly managed by the organisation.

Contact Details

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Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director of Customer Service & Governance

Report Approved



Date 16 June 2009

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Risk Management Monitor Quarter 4 2008/09.

Annexes

Annex A – Key Corporate Risk Monitor Quarter One 2009/10

Annex B – Accommodation Project Report

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	N/a	13	N/a	15	N/a	14
2. Inability to recruit staff	18	13	12	10	N/a	14
3. Potential industrial action	N/a	N/a	N/a	N/a	N/a	6
4. Decline in customer service	N/a	N/a	N/a	10	N/a	9
5. Increase staff absence	N/a	N/a	6	15	N/a	9
6. Reduced staff productivity	N/a	N/a	N/a	15	N/a	14
7. Inability to contribute to corporate priorities	N/a	N/a	N/a	15	N/a	14
8. Reduced staff morale	15	N/a	N/a	15	N/a	15
9. Potential legal challenge	N/a	N/a	22	9	N/a	12
10. Financial costs to school budgets					20	
11. Significant budget overspend					14	
13. Failure to align budgets and funding	18					

Resources**Risks Last Reviewed: 20/05/2009****2. Difficulties recruiting into professional posts****18**

Cause - A lack of clarity as to what the future pay will be

Consequence - This leads to difficulties recruiting into professional posts at lower levels

Controls

In-house training scheme

Owner

Pauline Stuchfield

Conclusion**Treat****Actions**

Workforce development plan for Resources

Due Date

31/03/10

13. Failure to align budgets and funding**18**

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

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

Controls

Re-prioritisation in Corporate Accountancy resulting in increased control

Owner

Keith Best

Conclusion**Tolerate**

Neighbourhood Services

Risks Last Reviewed: 28/05/2009

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

22

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

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

Controls

Transparent and fair pay structure

Owner

Geoff Derham

Conclusion

Tolerate

Learning, Culture & Children's Services

Risks Last Reviewed: 22/04/2009

10. Financial costs to school budgets

20

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

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

Conclusion

Treat

Actions

Negotiations with trade unions/schools

Due Date

Ongoing

11. Significant budget overspend

14

Cause - Unbudgeted allowances - Leisure and Library staff

Consequence - Significant budget overspend requiring corrective action

Controls

Application to Corporate Finance to meet additional costs arising

Owner

Charlie Croft

Conclusion

Tolerate

KCR 0002 - Unsuccessful delivery of accommodation review project

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

Project Work Streams

Land Assembly	8	8	14				
Design & Construction	19						
Design & Planning	23	8					
Change Management	20	14					
Financial	8						
Property Disposals	16	14	15	10	15		
Marketing & Communications	14	19					
Procurement	22	21	19				

Design & Construction Risks Last Reviewed: 26/05/2009

1. Onerous conditions on planning permission 19

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

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

Controls

Consultation and feedback from Planning

Owner

Ian Asher

Conclusion

Treat

Actions

Pre-planning consultation by developers

Due Date

On going

Design & Planning Risks Last Reviewed: 26/05/2009

1. Failure to achieve planning approval 23

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

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

Controls

Staged design development and approvals
Clearly defined development brief
Planning policy

Owner

Ian Asher
Ian Asher
Ian Asher

Conclusion

Treat

Actions

Awareness of planning policy
Pre planning consultation by developers
Public consultation

Due Date

02/08/09
On going
On going

Change Management Risks Last Reviewed: 26/05/2009**1. Failure of the organisation to implement the corporate transformational change agenda reflected in the new HQ design brief** 20

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

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

Controls

Office of the future project

Owner

Sandra Herbert

Conclusion

Treat

Property Disposals Risks Last Reviewed: 26/05/2009**1. Value of property capital receipts obtained are less than the values used in the projects budget.** 16

Cause - Market conditions or planning restrictions prevent the realisation of the target receipts

Consequence - Increased prudential borrowing required to cover the deficit

Controls

Identify the mid value of property

Ongoing review of the market to determine timing of sales

Owner

John Urwin

John Urwin

Conclusion

Treat

Actions

Maximise capital receipt by developing appropriate planning schemes

Testing of the market

Due Date

30/12/09

31/07/09

Marketing & Communications Risks Last Reviewed: 26/05/2009**1. Leaks to the media** 19

Cause - Lack of awareness of procurement rules amongst those involved or those informed of the outcome of the procurement process due to misinformation or for political gain or nuisance.

Consequence - Reputation damage to CYC and the project. Breach of procurement rules and confidence or commercial confidentiality potentially jepodising the procurement process, and requiring compensation to developers.

Controls

Limit access to information and ensure confidentiality status of documents

Owner

Sandra Herbert

Conclusion

Treat

Actions

Brief of members and senior officers on procurement rules

On going

Procurement Risks Last Reviewed: 26/05/2009**1. Challenge to the procurement process** 22

Cause - Actual or perceived breach of the procurement rules

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

Controls

EU Procurement rules and CYC process

External legal advice

Supplier contract management system

Owner

Ian Asher

Ian Asher

Ian Asher

Conclusion

Treat

Actions

Robust tender documents

Due Date

20/08/09

2. Developers unable to meet the requirements of the development brief

21

Cause - Developers are unable to comply with the brief due to council aspirations, as outlined in the design brief, exceeding the budget.

Consequence - Reduction in scope.- size and/or quality.Less effective building due to increase in staff density resulting in negative feedback and staff dis-satisfaction.Abort procurement process.Reputational damage to CYC.

Controls

Realistic development brief
Arrange bidder days for dialogue

Owner

Ian Asher
Ian Asher

Conclusion

Treat

Actions

Inclusion of Stamp Duty

Due Date

13/07/09

3. Too many bidders withdraw from the procurement process

19

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

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

Controls

Professional advice to ensure specification is achievable
Control negotiation during tender dialogue phase
Dialogue with developers to understand their concerns

Owner

Ian Asher
Ian Asher
Ian Asher

Conclusion

Treat

Actions

Refine Specification during dialogue

Due Date

On going

KCR 0003 - Failure of waste management strategy partnership

Financial penalties of failing to manage satisfactory partnership solution to waste agenda. Partnership solution with NYCC introduces risks to the programme from CYC perspective (control, breakdown of effective working, governance etc). Project risks of the partnership have been identified and are being managed by NYCC as the lead body

Project Work Streams

Project Delivery	14	6	14	6	14		
Planning Consent	13	18	14	23			
Procurement	18	6	13	13			
Financial	23	17	6	21	19	20	20
Leadership & communication	13	20	12	22	19		
Partnership	19	11	13	14			

Planning Consent Risks Last Reviewed: 18/05/2009

1. Failure to secure and/or demonstrate adequate consultation 18

Cause - This is to be completed as part of the statutory consultation on planning. *Consequence* - This could cause judicial review and objections.

Conclusion **Tolerate**

2. Failure to secure planning consent 23

Cause - Failure to secure planning consent on any of the selected sites. If there is not enough of project preparation to ensure the site is the most appropriate and all the required testing has been complete. Environmental Impact assessments etc. *Consequence* - This could result in non-delivery of

Controls **Owner**
 Identification of suitable alternative sites Bill Woolley

Conclusion **Treat**

Actions **Due Date**
 Audit of the preparation process 30/06/09

Procurement Risks Last Reviewed: 18/05/2009

1. Potential challenge of process 18

Cause - If the losing bidder deems the evaluation has been inappropriate *Consequence* - The Council could be sued and incur costs and therefore may not be able to award the contract

Controls **Owner**
 Auditable trails of documentation Bill Woolley

Conclusion **Tolerate**

Financial Risks Last Reviewed: 18/05/2009

1. Planning delays could lead to increased costs 23

Cause - Due to the cost of land filling being higher than the cost of the treatment facility any delay in the construction and operation of the facility will cause increased costs. *Consequence* - This could lead to planning delays and increased costs.

Controls **Owner**
 Work with bidders and NYCC planners Bill Woolley

Conclusion **Tolerate**

2. Solution is unaffordable**17**

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

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

Controls

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

Owner

Bill Woolley
Bill Woolley

Conclusion**Tolerate****3. Inability to fund the procurement****21**

Cause - Insufficient budget in order to fund project requirements.

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

Conclusion**Treat****Actions**

Application for growth bid

Due Date

20/01/10

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

Cause - If there is a planning inquiry.

Consequence - Increased costs due to delay to the construction.

Controls

Project programme includes time for planning debate
Work to ensure the site is deliverable

Owner

Bill Woolley
Bill Woolley

Conclusion**Tolerate****5. Inability to secure private finance****21**

Cause - Bidders may be in a position where they are unable to secure the lending they require, due to the current economic climate

Consequence - This could result in significant delays or even in the project having to be terminated

Conclusion**Treat****Actions**

Look into alternative ways of funding the project

Due Date

30/06/09

6. Reduced waste arisings**20**

Cause - Due to economic downturn and other waste minimization activities, the long term waste tonnage forecasts by NYCC and/or CYC could make project unviable or delayed

Consequence - i) If project is unaffordable then no contract will be awarded with a potential for both bidders to sue the councils for aborted bid costs (see risk 1030)
ii) If project delayed CYC may need to reconsider the medium term LATS avoidance strategy

Conclusion**Treat****Actions**

Internal waste board reviewing waste tonnage forecasts

Due Date

31/10/09

Leadership & Communication**Risks Last Reviewed: 18/05/2009****1. Negative perception of treatment plants and technologies****20**

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

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

Controls

Communication Strategy
Communication Plan

Owner

Bill Woolley
Bill Woolley

Conclusion**Tolerate**

2. Project terminated

22

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

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

Controls

Communication Strategy

Owner

Bill Woolley

Conclusion

Treat

Actions

Contract negotiations with preferred bidder

Due Date

02/03/09

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

19

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

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

Conclusion

Tolerate

Partnership

Risks Last Reviewed: 18/05/2009

1. Failure to agree back to back agreement

19

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

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

Conclusion

Treat

Actions

This will require strategic support

Due Date

TBC

KCR 0007 - Failure to deliver the Local Area Agreement

Increasing adverse risks associated with failure further to the expectations set out in the White Paper. Felt to be higher risk issue also due to lack of commitment/investment in LSP and other partnerships by the organisation in the past.

Economic Development**Risks Last Reviewed: 18/05/2009****1. Limited awareness of LAA within Council and amongst stakeholders****18**

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

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

Controls

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

Owner

Roger Ranson
Roger Ranson
Roger Ranson

Conclusion**Treat****Actions**

Partnership launch event

Due Date

24/09/08

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

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

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

Controls

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

Owner

Roger Ranson
Roger Ranson
Roger Ranson

Conclusion**Tolerate**

KCR 0008 - Implementation of changes required for new Comprehensive Area Assessment and Use of Resources

The Comprehensive Area Assessment encompasses a joint risk assessment undertaken by all local services inspectorates and provides an independent assessment of the prospects for local areas and the quality of life for people living there. It looks at the likelihood of local and national priority outcomes being achieved by focusing on those identified in the Sustainable Community Strategy and related documents such as the Local Development Framework and the Local Area Agreement.

Resources Risks Last Reviewed: 20/05/2009

1. Inability to influence our partners performance		18
<i>Cause</i> - Inability to engage with our partners and secure wider involvement for the wider assessment	<i>Consequence</i> - Poor performance of our partners results in a our score being lowered	
Controls P & BA Partnerships working together PBA-AD Resources to attend LSP delivery Board	Owner Pauline Stuchfield Pauline Stuchfield	
Conclusion	Treat	
Actions Develop partnership working	Due Date 31/03/10	
2. Lack of evidence of good practice		14
<i>Cause</i> - Lack of corporate working 'as a team' and lack of resources	<i>Consequence</i> - Poor Organisational Assessment Score and Red Flags in CAA	
Controls P & BA repository of evidence and POG group network	Owner Pauline Stuchfield	
Conclusion	Treat	
Actions Develop and document good practice Identify required outcomes from activities and projects at start	Due Date 31/03/10 31/03/10	
3. Incorrect self-assessment judgment		13
<i>Cause</i> - Self evaluation is not balanced or insufficient/poor quality evidence is present	<i>Consequence</i> - Poor Organisational Score and Red Flags in CAA	
Controls PBA team coordinating self-assessment	Owner Pauline Stuchfield	
Conclusion	Treat	
Actions Develop action plan from Audit Commission feedback from 2009 process	Due Date 31/12/09	
4. Lack of understanding of what it is, why it is important and implications of failure		19
<i>Cause</i> - Lack of communication and engagement, as well as a lack of understanding of what is required	<i>Consequence</i> - Poor Organisational Assessment Score and Red Flags in CAA	
Controls TBA team engaging key staff	Owner Pauline Stuchfield	
Conclusion	Treat	
Actions Secure adequate resources Internal & external communications plan	Due Date 30/10/09 30/06/09	

5. Lack of buy-in from elected members**18**

Cause - A lack of communication and engagement, as well as a lack of understanding of what is required

Consequence - Poor Organisational Assessment Score and Red Flags in CAA

Controls

Regular reports to Executive and Audit & Governance Committee

Owner

Pauline Stuchfield

Conclusion**Treat****Actions**

Link members with those from other authorities

Due Date

31/03/10

KCR 0009 - Failure to coordinate significant programmes of change

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

Accommodation Project

Risks Last Reviewed: 17/05/2009

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

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

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

KCR 0010 - Failure to ensure Business Continuity

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

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

Resources Risks Last Reviewed: 21/05/2009

3. Inability to provide statutory services 19

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

Consequence - Inability to pay vulnerable people welfare benefits.

Controls

BCP in place for Revenues and Benefits Services

Owner

David Walker

Conclusion

Treat

Neighbourhood Services Risks Last Reviewed: 28/05/2009

3. Inability to provide statutory services 19

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

Consequence - Council would suffer reputational damage

Conclusion

Treat

Actions

Complete Business Continuity Plans

Due Date

31/06/2009

5. Inability to prioritise & allocate resources 18

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

Consequence - Potential delays to recovering the service.

Conclusion

Treat

Actions

Complete BCP including analysis of staff resources required

Due Date

31/06/2009

Chief Executives**Risks Last Reviewed: 23/04/2009****10. Loss of data (hard copy)****18**

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

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

Controls

Arrangements in place to receive copies from clients and archives etc

Owner

Quentin Baker

Conclusion**Treat****Actions**

Procure a case management system

Due Date

01/08/09

Implement information governance system within directorate

01/08/09

Learning, Culture & Children's Services**Risks Last Reviewed: 22/04/2009****4. Inability to deliver services****18**

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

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

Controls

DMT emergency response

Owner

Kevin Hall

Conclusion**Tolerate**

KCR 0011 - Failure to effectively govern and manage partnerships

Governance issues around the proper management of partnerships is not robust and leaves the Council open to a variety of potential problems and threats to the organisation. Implications for CPA UoR in 2006 and 2007 refresh exercises and knock on effect on the corporate CPA in 2008.

	WW	SYP	EP	LCY	Y@L	YE	IY	YOK	HC	FP	VY	SC	YPO
1. Unbudgeted financial liability to partnership	N/a	8	N/a	6	8	N/a	N/a	8	8	8	15	14	12
2. Inadequate governance arrangements	8	8	N/a	2	8	8	8	8	8	15	6	8	12
3. Failure to achieve stated outcomes	14	8	N/a	14	14	14	6	13	14	9	14	13	12
4. Failure to manage performance and add value	18	2	N/a	8	13	13	N/a	13	13	4	14	13	12
5. Inability to demonstrate stakeholder consultation	19	2	N/a	13	9	8	6	6	9	13	2	9	12
6. Inadequate medium term financial stability	N/a	14	N/a	19	N/a	N/a	N/a	13	14	13	17	20	14
7. Reputational impact of partnership activities	14	12	N/a	8	8	14	N/a	8	8	14	6	13	14
8. Ability to demonstrate Value for Money in use of funds	N/a	2	N/a	8	N/a	N/a	N/a	6	N/a	2	6	14	N/a

Without Walls Risks Last Reviewed: 18/05/2009

4. Failure to manage performance and add value

18

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

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

Controls

Review of Strategic Partnerships

Owner

Nigel Burchell

Conclusion

Tolerate

WW = Without Walls

SYP = Safer York

EP = Economic Partnership

LCY = Learning City York

Y@L = York@Large

YE = York Environment

IY = Inclusive York

YOK = YorOK Board

HC = Healthy City

FP = Future Prospects

VY = Visit York

SC = Science City

YPO = Yorkshire Purchasing Organisation

Without Walls Risks Last Reviewed: 18/05/2009

5. Inability to demonstrate stakeholder consultation

19

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

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

Controls

Adoption of CYC Engagement Strategy

Owner

Nigel Burchell

Conclusion

Tolerate

6. Inadequate medium term financial stability 19

Cause - Insecurity of funding streams, in particular from the LSC (Learning Skills Council).

Consequence - Loss of dedicated resource to service the partnership and this could result in an inability to progress the priorities of the board.

Controls
2008/09 Budget in place

Owner
Pete Dwyer

Conclusion

Tolerate

6. Inadequate medium term financial stability 17

Cause - Income is dependant on the private sector, and this risk could materialise if income falls below projections.

Controls
Work with businesses
Budget monitoring

Owner
Ian Tempest
Ian Tempest

Conclusion

Tolerate

6. Inadequate medium term financial stability 20

Cause - A lack of external funding to undertake core activities in Science City York. Funding ends in March 2009.

Consequence - Impact on the local economy and potential issues in terms of staff.

Controls
Bid for European funding
Discuss with Yorkshire forward re continued funding

Conclusion

Tolerate

Directorate High & Critical Risks

This section is designed to allow Directorate Management Teams to escalate significant risks, not already considered as part of the Key Corporate Risk monitor.

Resources

Risks Last Reviewed: 21/05/2009

1. Possible breach of procurement regulations

18

Cause - If officers fail to follow financial and procurement regulations in relation to Official Journal of the European Union (procurements over the value of £150k)

Consequence - This could result in legal challenge and possible court action

Controls

Implementation of SCMS
Procurement guidance manual
Financial regulations & Contract Procedure Rules
Breaches & waivers protocol
Internal Audit review of procurement activities
Internal training courses

Owner

Zara Carter
Zara Carter
David Walker
David Walker
Zara Carter
Zara Carter

Conclusion

Treat

Actions

Due Date

Procurement policy & regulations to be reviewed as part of efficiency prog.

31/07/09

2. Income not maximised

18

Cause - The lack of a framework for determining charges, means we could set charges without taking proper account of the costs of delivering a service

Consequence - This may lead to costs not being recovered. Charges may be set at an inappropriate level and this could mean we miss out on opportunities to increase customer take up and hence less income from customers who choose not to take up the service

Controls

Income Policy Framework
Action plan approved by Executive Committee
Directorate Implementation Plans

Owner

David Walker
David Walker
David Walker

Conclusion

Treat

Actions

Due Date

Implement Directorate Plans
Review as part of efficiency programme
Implement new income collection policy

01/03/10
01/03/10
01/03/10

Neighbourhood Services

Risks Last Reviewed:

1. Failure to meet air quality targets

19

Cause - This risk concerns the ability of the Council to ensure that the air quality in certain areas of the city meets the relevant minimum standard

Consequence - This could result in an adverse impact on the council's reputation and the health of residents.

Controls

Annual review of air quality action plan - implement improvements

Owner

Mike Southcombe

Conclusion

Tolerate

1. Equal Pay**20**

Cause - Failure to respond appropriately while addressing historical problems of equal pay arising from national and local conditions of employment.

Consequence - This will expose the Council to significant risks associated with collective and individual claims for equal pay and substantial financial penalties

Controls

Risk management strategy built into pay & grading risk register

Owner

Chris Tissiman

Conclusion

Tolerate

2. Health & Safety Management system not implemented**23**

Cause - If the policies and compliance notes within the H&S management system are not given high enough priority and are not incorporated into day to day work by managers, then the Health & Safety management system will not be implemented effectively.

Consequence - The lack of a safety management system could result in an increase in accidents due to an unsafe working environment.

Controls

Staff training following TNA
Collaborative involvement with Trade Unions
Proactive health & wellbeing management
Workplace H&S baseline assessments

Owner

Jon Grainger
Angela Wilkinson
Angela Wilkinson
Angela Wilkinson

Conclusion

Treat

Actions**Due Date**

Communication of key issues
Observational workplace H&S monitoring embedded

30/06/09
31/12/09



Audit & Governance Committee

29th June 2009

Report of the Director of City Strategy

Accommodation Project

Background

1. A strategic review of the council's administrative accommodation completed in early 2004, set out a long-term accommodation strategy to respond to the future business needs of the council in providing effective and efficient customer services. The outcome of the review recommended a rationalisation of the current accommodation portfolio to include the provision of a new headquarters building incorporating a one-stop customer contact centre.
2. Consequently, the council embarked on a project to relocate the majority of the council's administrative accommodation to a single site and release the existing properties onto the market to fund the new accommodation from a mix of capital receipts and prudential borrowing against the existing lease costs.
3. A design was developed using a partnership approach and a planning application submitted in early May 2008 for a new office headquarters building at the Hungate site. The planning application was subsequently withdrawn by the council following adverse comments from English Heritage indicating that they would be unable to support the development in its published form.
4. After due consideration the council embarked on a competitive dialogue procurement process to identify potential sites within the city centre that could meet the council's requirements. The process commenced in December 2008 and, following a full evaluation exercise, five developers were invited to participate in a competitive dialogue process to submit initial designs for consideration.
5. Two bidders have now been invited to enter into a further stage of dialogue with the council and submit their detail solutions by mid July 2009. Following a further period of evaluation, each bidder will be invited to submit a final tender for their scheme by September 2009. The successful bidder will be announced by the end of 2009. The full procurement process is attached at annex A.

Project approach to risk

6. The accommodation project is managed within a project management framework adopting the principles of the well-established PRINCE 2 project management methodology. This was a key component of the accommodation project Business Case approved by Members in November 2005.
7. The main features of the methodology include a modular planning approach with the project divided into manageable and controllable stages with a clearly defined organisational structure led by the project board made up of key directors and assistant directors representing each directorate. The board is responsible to the Corporate Management Team for the overall direction and management of the project within the parameters of the approved business case. Matters of policy or strategic interest, or those that fall outside the business case, are directed to the Executive for discussion and/or approval. The risks are reviewed weekly and project board receives risk reports on a monthly basis.
8. The major controls for the project include the approved business case, project plan, risk register, issues log, exception reports and end of stage assessments. The project risk register is maintained on Magique, the council's corporate risk reporting system. This provides full reporting and traceability of the projects risks.

Key Project Risks

9. The key risks identified at this stage relate to the procurement and planning processes to deliver a new headquarters building.
10. Although it will be the responsibility of the selected developer to obtain planning permission, the council will remain holding a significant proportion of this risk in the event of any planning issues. The developer is required to produce a risk register specific to their scheme that will form part of the evaluation process. The selected developer will be required to maintain and develop this further throughout the life of the project and report the most significant risks on a monthly basis for input to the overall project risk register.
11. The projects top risks are included in Annex B.

Contact Details

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Accommodation Project
Phone 01904 553313

Chief Officer Responsible for the report:

Bill Woolley
Director of City Strategy

Report Approved Date

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

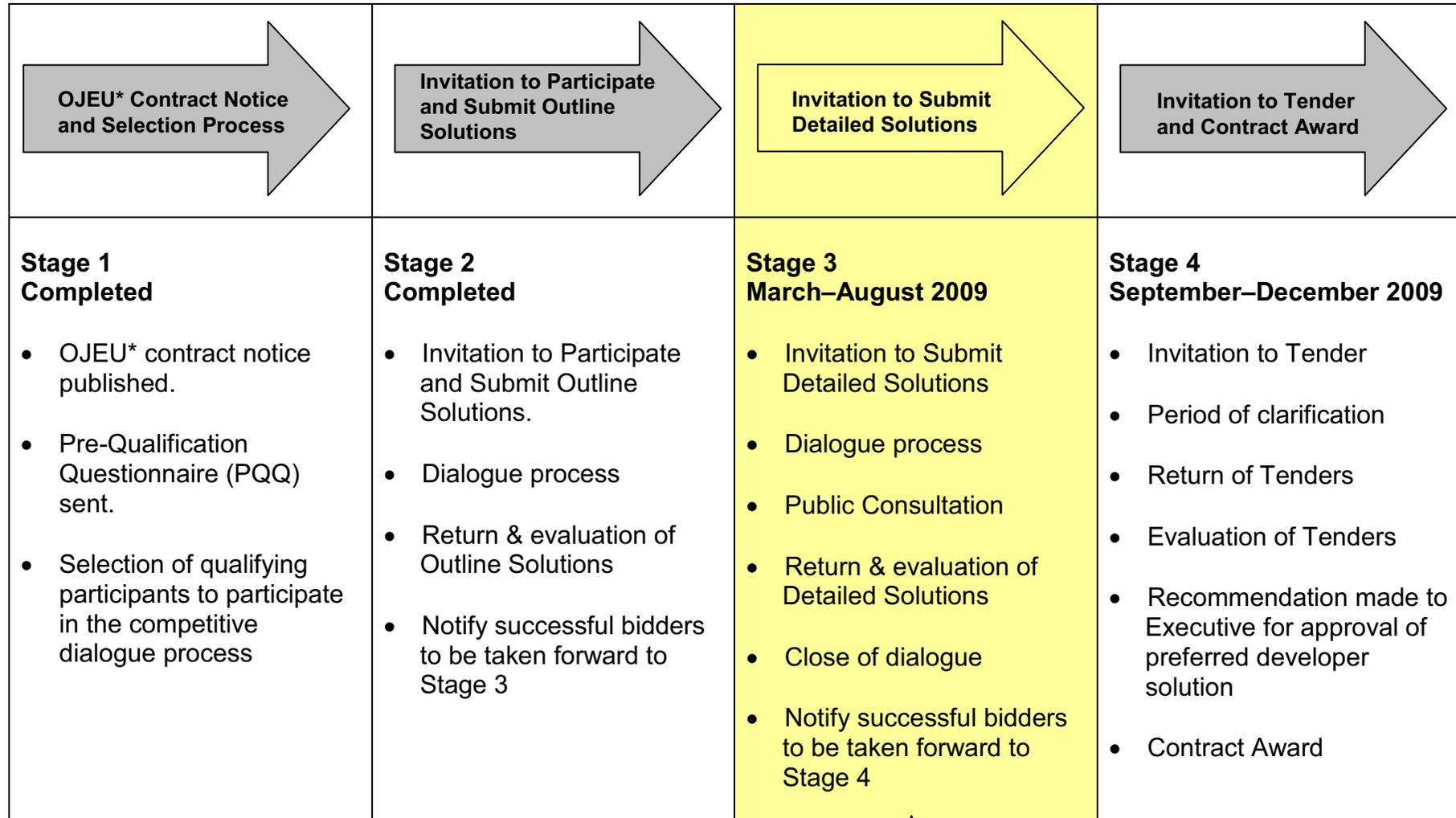
For further information please contact the author of the report

Annexes

- Annex A Procurement timetable
- Annex B Accommodation risk report

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Timeline and Key Stages of the Competitive Dialogue Procurement Process



*Official Journal of the European Union (OJEU)

Current Stage

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Risk Detail	Net Risk Evaluation & Score
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18010 CYC - Administration & Accommodation Review - Project

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

Failure to achieve planning approval Critical 23

Cause Developer solution fails to take into consideration the local planning conditions for the site they have selected. (massing, height, access, materials etc.)

Sufficient strength of feeling from third party objections.

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

Controls

Staged design development, meetings and approvals
Development of a realistic design brief
Planning policy

Actions

Presentation to Planning committee
Awareness and adherence to planning policy
Regular pre planning consultation and meetings with developers
Public consultation exhibition

Challenge to the procurement process Critical 22

Cause Actual or perceived breach of the procurement rules

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

Controls

EU Procurement rules and CYC process
Legal advice from procurement specialists.
Supplier contract management system

Actions

Robust tender documents
Monthly documented reviews of procurement process.

Developers unable to meet the requirements of the development brief. Critical 21

Cause Developers are unable to comply with the brief due to council aspirations, as outlined in the design brief, exceeding the budget.

Consequence Reduction in scope.- size and/or quality.
Less effective building due to increase in staff density resulting in negative feedback and staff dis-satisfaction.
Abort procurement process.
Reputational damage to CYC.

Controls

Realistic development brief
Professional advice to ensure specification is achievable.

Actions

Arrange bidder days for fortnightly dialogue meetings

Risk Detail

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

High

20

Cause *If the organisation does not effectively coordinate and implement the transformational change agenda.*

Consequence *The Council will fail to achieve the operational efficiencies and improvements in customer service provision, anticipated in the business case. The project will deliver a new head quarters building that is inefficient.*

Controls

Monitor progress of efficiency targets as identified in the business case
Transformational change programme
Office of the future project
Kendick Ash outcomes and corporate transformation programme.

Actions

Investigation of business and customer needs
FM scoping exercise
Implementation of the Office of the Future project.

Onerous conditions on planning permission

High

19

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

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

Controls

Consultation and feedback from Planning
Constant engagement with statutory bodies and planning.

Actions

Regular pre-planning consultation by developers.

Leaks to the media

High

19

Cause *Lack of awareness of procurement rules amongst those involved or those informed of the outcome of the procurement process due to misinformation or for political gain or nuisance.*

Consequence *Reputation damage to CYC and the project. Breach of procurement rules and confidence or commercial confidentiality potentially jeopardising the procurement process, and requiring compensation to developers.*

Controls

Limit access to information and ensure confidentiality status of documents

Actions

Brief of members and senior officers on procurement rules

Risk Detail

Too many bidders withdraw from the procurement process

High

19

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

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

Controls

Professional advice to ensure specification is achievable
Control negotiation during tender dialogue phase.
Dialogue with developers to understand their concerns

Actions

Refine Specification during dialogue

Reputation of council in the selection of a solution that meets the business needs of the council

High

19

Cause Overwhelming public support for one or other scheme that does not meet the best value requirements laid out in the brief.

Consequence Lack of public support and ownership of the new civic headquarters building.

Controls

Robust and transparent evaluation process.

Actions

Regular ongoing release of qualified information to the staff, public and media.

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

High

16

Cause Market conditions or planning restrictions prevent the realisation of the target receipts.

Consequence Increased prudential borrowing required to cover the deficit.

Controls

Agree a sale with delayed possession
Identify the market value of property.
Ongoing review of the market to determine timing of sales

Actions

Maximise capital receipt by developing appropriate planning schemes.
Testing of the market (Yearsley Bridge)

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Audit and Governance Committee

29 June 2009

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

2008/09 Annual Governance Statement

Summary

- 1 The purpose of this report is to allow consideration of the draft 2008/09 Annual Governance Statement (AGS), which is to be published as part of the Statement of Accounts for 2008/09.

Background

- 2 The Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of systems of internal control and to publish Statements of Internal Control (SIC) as part of the annual accounts.
- 3 In 2007, CIPFA/SOLACE 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 has a local Code of Governance which reflects the CIPFA/SOLACE framework.
- 4 The Framework 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.

2008/09 Annual Governance Statement (AGS)

- 5 A range of sources of evidence have been reviewed by the Officer Governance Group in compiling the AGS including consideration of the following:
 - (a) any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director;
 - (b) any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer;

- (c) any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, presented to the council's Audit and Governance Committee;
 - (d) significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies;
 - (e) the results of internal audit and fraud investigation work undertaken during the period;
 - (f) the results of the review of Corporate Governance undertaken between January and March 2009 (reported to Audit & Governance Committee 29th March 2009);
 - (g) the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks;
 - (h) the council's risk register and any other issues highlighted through the council's risk management arrangements including the review of significant partnership governance arrangements;
 - (i) the outcomes of service improvement reviews and performance management processes;
 - (j) progress in dealing with control issues identified in the 2007/08 Annual Governance Statement.
- 6 Local authorities are required to use judgement in deciding whether control weaknesses are significant and hence require disclosure in the AGS. The Officer Governance Group has therefore evaluated all the control issues identified through the review process and has considered which should be disclosed in the AGS as a significant control weakness. A control weakness is 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.
- 7 The AGS is attached at Annex 1. The draft includes three new significant control issues and five areas of ongoing work from the

2007/08 AGS. Once approved and signed it then needs to be published as part of the 2008/09 Statement of Accounts.

Monitoring of AGS Action Plans

- 8 The council is keen to seek to streamline the number of improvement plans in place where the actions/outcomes are the same. There has been significant activity focussing on the council's Single Improvement Plan 2008/09 which has picked up many of the items from the last AGS Action Plan. The 2008/09 AGS has highlighted many of the areas which are either in the refreshed Improvement Plan (approved by Executive on 26th May 2006) or are in the Resources Directorate Plan which is monitored by the Director of Resources on a monthly basis. It is not intended, therefore, to have a separate plan for the AGS. Member reporting mechanisms for monitoring the 2009/10 Improvement Plan are currently being finalised, but as a minimum the implementation of IP actions will be monitored quarterly by Executive when monitoring the Corporate Strategy as part of the council's performance management framework.

Consultation

- 9 Corporate officers have contributed to this report where appropriate.

Options

- 10 Not relevant for the purpose of the report.

Analysis

- 11 Not relevant for the purpose of the report.

Corporate Priorities

- 12 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It specifically contributes to the Effective Organisation priority in the Corporate Strategy.

Implications

- 13 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 an 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

- 14 The council will fail to comply with legislative requirements if it does not publish an 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 CAA score for the Use of Resources.

Recommendation

- 15 Members are asked to:

- Consider and approve the content of the 2008/09 AGS, particularly the significant control issues identified;

Reason

To enable Members to consider the effectiveness of the council's governance framework, and in particular the significant control issues identified.

- Note the monitoring arrangements for the overall AGS action plan items.

Reason

To enable Members to comment on the proposed monitoring arrangements.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
Tel: 01904 448021

Report Approved



Date 15 June 2009

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)
- 2007/08 Annual Governance Statement

Annexes

Annex 1 – Draft 2008/09 Annual Governance Statement

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2008/09 ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1. City of York Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility the council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.
- 1.3. The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. Corporate governance is the system by which the council directs and controls its functions and relates to the communities it serves. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the *Good Governance* framework and adapted for local authorities. They are defined as follows:
 - 2.1.1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - 2.1.2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - 2.1.3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - 2.1.4. Taking informed and transparent decisions which are subject to effective and managing risk;
 - 2.1.5. Developing the capacity and capability of members and officers to be effective;
 - 2.1.6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.2. The extent to which the principles of corporate governance are embedded into the culture of the council will be assessed in this statement. Furthermore the council has to be able to demonstrate that it is complying with these principles.
- 2.3. The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.4. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to

ANNUAL GOVERNANCE STATEMENT

evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts for 2008/09.

3. The Council's Governance Framework

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

Strategic Planning Processes

- 3.2 The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Corporate Strategy expresses the council's priorities for the next three years. The council has also developed a standard directorate and service planning process which is intended to improve the integration of planning, resource allocation and performance management.

Political and Managerial Structures and Processes

- 3.3 The Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by the Council. The Corporate Management Team (CMT) has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates.
- 3.4 The Executive meets every fortnight and the CMT meets every week. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.
- 3.5 The council has scrutiny arrangements which have been fundamentally reviewed and enhanced including a review of their functions, which includes the review of policies, budget and service delivery to ensure that they remain appropriate. There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment, it oversees the financial reporting process and approves the statement of accounts.
- 3.6 The council has a Standards Committee that is responsible for promoting good ethical governance within the organisation. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The Standards Committee has a membership that includes members of the Council, members of the public and representatives of the parish councils. In addition, the Chair of the Committee must be one of the independent members.

ANNUAL GOVERNANCE STATEMENT

Management and Decision Making Processes

- 3.7 During 2008/09 the Corporate Strategy was supplemented by the 'Single Improvement Plan' which drew together the requirements of multiple external and internal reviews of the council's internal processes, including the Comprehensive Performance Assessment. It was intended to cover corporate continuous improvement of internal processes and governance frameworks, which in turn support effective service delivery. Twelve individual areas for improvement were identified, and progress against milestones monitored. The achievements to year end 2008/09 were reported to Executive on 17 March 2009. This plan, or future versions of it, is now an integral part of the refreshed Corporate Strategy 2009/12 as part of the eighth 'Effective Organisation' theme approved in March 2009.
- 3.8 Corporate management and leadership is supported and developed through the Corporate Leadership Group.

Policies and Guidance

- 3.9 Specific policies and written guidance exist to support the corporate governance arrangements and include:
- The council's Constitution
 - Codes of Conduct for Council Members and council officers
 - Protocol on Officer/Member Relations
 - Financial Regulations and Procurement Rules
 - Member and Officer Schemes of delegation
 - Registers of Council Members' interests, gifts and hospitality
 - Registers of council officers interests, gifts and hospitality
 - Corporate policies, for example those relating to Whistleblowing, the Prosecution of Fraud and Corruption and dealing with complaints
 - Asset Management Plan
 - Strategic Risk Register
 - Register of Breaches and Waivers of Financial Regulations
 - The council's Business Model (2009 version).

Financial Management

- 3.10 The Director of Resources (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control. The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:
- A Medium Term Financial Plan highlighting key financial risks and pressures on a 3 year rolling basis;
 - An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies;
 - Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and Financial Reporting Standards;
 - Joint budget and performance monitoring as outlined in paragraph 3.17 below.

Compliance Arrangements

- 3.11 Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:
- The Section 151 Officer
 - The Monitoring Officer

ANNUAL GOVERNANCE STATEMENT

- The Chief Internal Auditor
- Finance officers and other relevant service managers.

3.12 The council's Monitoring Officer has a statutory responsibility for ensuring that the council acts within the bounds of its legal powers.

3.13 A report is presented to elected members on an annual basis detailing compliance with the council's Financial Regulations (Breaches and Waivers Report). In addition, compliance arrangements are subject to ongoing scrutiny by the Audit Commission and other external agencies. The Officer Governance Group (OGG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Audit & Governance Committee.

Risk Management

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

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

3.15 The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

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

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

Performance Management

3.17 The council recognises the importance of effective performance management arrangements and has been working to secure further improvements in 2008/09. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and financial based monitoring. During 2008/09 each directorate reported finance and performance monitoring progress to members on a regular basis and this process will be built upon in 2009/10 with revised Scrutiny arrangements. Corporate joint finance and performance reporting to CMT and Executive takes place at a corporate level.

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Consultation and Communication Methods

3.18 The council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the council's stakeholders is undertaken and relevant and effective channels of communication are developed. These have been enshrined in the council's Engagement Strategy. Examples of communication and consultation include:

- communication of community and corporate strategies;
- publishing an annual Statement of Accounts and Performance report to inform stakeholders and services users of the previous year's achievements and outcomes;
- the annual report on the performance of the scrutiny function;
- opportunities for the public to engage effectively with the council including attending meetings;
- the Talkabout Citizen's Panel;
- regular residents' surveys including the Place Survey;
- publications such as Your City and Your Ward;
- involvement in devolved budget decision-making at ward level;
- budget and other consultation processes;
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

3.19 The overall governance framework established by the council contributes to effective partnership and joint working arrangements. In addition, the council is seeking build on existing protocols for partnership working that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness. An annual review of governance arrangements of the council's key partnerships is undertaken.

4. Review of Effectiveness

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

- the adequacy and effectiveness of key controls, both within individual directorates and across the council;
- any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director;
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer;
- any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, presented to the council's Audit and Governance Committee;
- significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies;
- the results of internal audit and fraud investigation work undertaken during the period;
- the results of the review of Corporate Governance undertaken between January and March 2009;
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks;

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- the council's risk register and any other issues highlighted through the council's risk management arrangements including the review of significant partnership governance arrangements;
- the outcomes of service improvement reviews and performance management processes;
- progress in dealing with control issues identified in the 2007/08 Annual Governance Statement.

5. Significant Governance Issues

5.1 In considering the significant internal control issues contained within the 2007/08 AGS, it is noted that the following enhancements have been achieved, mostly through the actions resulting from council's Single Improvement Plan:

- improved sickness monitoring and performance;
- new scrutiny arrangements;
- development and approval of the Engagement Strategy;
- improvement of risk and processes around Business Continuity;
- development of the Health and Safety Framework;
- delivery of Equality Impact Assessments;
- strategic partnership performance arrangements.

5.2 In addition to the above, a number of issues referred to in the 2007/08 AGS have been partially actioned in 2008/09 and will be further progressed during 2009/10 and beyond (through the named plans in brackets):

- closedown procedures (Resources Directorate Plan);
- project and programme management (council's Improvement Plan);
- partnership governance (Improvement Plan);
- implementing and embedding the corporate Health & Safety Framework (Improvement Plan);
- progress against the Equalities Standard/Framework (Improvement Plan).

5.3 New areas identified through the effectiveness review at Section 4 above are outlined below with details of the plans which will be monitored by the OGG during 2009/10 for evidence of improvement:

- financial monitoring arrangements (Resources Directorate Plan);
- Human Resources workforce development planning (Improvement Plan);
- officer Code of Conduct awareness including a revision of current procedures, and the delivery of a training programme (Improvement Plan).

5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

W. J. McCarthy
Chief Executive

Dated

Signed

Cllr A. Waller
Leader of the Council

Dated

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Audit & Governance**29 June 2009**

Report of the Director of Resources

Statement of Accounts 2008/09**Summary**

- 1 The purpose of this report is to enable Audit & Governance to examine and approve the Council's pre-audit Statement of Accounts 2008/09.

Recommendations

2. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2009.
3. Reason: It is a statutory requirement that a committee of the Council or Full Council approves the Statement of Accounts for 2008/09 by 30 June 2009. Full Council resolved on 22 January 2009 that the Statement of Accounts be approved by Audit & Governance Committee.

Background

- 4 The report sets out the background for the requirement of Members to approve the draft pre-audit Statement of Accounts. The draft pre-audit Statement of Accounts is attached at Annex B. An appropriately signed copy will be presented to this meeting for final signature subject to approval of the committee.
5. To assist Members and readers in the understanding of the draft pre-audit Statement of Accounts a brief explanation and information on the constituent parts of the Statement of Accounts (in the order in which they are produced) are attached at annex A. This, supplemented by the presentation given to Audit & Governance on Monday 22 June 2009, will enhance Members' understanding and facilitate robust scrutiny prior to approval.
6. Following approval of the draft pre-audit Statement of Accounts, the accounts will be made available for public inspection on 13 July 2009 and the audit of accounts officially commences on Monday 10h August 2009. The Audit Commission expects to issue a report and opinion by the end of September 2009.
7. The pre-audit Statement of Accounts has been prepared in accordance with the CIPFA Statement of Recommend Practice (SORP) 2008 for accounts prepared on or after the 1 April 2008. The pre-audit Statement of Accounts continues to be produced in line with UK Generally Accepted Accounting Practices; this makes Local Authorities' accounts more compliant with the private sector. However,

these standards are designed for business accounting purposes and therefore erode some of the connectivity between the accounts and the Council's business.

8. Following the significant changes to the Statement of Accounts which have occurred over the last 2 years - in the alteration to the format / presentation and also the accounting for capital and financial instruments - there are fewer changes in SORP 2008 but they are still of note. The following paragraphs 9 to 13 explain the main changes that have occurred and which affect this Authority:
9. Changes to Accounting Standards FRS 17 Retirement Benefits, has resulted in the revision of the SORP 2008. The disclosure requirements of FRS 17 were amended to make them consistent with the disclosure requirements of IAS 19 Employee Benefits. Substantive revision has been made to the note regarding retirement benefits.
10. A new section on Area Based Grants (ABG) is applicable from 1 April 2008 and replaces the previous Local Area Agreement (LAA) funding. ABG is "general grant funding" and is therefore shown in 2008/09 accounts as a separate line in the Income & Expenditure account along with other general income sources such as income from the collection fund and NNDR.
11. Revaluation of a fixed asset as at the point of disposal is no longer permitted. Previously the gain or loss on disposal of fixed assets would have been based on the sales value of the asset at the point of disposal. In 2008/09 the gain or loss is the amount by which the disposal proceeds are more or less than the carrying value of the asset.
12. Clarification that, as permitted in FRS 1 Cash Flow Statements Revenue Activities, cash flows can be presented in the 2008/09 accounts using either the direct method (disclosure of major categories of gross cash receipts and gross cash payments) or the indirect method (whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus/deficit of the Income & expenditure for the year.) The CIPFA Toolkit for producing the cash flow in 2008/09 has been purchased and the indirect method has been selected.
13. The section on Post Balance Sheet Events has been amended in the SORP 2008 in line with FRS 21. The pre-audit Statement of Accounts (to be approved by 30 June 2009) is a formal document but they are not the Authority's definitive accounts, as they have not been audited. Therefore it remains possible to consider Post Balance Sheet Events up until the "authorisation for issue date" of the audited accounts (up to 30 September 2009).
14. A significant amount of work has been undertaken in 2008/09 to ensure that
 - the changes to the accounts in 2008/09 described in paragraphs 9 to 13 and
 - the recommendations and improvements identified by the Audit Commission in their 2007/08 Audit & Governance Reporthave been implemented as part of the 2008/09 Close of Accounts process.

15. A range of actions have been implemented in order to ensure the accounts are submitted within the statutory timetable: -
- A comprehensive action plan has been reviewed on a regular basis to ensure the financial statements and working papers are produced before the end of June 2009
 - Improved collaboration within Corporate Finance has identified key personnel to take responsibility for all areas of the accounts
 - A team of accountants representing all work areas have met weekly throughout the process to ensure the timetable is monitored and any issues across departments resolved early
 - Improved communication with Property Services has led to the design of a new Fixed Asset Register and completed property valuation certificates, both SORP 2008 compliant
 - The development of a web portal to hold all working papers and the Statement of Accounts to enable transparency and improvement of standard of working papers across all departments.

16. At the time of writing this report, the quality review is underway. Any proposed amendments to the draft pre-audit statement that are identified through this process will be presented to Members at Audit & Governance on 29 June 2009 in a “schedule of changes”.

Consultation

17. All services areas of the Authority have contributed to the pre-audit Statement of Accounts and working papers.
18. In line with the approval process agreed at Full Council on 22 January 2009 the pre-audit Statement of Accounts, which includes the Annual Governance Statement, are to be considered and approved by the Audit & Governance.

Options

19. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2009, in accordance with the statutory requirement.

Corporate Priorities

20. When determining the CAA score to issue for the Council, consideration is given to whether or not the Statement of Accounts has been produced in accordance with statutory requirement and has undergone a full scrutiny by Members prior to being approved. The Statement of Accounts provides a technical financial summary of the activities of the council.

Implications

21. The implications are
- Financial - there are no financial implications to this report but the accounts continue to reflect overall a reasonably healthy financial position.
 - Human Resources - there are no human resource implications to this report
 - Equalities - there are no equality 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 - there are no information technology implications to this report
- Property - there are no property implications to this report
- Other - there are no other implications to this report

Risk Management

22. Areas of risk identified throughout the Close of Accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met. The risks identified in 2008/09 were
- The conflict of interest of staff working on the new financial system where their time was also required for Statement of Accounts
 -
 - Technical ability and capability of personnel
 - Impact of the Changes to the SORP 2008
23. Also, this report is for Members to approve the pre-audit Statement of Accounts by the statutory deadline. Failure to adequately review the Accounts can impact negatively upon the Council's CAA assessment and reportage of financial issues.

Conclusion

24. The production and publication of the Statement of Accounts is a statutory requirement that provides Members and interested parties with the chance to see the full financial position of the Council.
25. Bringing the Statement of Accounts to Audit & Governance provides an opportunity for Member led debate and compliance with defined best practice. It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.
26. It is intended that following a receipt of an unqualified opinion on the accounts from the District Auditor, that the finalised Statement of Accounts 2008/09 will be published and distributed to all Members and Chief Officers. The District Auditor is required to give his opinion as part of the Annual Governance Report to be considered by Audit and Governance Committee no later than the 30th September 2009.

Contact Details

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Keith Best
Assistant Director of Resources
(finance)

Ian Floyd
Director of Resources

Report approved ✓

Date 23/6/09

Specialist Implications Officer(s) None

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

All

✓

For further information please contact the author of this report

Background Working Papers

Statement of Accounts 2008/09
Supporting Working papers held by all Finance Departments
Statement of Recommended Practice (SORP 2008) Guidance Notes for Practitioners
Best Value Accounting Code of Practice 2008

Annexes

Annex A - Explanation and information on the constituent parts of the Statement of Accounts

Annex B – Draft, pre-audit Statement of Accounts - circulated separately to Members and available on the Council's website at:

http://www.york.gov.uk/council/council_budget/accounts/soa

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A brief explanation on the constituent parts of the Statement of Accounts

Foreword

1. This is designed to help give readers an understanding of the accounts. It sets out a description of all the individual sections, gives an overview of the revenue and capital position in the year, identifies the position on the Council's borrowing powers and reserves and future issues that may influence how the Council is run. It also provides the opportunity to explain any changes in accounting policies that have been used in the preparation of the Accounts.

Audit Commission Report

2. This is the auditor's certificate on the accuracy or otherwise of the authority's accounts and is issued at the end of the audit process. York has never had a qualification to its audit certificate.

Statement of Accounting Policies

3. This statement sets out all the policies that have been followed in preparation of the accounts. It also intended to demonstrate where, if at all, the policies followed by Council differ from either the best practice or the CIPFA guidelines.

Statement of Responsibilities

4. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' (Director of Resources). It is also where the certificate has to be signed by the Director of Resources that the accounts represent fairly the position of the Council, and the Lord Mayor (or Chair of Audit & Governance Committee on the day that the accounts are approved) must sign to demonstrate that the accounts have been approved by Members.

Annual Governance Statement

5. The Accounts and Audit Regulations 2003 introduced the requirement for each local authority to conduct a review of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) as part of the Annual Statement of Accounts. The Council first published a SIC in 2003/04. The SIC formed an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of its corporate governance arrangements, particularly those in respect of risk management and internal control. Publication of the SIC enabled the Council to formally report on governance related issues identified during the relevant accounting period. The SIC demonstrated openness and accountability to the public and other stakeholders, and provided a framework for improving the adequacy and effectiveness of corporate governance arrangements.
6. The Department for Communities and Local Government issued guidance in 2006 (Circular 03/2006) which gave the existing CIPFA/SOLACE Corporate Governance Framework document 'proper practice' status. CIPFA/SOLACE, in 2007, published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' sets out the core principles of governance which authorities are required to adopt.

7. The 2007 guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC (for 2007/08, and future accounting years) In preparing the AGS, the Council must address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Income and Expenditure Account

8. The Income and Expenditure Account is a new requirement which replaces the Consolidated Revenue Account. This account shows the net cost of all the functions for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure, where income and expenditure are measured using essentially the same accounting conventions that a large (but unlisted) company would use in preparing its audited annual financial statements.

Statement of the Movement on the General Fund Balance

9. This account reconciles the amounts that must be taken into account when determining the Council Tax of the Council in accordance with statute and non-statutory proper practices and the sums included in the Income and Expenditure Account.

Statement of Total Recognised Gains and Losses

10. This statement is a requirement which attempts to analyse changes in the council's asset base due to:
 - Surplus or deficits on income and expenditure
 - The revaluation of the council's fixed assets
 - Changes in pension liabilities due to actuarial revaluation
11. In many instances these revaluations impact primarily on the council's balance sheet.

Balance Sheet

12. The balance sheet shows the overall financial position of the Council with external bodies by bringing together the year-end balances of all the Council's accounts. It shows the balances and reserves at the Council's disposal, the long-term indebtedness, the net current assets and summary information on the fixed assets held.

Cash Flow Statement

13. This statement provides a link between the Balance Sheet at the beginning of the year, the revenue accounts for the year and the Balance Sheet at the end of the year. It summarises on a subjective basis the expenditure and income of the Council for revenue and capital purposes.

Housing Revenue Account Income and Expenditure

14. This account summarises the income and expenditure of providing Council houses. There is a statutory requirement to keep this account separate from other Council activities.

Statement of Movement on the Housing Revenue Account Balance

15. This statement shows how the deficit on the Housing Revenue Account Income and Expenditure Account for the year reconciles to the surplus for the year on the Statutory Housing Revenue Accounts.

Collection Fund

16. This fund shows the transactions of the Council acting as Charging Authority in relation to Council Tax, Community Charge and Non-Domestic Rating in aid of local services and shows how much monies have been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, and parish councils.

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Audit & Governance Committee**29 June 2009**

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

Draft Revised Financial Regulations**Summary**

- 1 The purpose of this paper is to present to Audit & Governance Committee (A&G) for discussion and comment the draft revised Financial Regulations, for onward approval by Executive.

Background

- 2 The council's current Financial Regulations were introduced in 2006 and formed supplementary guidance to the Constitution. The purpose of the regulations is to lay down the rules and guidelines to be followed by the organisation to ensure the integrity of its financial arrangements.
- 3 The current regulations have provided an effective regulatory framework that has allowed the organisation to operate with minimum risk. They were however more comprehensive than was required with substantial sections of the Constitution being repeated within the regulations with several layers of officer and member decision-making. To ensure it can react quicker, improve its customer service and become more efficient the current regulations have at times worked against this ethos.

The Regulations

- 4 The purpose of the revised draft Financial Regulations (Annex A) is to provide a more flexible set of regulations maintaining the key principles of the current regulations but reflecting the more devolved decision making framework adopted by the council. The revised regulations also take out unnecessary repeated elements of the Constitution to try to provide a more concise user friendly document.
- 5 A second part of the current regulations is often referred to as the Procurement Regulations. In line with many other authorities this element has been separated into a devolved set of regulations and renamed as the Contract Procedure Rules (CPRs). The Financial Regulations along with the CPRs are underpinned by a set supplementary guidance documents to form a comprehensive set of financial procedures as shown at Table 1 below:

Table 1

Financial Procedures	
Financial Regulations & Contract Procedure Rules	
Supporting supplementary guidance:	<ul style="list-style-type: none"> • Asset Disposal Policy • Income Policy • Corporate Procurement Guidance Manual • Risk Management Policy & Strategy • External Funding/Grant Guidance Manual • Petty Cash Rules

6 In removing the elements of duplication between the Constitution and the Financial Regulations and providing proper indexing and summaries a readable track changed document is difficult to produce however the key changes to the regulations include:

- removing duplication of information already contained elsewhere in the Constitution;
- separating the contract procedure rules (CPRs) into a separate document;
- future proofing in terms of electronic solutions;
- providing greater discretion to the Chief Finance Officer (CFO) in terms of reporting regulatory breaches to members;
- updating of terminology to reflect current regulations, corporate policy and strategy;
- changes to the delegation thresholds with regards to virements and write-offs to bring them in line with other councils and speed up decision making;
- provision of a proper index and page numbering;
- reference to new supplementary guidance where appropriate;
- provision of a summary page showing all delegated thresholds.

- 7 The revised CPRs are at an early draft format and will come to A&G in September for consultation purposes prior to going to Executive for approval. The Income Policy and Corporate Procurement Guidance Manual have already been approved by Executive. The Asset Disposal Policy was approved by Audit & Governance Committee in March 2009. The External Funding/Grant Guidance Manual is at a very earlier stage but should be developed over the Summer and be brought to A&G in September along with the CPRs.
- 8 The regulations and supporting documentation will not be effective unless all relevant officers and members are aware of the changes and any new rules. It is intended that once approved by Executive a formal training programme will be delivered in the Autumn to help raise awareness and embed the regulations across the organisation.

Consultation

- 9 The draft Financial Regulations have been issued to all finance managers for consultation purposes along with other key officers across the council. This report provides the opportunity for member consultation before the final draft is taken to Executive for approval.

Options

- 10 This report is for consultation purposes so there are no specific options available other than to recommend that the existing regulations are kept.

Analysis

- 11 Not applicable to this report.

Corporate priorities

- 12 The implementation of effective financial control is critical in contributing to the delivery of an 'Effective Organisation' and helps to underpin and support all priorities that form the Corporate Strategy .

Implications

- (a) **Financial** – Financial implications are contained within the Annex to the report.
- (b) **Human Resources (HR)** - There are no implications.
- (c) **Equalities** - There are no implications.
- (d) **Legal** - There are no implications.
- (e) **Crime and Disorder** - There are no implications.

- (f) **Information Technology (IT)** - There are no implications.
- (g) **Property** - There are no direct implications.

Risk Management

13 The organisation is at risk if it does not have effective and appropriate financial regulations that provide for proper stewardship and integrity of its financial arrangements. The regulations also need to ensure that the council can operate efficiently in delivering its services and projects.

Recommendations

14 A&G members are asked to comment on the format and content of the draft Financial Regulations attached to this report at Annex A and recommend that they are sent for approval at Executive.

Reason

To seek A&G members' views as to whether the draft Financial Regulations are appropriate in maintaining the integrity of the council's financial arrangements.

Author:

David Walker
Head of Financial Procedures

Ext 2261

Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director (Customer Services & Governance)

Report
Approved



Date 15 June 2009

Specialist Implications Officer(s)

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A – Draft Financial Regulations

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ANNEX A

CITY OF YORK COUNCIL

Financial Regulations
(Draft)

Version 1 June 2009

City of York council Financial Regulations

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Status of Financial Procedure Rules

Introduction

- 1 These Financial Regulations (Regulations) provide the governance framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and to anyone acting on its behalf.

Observing these regulations

- 2 These Regulations apply across all parts of the whole organisation, including all Member fora and directorate services, as well as all arms length organisations, agencies and partnerships with whom the Council does business and for whom the Council is the relevant accounting body. Where the Council is not the relevant accounting body, but is a responsible partner, officers must ensure that the accounting body has in place adequate Regulations and proper schemes of delegation. Schools are bound by these Regulations unless the School Standards and Framework Act 1988 (SSFA98) specifically exempts them from any particular provisions set out herein (e.g. financial thresholds, if the Framework provides differently).
- 3 All Council members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money (VFM) and achieves best value (notwithstanding the delegated authorities of any given committee or officer). In doing so, proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.

Maintaining these regulations

- 4 The Council operates a system of managerial and financial control whereby the Chief Finance Officer (CFO) has overall responsibility for the proper management of the finances of the Council as a whole but the responsibility for the day-to-day financial control and administration in each Directorate is devolved to the Director.
- 5 The overall responsibilities of the CFO in respect of these regulations are therefore to:

City of York Council Financial Regulations

- a) maintain these Regulations and submit any additions or changes necessary to Full Council for approval in consultation with the Monitoring Officer (MO);
 - b) issue explanatory advice and guidance to underpin these Regulations as necessary. Where such advice and guidance is issued, members, officers and others acting on behalf of the Council are required to comply with in accordance with the general provisions of these Regulations;
 - c) require any officer to take any action deemed necessary (as is proportionate and appropriate) to ensure proper compliance with these Regulations;
 - d) report, at the discretion of CFO, any breaches of these Regulations to Members;
- 6 These regulations have been drafted with a view to avoiding any uncertainty or ambiguity as to the principles, standards and procedures to be observed. Should any uncertainty or dispute arise pursuant to these Regulations, the matter must be referred to the CFO for interpretation and/or arbitration.

Sanctions & remedies for non-compliance

- 7 Failure to comply with any part of these Regulations may constitute misconduct and lead to formal disciplinary action.

Part A

Financial Management Standards

Introduction

- 1 This Part of the Regulations set out the overall framework of financial management responsibilities at the Council, including the accounting policies, standards, record keeping and financial statements the organisation is required to maintain in managing its finances and financial affairs.
2. All members and staff have a common duty to abide by the highest standards of probity and propriety when making decisions about the use of public monies. It is important for the way in which this is done to be transparent, properly accounted for in respect of the correct accounting year and reported in accordance with recognised accounting standards, conventions and policies

Member roles & responsibilities

3. Member responsibilities for the overall management of the Council's financial affairs are exercised through:
 - **Full Council**, which is responsible for the Council's overall Policy Framework and for setting the Budget within which the Executive will operate (See Constitution Part 3).
 - **The Executive**, which is responsible for proposing policy and the Budget to the Full Council..
 - **The Audit & Governance Committee**, which is responsible for approving the statement of accounts.

The Chief Finance Officer (CFO)

4. The functions and responsibilities of the CFO are directed in the first instance by legislation that imposes statutory duties on the CFO for the proper management, financial administration and stewardship of Council assets and the fiduciary interests of local tax payers. These statutory responsibilities cannot be overridden and arise from:
 - Section 151 of the Local Government Act 1972;
 - The Local Government Acts 2000 & 2003;
 - The Local Government Finance Act 1988;
 - The Local Government and Housing Act 1989;

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- The Accounts and Audit Regulations 2003 , as amended by the Accounts & Audit (Amendment) (England) Regulation 2006
5. These responsibilities include:
- a) the preparation of the Council's annual Statement of Accounts and the compilation and retention of all supporting accounting records and working papers, in accordance with the proper professional practices and set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice - the SORP (CIPFA/LASAAC). The financial year observed by the Council runs from 1 April to the following 31 March;
 - b) the proper administration of the Council's financial affairs, systems and procedures;
 - c) setting and monitoring compliance with financial management standards and controls;
 - d) ensuring proper professional practices are adhered to in acting as the Head of Profession in relation to the standards, performance and development of all finance staff across the organisation;
 - e) providing advice on the key strategic controls necessary to secure sound financial management (including the operation of an effective internal audit function);
 - f) ensuring that financial information is available to enable accurate and timely monitoring and reporting;
 - g) determining the contents of all financial procedure manuals and ensuring compliance with the requirements of the Financial Regulations
6. The CFO can chose to delegate his day-to-day responsibilities in respect of his/her functions and responsibilities as defined by these Regulations in accordance with the Council's Scheme of Delegation and any corresponding Directorate schemes of delegation. The CFO may delegate his/her responsibilities to an appropriate representative(s). Where this is the case the delegation and officer responsibilities must be clearly documented in the relevant Directorate scheme of delegation and be kept under regular review by the CFO further to these Regulations.

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The Chief Internal Auditor (CIA)

- 7 The CIA is designated by the CFO as part of his/her Directorate Scheme of Delegation further to Article 13 of this Constitution and plays a key role in providing assurance to the Members, the CFO, the Head of Paid Service and Corporate Management Team about the practical deployment and effectiveness of financial management arrangements across the organisation.
- 8 The CIA has rights of access to information and data held by officers or members of the Council at all reasonable times and is responsible for the overall management and deployment of internal audit resources at the Council. He/she also has the right to report on any relevant matter of concern to senior management and members of the Council outside normal line management arrangements should he/she deem this necessary in protecting the interests of the Council and/or local tax payers.

Directors

- 9 Whilst the CFO has overall responsibility for the finances of the Council, Directors are responsible for the day-to-day management of their Directorate's finances. Their responsibilities in relation to financial management include:
 - a) maintaining a satisfactory financial management function within their Directorates with sufficient staff, accommodation and other resources (including legal advice where this is necessary) to carry out the duties specified by legislation or otherwise directed by these Regulations;
 - b) promoting and ensuring compliance with the financial management standards and practices set by the Chief Finance Officer in their Directorates;
 - c) consulting with the Chief Finance Officer on any matter which is liable to materially affect the resources of the Council. This must be done before any commitment is incurred, or a report made to an Executive Member or to a Committee for decision;
 - d) ensuring that Executive Members are advised of the financial implications of all proposals and that these have been agreed by the Chief Finance Officer or his/her nominated representative;
 - e) signing contracts on behalf of the Council in accordance with the contract procedure rules set out in Part D of these Regulations;

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- f) reporting suspected fraud and irregularities to the CIA for investigation and referral to the Police as necessary;
- g) ensuring that the common officer delegations relating to financial management and administration as set out in the Council's Scheme of Delegation within their Directorates are exercised with due regard to the detailed requirements of these Regulations;
- h) implementing the management recommendations of the Internal Audit provider and external auditors agreed with the Director and/or the relevant Chief Officers and Heads of Service.

Part B

Financial planning & budgeting

Introduction

- 1 The purpose of financial planning is to set out and communicate the organisations objectives, resource allocations and related performance targets and to provide an agreed basis for subsequent management control, accountability and reporting.
- 2 The Council's Budget sets agreed parameters around the annual activities and functions of Directorates and their services. The Council's Medium Term Financial Plan represents a three year financial plan to address those issues which have medium to long term financial implications for the organisation.

Budget Planning

- 3 The revenue budget must be constructed so as to ensure that it properly reflects the priorities of the Council and Service Plan considerations . Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.
- 4 The budget process must ensure that resources are:
 - required in accordance with the law and properly authorised;
 - used only for the purpose intended to achieve approved policies, objectives and service priorities;
 - held securely for use when required;
 - used with the minimum level of waste, inefficiency or loss.
- 5 The CFO in consultation with each Director is responsible for:
 - a) ensuring that an annual revenue budget is prepared in the context of a medium term three year financial plan for consideration by the Executive and its recommendation to Full Council.
 - b) maintaining a resource allocation process that properly reflects all due consideration of the Council's Policy Framework, ambitions and priorities;
 - c) advising the Executive on the format of the budget for approval by Full Council;

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- d) allocating central budgets for example inflation and superannuation;
 - e) providing advice and guidance to the Executive further to its responsibility for issuing guidance on budget preparation to take all due account of:
 - legal requirements;
 - medium term planning prospects and known issues;
 - the Corporate Strategy;
 - available resources
 - spending pressures;
 - government initiatives and public policy requirements;
 - internal policy directives;
 - cross cutting issues and Council priorities.
 - f) determining the detailed form of revenue estimates consistent with the budget approved by Full Council after consultation with the Executive and Directors;
 - g) reporting to the Executive on the aggregate spending plans of directorates and on the resources available to fund them, identifying any implications for Council Tax levies;
 - h) advising on the medium term implications of spending decisions and funding options;
 - i) encouraging the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness and by encouraging good practice in conducting financial appraisals of growth or savings and developing the financial aspects of effective service planning;
 - j) advising the Full Council on the Executive's budget proposals in accordance with his/her responsibilities under S151 of the Local Government Act.
- 6 Directors are responsible for ensuring:
- a) budget estimates of income and expenditure are a realistic reflection of agreed corporate and service priorities, and that they are submitted to the Executive as part of the overall budget setting process. These estimates must be consistent with any relevant cash limits, the annual budget cycle and prepared in line with guidance issued by the Executive on the advice of the CFO. In drawing up draft budget plans Directors must have regard to:
 - spending patterns and pressures revealed through the budget monitoring process;
 - legal requirements;

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- policy requirements as defined by Full Council and set out in the Policy Framework;
 - initiatives already under way.
- b) effective budgetary control within their Directorates, establishing detailed budgets for each service area in advance of the financial year and requiring such budgets to be properly managed by responsible named budget holders;
- c) financial and budget plans are integrated into service planning.
- d) If Directors are unable to keep within their agreed budget limits they must consult with the CFO, who has discretion to report any significant issues to Members.

Budget monitoring and control

- 7 The Council Budget sets an annual cash limit. To ensure the Council does not exceed its budget, each service area is required to manage its own income and expenditure within the cash limited budgets allocated to them to be spent on agreed service activities and functions.
- 8 The CFO is responsible for establishing a robust framework of budgetary management and control that ensures that:
- a) budget management is exercised within annual cash limits;
 - b) appropriate and timely financial information is available to Directors and budget holders that enables budgets to be monitored and controlled effectively;
 - c) expenditure is committed only against approved budget heads and associated structure of detailed cost centres;
 - d) all officers responsible for committing expenditure comply with these Regulations;
 - e) each cost centre is delegated to a named budget holder to be determined by the relevant Chief Officer (budget responsibilities should be aligned as closely as possible with those making day to day decisions to commit expenditure);
 - f) significant variances from budget are investigated and reported by budget holders on a regular basis.
- 9 The CFO must monitor and control the quantum of income and expenditure against budget allocations overall. He/she must ensure that monitoring reports are provided through the Finance and Performance Monitoring Framework for Members to consider on a regular basis throughout the financial year (to be determined

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and advised by the CFO) and a report after the year end setting out the revenue outturn. Budget monitoring reports must include:

- a) explanations of all variations to service budgets where deemed appropriate by the CFO;
 - b) explanations of financial implications and material considerations such as:
 - part and/or full year consequences of variances;
 - one off and/or recurring costs and income;
 - total scheme costs and sources of funding;
 - asset rental costs or leasing effects;
 - costs associated with staffing matters including the costs of redundancy and effects on the pension fund;
 - service plan implications and impact on service delivery (both within the service plan area and across other services or portfolios as appropriate).
- 10 Reports containing budget monitoring information must be reviewed by the CFO, or by his/her nominated representative(s) (where not otherwise prepared by his/her nominated representative in Directorates) at least 5 working days in advance of the relevant committee distribution date.
- 11 The CFO is also responsible for:
- a) reporting to the Executive and Full Council in consultation with the relevant Director if a Director is unable to balance expenditure and resources within their existing budgets and a supplementary estimate is required;
 - b) jointly preparing with the relevant Director(s) reports to the Executive regarding virements (Para13) which are in excess of £500,000 (either as individual items in-year or when taken in aggregate across the same category of budgeted income or expenditure in any one financial year);
 - c) reporting regularly to the Executive (as determined and advised by the CFO) on the overall revenue budget position and the Council's available contingencies, balances and reserves.
- 12 It is the responsibility of Directors to
- a) ensure effective budgetary control arrangements exist and are observed within their own Directorates in accordance with these Regulations;
 - b) ensure spending remains within the relevant cash limits by controlling income and expenditure within their Directorate, monitoring performance and taking corrective action where significant variations from budget are forecast, taking account of any financial information and/or advice provided

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by the Chief Finance Officer or his/her nominated representative(s).

- c) regularly report performance and variances within their own areas and take action to avoid exceeding their budget allocation, alerting the CFO to any known or expected budget problems;
- d) report to the Executive and Full Council as necessary the financial implications of any new in-year proposal or amendment that will:
 - create financial commitments in future years;
 - change existing policies, initiate new policies or result in existing policies ceasing to operate;
 - materially extend or reduce the Council's services.

Schemes of virement

- 13 The term virement refers to transfers of resources between or within approved cost centres for both revenue and capital purposes. A virement does not create additional budgetary liabilities. Instead the virement mechanism exists to enable the Executive, Chief Officers and their staff to manage their budgets with a degree of flexibility within the overall Policy Framework and Budget set by Full Council, thereby optimising the use of resources throughout the financial year. The virement schemes for revenue and capital do not exist as a means of remedying poor budgetary control or financial planning for known commitments and service priorities, or otherwise excuse Chief Officers and budget holders from the need to manage their budgets prudently and responsibly. Nor may virements be effected after the year end to retrospectively fund over or under spendings unless approved in advance by the CFO.
- 14 It is important that the scheme is carefully controlled within guidelines established by Full Council and administered by the CFO. Any variation from those guidelines must be approved by Full Council. All virements must:
- not commit the Council to any on-going additional expenditure in future years unless virements are permanent redirections of resources;
 - be notified in writing to the CFO or his/her nominated representative;
 - be reported in budget monitoring reports to the Executive in accordance with the scheme of virement operated by the Council
 - be recorded in the Council's financial systems.

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- 15 The scheme of revenue virement and agreed thresholds for delegated decision making purposes is set out below.

Scheme of revenue virement delegations

Decision maker	Delegated powers & authority	Thresholds
The Executive	To approve virements between Service Plans in excess of £500k (either individually or in aggregate for the financial year)	Over £500k up to the cash limits set by the Budget
	To approve allocations of resources from approved contingencies and reserves	As set by the annual Budget
	To make recommendations to Full Council for the release of budget resources in excess of the approved contingencies and reserves	As set by the annual Budget
	To approve virements from within existing Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity	Over £500k
Directors	To approve virements within or between Service Plans within their Directorates in excess of £25k and up to £500k (either individually or in aggregate for the financial year) in consultation with the relevant Executive Member	Over £100k and up to £500k
	To approve virements from within existing Service Plans or between Service Plans within their Directorates into new or otherwise unplanned functions and activities if savings are available to vire into the new activity	Over £100K and Up to £500k in consultation with the relevant Executive Member
	To approve virements between directorates in consultation with the relevant directors	Up to and including £50K in consultation with the relevant Executive Member
Other Chief Officers	To approve virements within their Service Plans up to £100k (either individually or in aggregate for the financial year)	Up to £100k

The capital programme

- 16 The Capital Programme is a plan that sets out the resource allocations to be made to capital schemes that have the approval of Full Council. Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the organisation, such as land, buildings, major items of plant, equipment or vehicles
- 17 The Regulations and standards relating to budgetary management and control of the revenue Budget apply equally to

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capital expenditure and any changes to revenue budgets arising out of changes to the Capital Programme must be dealt with accordingly. All capital expenditure is incurred or committed on a scheme by scheme basis. Capital expenditure must be reported gross of any funding and controlled at that level.

- 18 No expenditure may be incurred on a project unless it has been approved as part of the Capital Programme. Equally, no scheme requiring Government sanction or funding either in full or in part may begin until the sanction and/or funding has been officially confirmed. All credit agreements must be referred to the CFO for approval prior to schemes being included in the Programme.
- 19 All capital expenditure must be incurred by 31 March of the financial year for which it is approved, although approvals can be slipped provided the position is reported to the Executive, unless there is an external requirement to spend within any given year. Where schemes are part of a rolling programme or span a number of years, approval is required for each year's expenditure when the scheme is approved for inclusion in the Programme.
- 20 As with the revenue Budget, it is possible to vire between schemes within the approved Capital Programme where known funding shortages and/or underspends have arisen. The same rules and principles set out in paragraphs 13 - 15 above for revenue virement apply to the Capital Programme. If shortfalls in funding or overspends cannot be met by transferring resources between schemes within the agreed Capital Programme, requests of additional funding from reserves must be prepared by the relevant Director in consultation with the CFO for approval by the Executive. The scheme of capital virement and thresholds for delegated decision making purposes is set out in the table below.

Scheme of capital virement delegations

Decision maker	Delegated powers & authority	Thresholds
The Executive	To approve individual virements between schemes in excess of £500k	Over £500k
	To re-phase approved scheme expenditure between years in excess of £500k for each scheme	Over £500k
Directors	To approve individual virements between schemes in excess of £100K up to a maximum of £500k in consultation with the relevant Executive Member	Over £100K and Up to and including £500k
	To approve individual virements between schemes up to a maximum of £100k	Up to and including £100k

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- 21 In relation to the Capital Programme the CFO is responsible for:
- a) ensuring that an annual capital programme is prepared for consideration by the Executive for recommendation to Full Council;
 - b) reporting to the Executive on income, expenditure and resources compared with approved estimates;
 - c) issuing guidance on capital schemes and controls and defining what will be regarded as capital having proper regard to Government regulations and accounting conventions;
 - d) ensuring that all schemes relying on the use of prudential borrowing powers for funding purposes are properly appraised on the basis of a robust business case as part of the CRAM process. Detailed practitioner guidance on the nature and use of prudential borrowing and 'Prudential Scheme' are set out in *'The Guide to Prudential Borrowing'* issued by the Council's Corporate Accountancy team;
 - e) directing the activities and functions of the Corporate Capital Monitoring Group (CAPMOG) and its responsibilities for monitoring the Capital Programme on an on-going basis and managing the CRAM process;
 - f) maintaining a record of the current capital budget and expenditure on the Council's financial systems.
- 22 In relation to the Capital Programme Directors are responsible for:
- a) complying with the guidance issued by the CFO regarding capital schemes and controls;
 - b) ensuring that all capital schemes put forward for consideration in the CRAM process have been properly appraised and that each scheme and estimate includes a proper project plan, progress targets and sets out the sources of funding for the scheme including all associated revenue expenditure;
 - c) preparing regular reports reviewing the Capital Programme provisions for their services;
 - d) ensuring adequate records and audit trails are maintained in respect of all capital contracts;
 - e) monitoring capital expenditure and receipts against approved capital budgets on a scheme by scheme basis and reporting to the relevant Executive Member on a regular basis in accordance with the standard revenue budget monitoring arrangements set out above;
 - f) reporting to the Executive if proposed sources of funding are not secured (if planned funding from linked assets

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sales or external grants and contributions cannot be realised, corporate funding support must be sought).

Medium term financial planning

- 23 Medium term financial planning allows the Council to think beyond the constraints of any given financial year and annual budget and prepare for future events. In doing so it is important that there is a mechanism for the carry forward of in-year budget under or overspends - in effect a virement of resources between accounting years. The ability to do this is central to effective medium term financial planning in a devolved financial management environment such as at the Council, serving to both:
- empower budget holders to think beyond immediate service needs and plan over longer time frames to achieve significant changes and improvements and make best use of resources;
 - hold budget holders to account for their budget management performance in so far as budget overspends will not be written off at the end of each financial year but will have to be carried forward.
- 24 The CFO is responsible for reporting a medium term financial strategy to the Executive for recommendation to Full Council. In doing so he/she is responsible for setting and reviewing parameters around the carry forward of over and underspends on Service Plan budgets within any given planning period and issuing advice and guidance on how these will be applied.
- 25 Any overspending on service estimates in total on budgets under the control of a Director at the discretion of the CFO will be carried forward to the following year and will constitute a first call on service estimates in the following year. The Chief Finance Officer must report the extent of the overspendings carried forward to the Executive and Full Council. Net underspendings on service estimates may be carried forward subject to financial limits set by the Chief Finance Officer and other criteria, consistent with the provisions of the Medium Term Financial Strategy.
- 26 All internal surpluses arising from in-house trading activities/business units shall be retained for the benefit of the Council subject to any provision to do otherwise set out in the Medium Term Financial Strategy.
- 27 Schools' balances will be available for carry forward to support the necessary expenditure of the school concerned. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for consideration by the Chief Education Officer and the Executive Member concerned in consultation with the CFO.

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- 28 Schools must prepare a plan to recover the deficit within a defined period. In exceptional circumstances schools may seek to incur expenditure to be financed by anticipating future year budgets. Any such arrangement must be approved by the relevant Executive Member and proposals to do so accompanied by a detailed plan setting out how the arrangement is to be accommodated as a first call on their future budget share.

Reserves & balances

- 29 Financial reserves and balances are maintained as a matter of prudence against unforeseen events and future contingencies. The CFO is responsible for advising the Executive and Full Council on prudent levels of reserves and balances for the Council as part of the annual budget setting process based on a reasoned assessment of risk
- 30 The Council must decide the level of its general reserves in determining the level of Council Tax. The purpose, usage and basis of transactions must be clearly set out in respect of each of the reserves and balances held by the Council. Expenditure from Council reserves and balances can only be made with the prior approval of the Council, unless delegated authority to do so has been conferred by the Executive to an Executive Member or Director.

The Venture Fund

- 31 The Council maintains a Venture Fund as part of its reserves designed to provide some capacity to support one-off 'Invest to Save' type initiatives that might otherwise struggle to secure funding in the annual budget setting process.
- 32 Officers are able to bid for Venture Fund monies each year with a view to any advances from the Venture Fund being re-paid within a 7 year period at an internal borrowing rate fixed in relation to Public Works Loan Board (PWLB) rates to be determined by the CFO at no more than 2% above base. All bids to the Venture Fund must be made in the form of a business case setting out the nature and purpose of the proposal, forecast income and expenditure and payback period.
- 33 The CFO is responsible for convening a panel of at least 3 suitably experienced officers to consider all bids to the Venture Fund. The Panel will meet to determine which bids to support based on the merits of the individual business case and the level of balances in the Fund available for investment over the course of the financial year. Where there are competing demands for resources the Panel will determine a scoring model based on an assessment of fit with corporate objectives, the strength of the financial business case, risk of return, impact, customer benefits and alternative funding opportunities.

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- 34 All bids must be sponsored by the relevant Chief Officer and have been considered by the local Finance Manager before being submitted to the Venture Fund Panel for consideration. The CFO has delegated authority to approve bids up to £50,000 in consultation with the Leader of the Council. Delegated decisions will be advised to the Executive as part of the budget monitoring and reporting process. Bids in excess of £50,000 must be referred to the Executive for approval.

Part C

Audit & Risk Management

Audit & inspection

- 1 Audit is a key management tool that Members and Chief Officers should rely on to provide an independent and objective assessment of the probity, legality and value for money of Council arrangements. It examines, evaluates and reports on the adequacy of internal systems of control in the proper, economic, efficient and effective use of resources. Legislation requires that the Council provides for the function of both internal and external audit services.
- 2 The statutory requirement for the Council to maintain "*an adequate and effective system of internal audit*" is set out in Regulation 5 of the Accounts and Audit Regulations Act 2003, as amended by the Accounts & Audit (Amendment) (England) Regulation 2006 and further to S151 of the Local Government Act 1972.
- 3 In summary, the service exists to:
 - a) provide assurance to Members, Chief Officers and the general public on the effective operation of governance arrangements and the internal control environment operating at the Council;
 - b) objectively examine, evaluate and report on the probity, legality and VFM of Council arrangements for managing all items of income, expenditure and safe-guarding assets;
 - c) review arrangements for ensuring proper accounting controls, systems and administration are maintained and make recommendations for action and improvement;
 - d) help to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrong doing;
 - e) act as a means of deterring all fraudulent activity, corruption and other wrong doing, conducting investigations into any matter referred to it for investigation by management or officers and members of the public and reporting its findings to Directors and Members as appropriate for action;
 - f) undertake the prioritised investigation of all instances of alleged housing benefit fraud and prosecute those cases where fraud has been identified to protect the Council and fiduciary interests of the community and the public purse;
 - g) conduct investigations into suspected fraudulent activity and improper conduct as reported by Members, Governors

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and employees referred to it further to the Council's Whistle-blowing policy;

- h) report all known breaches of these regulations and Council Standing Orders and any other action leading to expenditure incurred ultra vires, identifying any areas of poor financial probity and stewardship problems for action by Chief Officers and Members as appropriate;
 - i) advise the CFO and MO as to any necessary intervention in decision making if it is likely that any proposed action will lead to unbudgeted or unlawful expenditure or activity;
 - j) review the Council's arrangements for ensuring the income and expenditure of the organisation is properly and regularly monitored in line with the budget setting, monitoring and reporting requirements set out in these Regulations;
 - k) advise officers and members of value for money issues and/or the poor or inappropriate use of Council resources and make recommendations for improvement;
 - l) review the optimisation of income generation opportunities from grants and subsidies monies available from Government;
 - m) advise the CFO of any appropriate action necessary to safeguard the fiduciary interests of the Council and current and future Council Tax payers.
- 4 The Internal Audit & Fraud provider and the external auditors must be allowed to act independently and objectively in their planning and operation without undue influence by either Directors or Members.
- 5 The CIA is designated by the CFO. . He/she, or his/her nominated representative(s), has rights of direct access and reporting to the CFO, the Assistant Director of Resources (Customer Service & Governance) who is the client officer for the Audit & Fraud provider , all Directors and Members. His/her staff have rights of access to all Council buildings and properties, information and data at all reasonable times.
- 6 The Audit Commission is responsible for appointing external auditors to Councils. The duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998 and the Local Government Act 2000. These variously include rights of access and the right to report publicly on their findings and recommendations. The external auditors must comply with the provisions of a Code of Audit Practice in planning and conducting their work. This includes the audit of the Council's financial statements, the financial aspects of corporate governance and performance management. The work of the

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District Auditor is reported to the Executive and Full Council in his/her annual management letter.

- 7 The Council may also be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, and various other Inspectors of service at any time.

Preventing fraud & corruption

- 8 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, this Constitution, the Council's Policy Framework and all relevant professional and other codes of practice. To that end the Council has adopted an anti-fraud and corruption strategy, fraud prosecution policy and whistle-blowing policy along with codes of conduct governing the behaviour of Members and officers.
- 9 All staff and Members of the Council must inform the CIA immediately if they suspect or know of any impropriety, financial irregularity, fraud or corrupt practice. The CIA is responsible for determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required and may refer matters to the Police or other appropriate external body as he/she sees fit in consultation with the contract client officer (Assistant Director of Resources - Customer Service & Governance)
- 10 The Internal Audit & Fraud providers are required to investigate all referrals of fraud at the direction of the CIA and client manager and in doing so have:
 - a) rights of access to all Council premises and property, all data, records, documents, and correspondence relating to any financial matter or any other activity of the Council;
 - b) the right to require any member of staff or Member to provide any information or explanation needed in the course of their investigations;
 - c) the right to prosecute cases of benefit related fraud in the courts;
 - d) the right to refer investigations to the Police in consultation with the relevant Director(s), client manager and CFO.

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- 11 In addition, the CIA has the right to:
- a) refer cases directly to the Police if he/she believes that normal consultation practices would compromise the integrity of the investigation against the interests of the Council or the general public;
 - b) notify the District Auditor of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service;
 - c) require any officer or member to:
 - make available such documents relating to the accounting and other records of the Council that are necessary for the purpose of the audit;
 - supply any information or explanation considered necessary for that purpose.

Managing risk

- 12 Risk Management is inherent to good management practice and essentially; it is concerned with identifying potential events (risks), establishing what could go wrong (threats) and the potential for success (opportunities) with the aim of trying to achieve the right balance between the two. The outcome from proper risk consideration ensures that managed controls are in place and the effective prioritisation and allocation of potentially scarce resources to the most appropriate area (high risk), to ensure service continuity and performance improvement. Full details of the way that the Council manages its risks are set out in the Risk Management Policy and Strategy and form part of the supplementary guidance to these regulations

Part D

Systems & procedures

Introduction

- 1 Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This section covers:
 - Accounting systems
 - Income
 - Expenditure
 - Banking arrangements
 - Treasury management
 - Taxation
 - Stock & stores
 - Trading accounts

Accounting systems

- 2 The Council relies on a variety of different financial and accounting systems in controlling and administering the finances of the organisation. It is vital that these systems ensure information is recorded accurately, completely and in a timely manner and that all necessary controls are in place to ensure that all transactions are properly processed and any errors detected promptly and rectified.
- 3 The CFO is responsible for:
 - a) determining the Council's main accounting system for the preparation of the Council's accounts and for monitoring all income and expenditure. The main accounting and budgeting system used at the Council is known as the Financial Management System (FMS);
 - b) determining any other key financial systems which may sit outside the FMS;
 - c) ensuring that all financial systems are sound and properly integrated and interfaced;
 - d) issuing advice, guidance and procedure notes on the use and maintenance of FMS and related financial systems and for ensuring that all finance staff are trained and competent in the using financial systems.
- 4 Directors have devolved responsibility for the finances of their Directorates and must ensure that proper accounting and financial systems exist and incorporate adequate internal controls

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to safeguard against waste, loss or fraud. They must also ensure that officers in their Directorates are aware of and have access to copies of these Regulations and any supplementary advice and guidance issued by the CFO.

- 5 Further to this, Directors are specifically responsible for:
- a) ensuring all accounting records are properly maintained and held securely, including any supporting vouchers, documents, contracts etc with financial implications;
 - b) ensuring FMS is used as the prime means of monitoring expenditure and income in their departments and for comparing spend against budgets, except and unless the CFO advises or agrees that alternative arrangements may be made;
 - c) ensuring that FMS is used to accurately record the financial transactions of their departments in accordance with the advice and guidance given by the Chief Finance Officer and in a way that ensures compliance with all legal requirements, proper accounting practice and enables returns to be made to central government, taxation authorities and other relevant bodies and provides a complete audit trail;
 - d) the effective operation of financial systems within their own Directorate to the extent that they are operated and controlled within their Directorate;
 - e) ensuring regular reconciliations between other departmental systems of financial administration with the Council's financial management systems (FMS);
 - f) reporting systems failure to the CFO and consulting with him/her about any changes or new developments;
 - g) ensuring there is a documented and tested disaster recovery plan as part of an agreed business continuity strategy for financial administration;
 - h) ensuring that systems are documented and all staff have been properly trained in their use.

Income

- 6 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow in line with the Council's Income Policy that forms supplementary guidance to these regulations.
- 7 All cash received must be acknowledged by the issue of an official receipt and all monies then accounted for and paid over to central Cashiers or directly into an approved bank account.

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Details of all cash received on a local basis must be forwarded to the CFO for allocation to the correct accounts.

- 8 Income must never be used to directly fund expenditure (ie all transactions must be shown separately in the ledger, both income and expenditure). Officers are directly responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer. Receipts should be given and retained in such circumstances.
9. Procedures for writing off debts shall be as follows:

Decision maker	Delegated powers & authority	Thresholds
The Executive	Amounts exceeding £200,000 may only be written off on the authority of the Executive. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £200k
Executive Member	Amounts over £10,000 and not exceeding £200,000 on the authority of the Executive Member (Corporate Services) in consultation with the CFO. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery	Over £10k and up to and including £200K
CFO	Amounts over £5,000 and not exceeding £10,000 on the authority of the CFO in consultation with the Executive Member (Corporate Services). The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £5k and up to and including £10k
Chief Officers	Amounts not exceeding £5000 may be written off by any Chief Officer in consultation with the CFO, who shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £100 and up to and including £5k
Head of Financial Procedures	Amounts not exceeding £100 may be written off by the Head of Financial Procedures , who shall maintain a record of all such write-offs showing attempted recovery action where taken and the justification for non-recovery.	Up to and including £100

- 10 The CFO is responsible for making arrangements for the collection of all income due to the Council and approving the procedures, systems and documentation used in its collection. Preparing a corporate Debt Management Policy in consultation with other Directors for approval by the Executive. Regularly

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reviewing all fees and charges levied by services and ensuring they are set with due regard to comparable market rates, the legal responsibilities of the organisation, the Income Policy and any relevant social or economic policy objectives set out in the Council's Policy Framework

- 11 Directors are responsible for:
- a) collecting income for which there is budget provision within the budgets for which they are responsible;
 - b) using the systems for the collection and recording of cash and credit income provided by the CFO unless they have the approval of the CFO to make alternative arrangements;
 - c) the proper separation of duties between staff raising accounts and those responsible for income collection;
 - d) collecting all income and initiating all appropriate recovery action for debts that are not paid promptly where local arrangements for doing so have been agreed with the CFO;
 - e) requiring at least two staff to be present when post is opened to ensure any money received in that way is properly identified, recorded and safeguarded;
 - f) issuing official receipts as necessary and maintaining all other documentation for income collection purposes and ensuring controlled stationery is securely stored;
 - g) keeping all income received in secure storage and ensuring cash holdings do not exceed insurance limits;
 - h) ensuring all income is paid fully and promptly into approved bank accounts in the form in which it is received and that all details are properly recorded on paying in slips which are retained for audit trail purposes. Money collected and deposited must be reconciled to the bank account on a regular basis;
 - i) ensuring income is not used to cash personal cheques or used to make other payments;
 - j) supplying the CFO with all details relating to works done, services supplied or other amounts due to be raised through the corporate invoicing system;
 - k) establishing charging policies for the supply of goods and services levied by their Directorate's services and ensuring all fees and charges are set with due regard to income policy, the legal responsibilities of the organisation and any relevant social or economic policy objectives set out in the Council's Policy Framework;
 - l) assisting in the collection of debts originating from their Directorates by providing information and taking any

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recovery action necessary on a local basis with the agreement of the CFO;

- m) recommending to the CFO all debts to be written off and maintaining records of all sums written off. Once raised on the accounting system, no bona fide debt can be cancelled except by full payment or by being formally written off in the accounts. Credit notes can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and must not be used for any other purpose;
- n) notifying the CFO of any outstanding income due in relation to the previous financial year as soon as possible in line with the annual timetable for the closedown of the accounts determined by the CFO.

- 12 All officers are responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer.

Expenditure

- 13 Expenditure may be incurred provided there is funding available through normal ordering and invoicing processes, entering into a contract arrangement, through the payment of salaries, wages and allowances or in exceptional circumstances through raising a cheque requisition. Directors, or their nominated representatives, are authorised to incur expenditure on works, goods and services where there is an approved budget for which they are responsible, provided such expenditure is legally incurred and within the Policy Framework. Expenditure must be shown separately to income and expenditure proposals that attract amounts of income must be shown gross in the accounts. The determination of any financial thresholds or bandings referred to by these Regulations must therefore be done with reference to the gross amount.

Ordering works, goods and services

- 14 Directors must use the FMS system except in the case of emergencies or if approval has been given by the CFO to an alternative arrangement.
- 15 Official orders which including e-orders must be issued for all purchases except:
- payments made on the basis of a formal contract;
 - purchases made through petty cash
 - continuous charges for supply (ie periodic accounts for gas, electricity, water etc).

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- 16 Official orders electronic or otherwise must be in an approved form as determined by the CFO. They may only be authorised by signatories up to the limits of their delegation as set out in the relevant Directorate schemes of delegation. This record must be accurate, complete and kept up to date. If it is necessary for an oral order to be placed for any good reason, it must be followed up by a official order as soon as it possible to do so. Orders must be clear and specific (ie they should state quantity, price, nature of the goods or service etc so that meaningful comparison between what was ordered and what has been received can be made and the invoice can be matched to the order). Official orders may not be raised for personal or private purchases. Schools have their own ordering procedures and must abide by the regulations set out in the Local Management for Schools scheme.

Payments for works, goods and services

- 17 Payments for works, goods and services must only be made:
- on receipt of an invoice or contract certificate which satisfies VAT regulations, or;
 - where the liability for payment is clearly established and evidenced;
 - in accordance with contractual commitments.
- 18 All Directors must use the FMS system unless they have the approval of the CFO to make alternative arrangements. Officers must ensure payments for works, goods and services are not made unless:
- they are supplied in accordance with an official order, or contract, and the invoice amount/contract certificate is correct;
 - payment is in respect of a periodic account or for a service regularly supplied and the amount invoiced is properly payable.
- 19 Payments in advance must be avoided except where this is the accepted practice for the type of expenditure involved (e.g. leasing payments, travel or conference facility fees). Advance payments in excess of £5,000 can only be made with the approval of the CFO all sums below this amount, which are not accepted practice can be approved by the relevant Director. Where interim or part payments form part of a contract, interim certificates or part invoices must be authorised for payment only after the value of the work done or goods or services received has been confirmed.
- 20 A proper separation of duties between staff responsible for creating contractual commitments (or otherwise ordering works, goods and services) and those authorising invoices for payment

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which should in turn be kept separate from staff responsibilities for receiving and checking works, services and goods. Directors must agree alternative arrangements with the CFO if it is not practically possible to maintain an adequate separation of duties for any reason.

- 21 All invoices and receipts must be original documents which comply with VAT regulations invoices and receipts scanned through the Councils EDRMS system are accepted as original documents . Invoice coding slips for use in exceptional circumstances must be properly completed detailing the correct VAT code, finance ledger codes, sufficient narrative description to allow invoices to be matched and properly described in the ledger and all necessary signatures electronic or otherwise for authorisation and payment.
- 22 Directors must ensure that payments are made in an appropriate timescale that will not unduly disadvantage the Council's cash flow, result in the Council incurring late payment penalties or prejudice the financial position of those to whom the payment is to be made. The performance standard for the payment of invoices is 30 days. This is a Local Performance Indicator that is monitored by CMT and reported to Executive.

Contracting for works, goods and services

- 23 The Contract Procedure Rules are issued as a supplementary guidance document to these regulations and set out the specific Procurement rules and procedures to be observed in contracting for the provision of works, goods and services.

Payments of salaries, wages & allowances

- 24 Staff costs form the largest item of expenditure made by the Council. It is important that payments are accurate, complete, timely and made in accordance with what is due consistent with the individual conditions of employment and/or the terms of any officer or Member allowance scheme and that such payments are fully recorded and accounted for in the accounting system.
- 25 The CFO is responsible for providing a corporate payroll system for recording all payroll data and generating payments to employees and Members. The system must allow for the proper calculation of all pay and allowances, National Insurance and pension contributions, Income Tax and all other deductions. Directors must use the corporate payroll system for all payments to employees. Directors are responsible for ensuring that all information relating to an employee's entitlement to pay and/or the payment of allowances are forwarded to the Payroll team within agreed timescales or otherwise properly and completely input on a local basis (if that arrangements has been agreed with the Chief Finance Officer). All supporting evidence of entitlement must be provided to payroll at the same time (i.e. signed

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timesheets, appointment forms, changes in pay scales, approval for responsibility payments etc). Schools are permitted to make their own payroll arrangements but if they choose to do so they must provide the Chief Finance Officer with all necessary information to provide assurance to the auditors that any alternative system is well controlled, managed and resulting in the correct payments being made to the correct staff.

- 26 Directors must have the approval of the CFO if they wish to pay an individual a wage or salary outside the payroll system. Any such circumstance must be regarded as exceptional and Directors must give careful consideration to the employment status of the individual in doing so (ie self employed, consultant or sub-contractor) and the taxation implications of making alternative arrangements.

Petty cash and disbursements

- 27 The CFO will provide petty cash floats to a maximum amount agreed with Directors for the purpose of meeting minor expenses. Directors are responsible for ensuring all petty cash monies are securely stored and are only used for the purposes intended. VAT receipts must be provided with requests for reimbursements. All receipts and vouchers must be retained and regular reconciliations carried out and recorded by staff responsible for managing petty cash floats.

Banking arrangements

- 28 It is the responsibility of the Executive to approve the banking arrangements of the Council and for the Chief Finance Officer to manage the banking contract on a day to day basis. Council payments must be made by cheque, BACS or other instrument drawn on the Council's bank account by the Chief Finance Officer. Directors must have the prior approval of the Chief Finance Officer to operate local bank accounts and this will only be allowed in exceptional circumstances. Detailed advice on the use and operation of local bank accounts is given in the Council's Guide to Managing Financial Risks and the Local Management for Schools finance manual.
- 29 The CFO is responsible for ensuring regular reconciliations are carried out for all the main bank accounts to the financial records of the Council. Responsibility for the regular reconciliation of local bank accounts resides with the relevant Directors. All cheques on the main bank account are to be ordered and controlled by the CFO who will make arrangements for the safe custody of all blank cheques and the preparation, signing and despatch of cheques. All withdrawals or transfers with an individual excess of £50,000 must be counter-signed by another authorised signatory to the bank account. Directors must make arrangements for the safe custody of all blank cheques and the preparation, signing and despatch of cheques for all other local bank accounts.

Treasury management

- 30 The Council has adopted the recommendations set out in the CIPFA Code of Practice on Treasury Management (the Code) which have been observed in setting out the Council's Treasury Management Strategy and policy statements.
- 31 The CFO is responsible for:
- a) preparing a Treasury Management Strategy setting out the objectives, policies, working practices and controls to be observed in the Council's treasury management activities for approval by the Executive;
 - b) ensuring the implementation of the strategy and its periodic review, reporting progress and any necessary changes to meetings with the Executive member for Corporate Services on a regular basis;
 - c) all investment, borrowing and credit agreements entered into on behalf of the Council credit cards, hire purchase arrangements and finance leases will not be approved for use except in very special circumstances);
 - d) approving the set up of any company, joint companies, joint ventures, partnerships or investments;
 - e) the custody of all financial securities which are the property of the Council, or are held in its name;
 - f) the registration of all Council owned stocks, bonds, mortgages and loans;
 - g) effecting all loans in the Council's name to meet its needs on the most economic terms available.
- 32 Directors are responsible for:
- a) ensuring that loans or guarantees are not given to third parties and that interest are not acquired in companies, joint ventures or other enterprises without the approval of Full Council following consultation with the CFO;
 - b) arranging for all trust funds to be held in the name of the Council wherever possible and ensuring that trust funds operate within the law and the specific requirements for each trust. All officers acting as trustees by virtue of the position with the Council shall deposit securities relating to the trust to the custody of the CFO unless the deeds specifically require otherwise;
 - c) arranging the secure administration of funds held on behalf of third parties and partnerships ensuring that the systems and controls for administering such funds are approved by the CFO and subject to regular audit.

Taxation

- 33 The CFO is responsible for ensuring:
- a) the completion of all Inland Revenue returns regarding PAYE;
 - b) the completion of a monthly return of VAT inputs and outputs to HM Revenues & Customs;
 - c) the provision of details to the Inland Revenue regarding the construction industry tax deduction scheme;
 - d) the provision and maintenance of up to date guidance for Council employees on taxation issues in relevant accounting and taxation manuals and through advice provided by the Corporate accountancy team.
- 34 Directors are responsible for ensuring that:
- a) the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenues & Customs;
 - b) where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry scheme (CIS) deduction requirements;
 - c) all persons employed by the Council are added to the Council's payroll and tax deducted from any payments made to them (with approved exceptions agreed by the Chief Finance Officer where the individuals concerned are bona fide self-employed or are employed by a recognised agency);
 - d) all advice and guidance on taxation issued by the CFO is followed and adhered to by staff in their own Directorates.

Stocks & stores

- 35 Directors may hold reasonable levels of stocks and stores of consumable items, materials, equipment and goods for resale. They are responsible for the receipt and custody of stock items and for writing off any items of stock. Directors must take VFM considerations into account in holding stocks and stores and ensure unnecessarily high levels of stocks are not allowed to accumulate. The value of stocks and stores held at the year end must be certified by and authorised officers and forwarded to the CFO.
- 36 Procedures for the disposal of redundant stocks and equipment are set out in the guide to the disposal of assets which forms supplementary guidance to these regulations.

Inventories & asset management

- 37 The Council holds tangible assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It also makes use of other non-tangible assets such as intellectual property. It is essential to the financial health and well being of the Council that these assets are safeguarded and used efficiently and effectively in supporting the delivery of Council services. All staff are responsible for safeguarding the assets and information used in their day to day activities and must ensure they are aware of their responsibilities in respect of the Data Protection Act, software copyright legislation, and the security of the Council's information systems. These responsibilities are laid out fully in the IT Regulations and E-Communications Policy that form part of the Constitution.
- 38 The CFO is responsible for:
- a) ensuring that an asset register is maintained in accordance with good practice for all fixed assets valued in excess of £5,000 and that asset valuations are made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP);
 - b) arranging for all insurances and requiring Directors to ensure all assets are kept securely and used efficiently and effectively;
 - c) ensuring compliance with the rules in relation to contractual commitments for the acquisition and disposal of assets set out in these Regulations;
 - d) ensuring advice on the VAT implications of proposed land & building acquisitions and sales is sought at the planning stage;
 - e) ensuring that all asset acquisitions and disposals are properly recorded within asset records and comply with the disposal policy which forms supplementary guidance to these regulations.
- 39 The CFO has formally delegated some of his responsibilities and delegated decision making powers in relation asset management matters, to the Head of Property Services (Corporate Landlord) who acts on his behalf in managing the Council's property portfolio and day to day operations. The Corporate Landlord is responsible for the proper management of all corporate land and buildings owned by the Council including:
- a) maintaining up to date records of all land and buildings, including valuations in the form of a corporate asset

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- register for the Council and these records must as a minimum be reviewed on an annual basis;
- b) ensuring all rents, charges, fees etc due in respect of properties and land are raised and all income is collected and accounted for in the Council's accounting systems;
 - c) ensuring that all land and buildings are maintained and insured so as to best protect and safeguard the Council's interests;
 - d) ensuring all lessees and other prospective occupiers of Council land and buildings are not allowed to take possession or enter the property until a lease or agreement in a form approved by the CFO has been made;
 - e) the disposal of surplus assets, land and buildings up to the value of £100,000 on behalf of the Council and its Directorates, in consultation with the CFO, the relevant Director(s) and Executive Member for Corporate Services, except where the disposal is not to the highest bidder or there is a significant discrepancy between the estimated sales value and the actual sales figure. All disposals must comply with the Contract Procedure Rules that form supplementary guidance to these regulations and the Rules in Relation to Contractual Commitments set out in the Guide to Managing Financial Risks. All disposals valued in excess of £100,000 must be referred to the Executive for decision;
 - f) the acquisition of all land and buildings on behalf of the Council and its Directorates in consultation with the CFO and having due regard to the provisions of the Asset Management Strategy, Capital Programme and Medium Term Financial Strategy. All acquisitions in excess of £100,000 must be reported to the Executive for approval;
 - g) to act as custodian for all title deeds for the Council;
 - h) arrange for the valuation of all land and buildings as necessary to meet the accounting requirements of the CFO;
 - i) the CFO may chose to resume his/her full responsibilities for asset management at anytime and without notice.
- 40 The Assistant Director of Resources (Transformation and Efficiency) is responsible for purchasing, recording and insuring items of Information Technology equipment (except equipment purchased from schools delegated budgets). Directors are responsible though for ensuring such equipment is kept securely, protected from loss, theft, damage etc.

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- 41 In addition, Directors are responsible for:
- a) providing the Corporate Landlord with information and all relevant documentation regarding all assets owned or used in relation to services provided by the Directorate(s) for the purposes of maintaining an up to date and complete asset management register;
 - b) ensuring the proper security and safe custody of all assets under their day to day operational control and consult with the Corporate landlord in any case where security concerns exist or if it is considered that special security arrangements are required;
 - c) to record all disposals or part exchange of non-land and building assets, in line with the disposal policy which forms supplementary guidance to these regulations ;
 - d) to maintain local inventories recording adequate descriptions of all furniture, fittings, equipment, plant & machinery above £500 and record items of a lower value where the risk is considered to be significant;
 - e) reporting all assets that are lost, stolen or destroyed to the Insurance Manager for recording purposes and where necessary the CIA in compliance with the asset disposal policy;
 - f) making sure property is only used in the course of the Council's business, unless specific permission has been given by the Director to do otherwise.

Trading accounts

- 42 The CFO is responsible for advising Directors and Members on the establishment of trading accounts and business units.
- 43 Directors are responsible for:
- a) consulting the CFO where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general such contracts should not be entered into unless they can be terminated within the main contract period without penalty;
 - b) observing all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs is charge and to produce an annual report in support of the final accounts;
 - c) ensuring the same accounting principles are applied in relation to trading accounts as for other services or business units

Part E

External arrangements

Introduction

- 1 The Council exercises an important community leadership role, helping to orchestrate the contributions of various stakeholders in discharging its statutory responsibilities for promoting and improving the economic, social or environmental well-being of the area.

Partnerships & joint working

- 2 The CFO must satisfy him/herself that the accounting arrangements for all partnerships and joint ventures are proper and appropriate, including all audit and inspection requirements. He/she must also consider overall corporate governance arrangements and any legal and taxation issues when partnerships are arranged with external bodies. He/she must ensure all known risks are appraised before entering into agreements with external bodies and seek to ensure VFM is obtained.
- 3 The CFO is also be responsible for advising on the funding and financing of a project including:
 - a) financial viability in current and future years;
 - b) risk appraisal and risk management arrangements;
 - c) resourcing and taxation;
 - d) audit, security and control requirements;
 - e) carry forward arrangements.
- 4 Directors are responsible for:
 - a) maintaining local registers of partnerships and entered into with external bodies in accordance with procedures specified by the CFO and providing information about those to the Head of Paid Service as required;
 - b) ensuring that a risk management assessment has been carried out before entering into agreements with external bodies;
 - c) ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council;
 - d) ensuring that all agreements and arrangements are properly documented;

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- e) providing appropriate information to the CFO to enable relevant entries to be made in the Council's Statement of Accounts concerning material items;
- f) ensuring that the appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External funding

- 5 External funding can prove a very important source of additional income to an authority but funding conditions need to be carefully examined before entering into any agreement to ensure they are compatible with the aims and objectives of the Council. Councils are being encouraged to provide seamless service delivery by working closely with other agencies and service providers (both public and private). Funds from external agencies such as the National Lottery and the single regeneration budget can provide additional resources for services. However, whilst the scope for funding has increased, it is usually linked to increasingly tight specifications and may not be flexible enough to meet the aims and objectives of the Council ambitions and plans.
- 6 The CFO is responsible for:
- a) ensuring that all external funding is received and properly recorded in the Council's accounts;
 - b) match funding requirements are considered prior to entering into any agreement and that future revenue budgets reflect these requirements;
 - c) ensuring all audit requirements are met.
 - d) Provision of standard application documentation for discretionary grants.
- 7 Directors are responsible for ensuring that:
- a) all claims for funds are made by the due date;
 - b) the project progresses in accordance with the agreed project plan and all expenditure is properly incurred and recorded.

Work for third parties

- 8 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements must be put in place to ensure that any risks associated with undertaking such work is minimised and that the work is done *intra vires*. All work should be properly costed in

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accordance with the advice and guidance of the CFO and done on the basis of a proper contract according to the Contract Procedure Rules set out as supplementary guidance to these Regulations.

- 9 The relevant Executive Member(s) are responsible for approving the contractual arrangements for work undertaken on behalf of a third party or external bodies. The CFO is responsible for issuing guidance with regard to the financial aspects of any third party contracts and the maintenance of the contracts register. Directors are responsible for:
- a) ensuring that the approval of the Executive Member is obtained before any negotiations are concluded to work for third parties;
 - b) maintaining a register of all such contracts entered into with third parties in accordance with procedures specified by the CFO;
 - c) ensuring that appropriate insurance arrangements have been made;
 - d) ensuring that the Council is not put at risk from any bad debts;
 - e) ensuring that no contract will be subsidised by the Council;
 - f) ensuring that the service has the appropriate expertise to undertake the contract;
 - g) ensuring that such contracts do not impact adversely upon the services provided to the Council;
 - h) providing appropriate information to the CFO to allow entries to be made in the Council's final Statement of Accounts.

Summary of Delegation & Reporting

Revenue Virements

Decision maker	Delegated powers & authority	Thresholds
The Executive	To approve virements between Service Plans in excess of £500k (either individually or in aggregate for the financial year)	Over £500k up to the cash limits set by the Budget
	To approve allocations of resources from approved contingencies and reserves	As set by the annual Budget
	To make recommendations to Full Council for the release of budget resources in excess of the approved contingencies and reserves	As set by the annual Budget
	To approve virements from within existing Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity	Over £500k
Directors	To approve virements within or between Service Plans within their Directorates in excess of £25k and up to £500k (either individually or in aggregate for the financial year) in consultation with the relevant Executive Member	Over £100k and up to £500k
	To approve virements from within existing Service Plans or between Service Plans within their Directorates into new or otherwise unplanned functions and activities if savings are available to vire into the new activity	Over £100K and Up to £500k in consultation with the relevant Executive Member
	To approve virements between directorates in consultation with the relevant directors	Up to and including £50K in consultation with the relevant Executive Member
Other Chief Officers	To approve virements within their Service Plans up to £100k (either individually or in aggregate for the financial year)	Up to £100k

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Capital Virements

Decision maker	Delegated powers & authority	Thresholds
The Executive	To approve individual virements between schemes in excess of £500k	Over £500k
	To re-phase approved scheme expenditure between years in excess of £500k for each scheme	Over £500k
Directors	To approve individual virements between schemes in excess of £100K up to a maximum of £500k in consultation with the relevant Executive Member	Over £100K and Up to and including £500k
	To approve individual virements between schemes up to a maximum of £100k	Up to and including £100k

Venture Fund Bids

Up to and including £50K
Over £50K

CFO & Leader of Council
Executive

Payment in Advance

Up to and including £5K
Over £5K

Relevant Director
CFO

Disposal of Surplus Assets (Land & Buildings)

Up to and including £100K
Over £100K

Head of Property Services in Consultation
with CFO (Para 39 Page 45)
Executive

Acquisition of Assets (Land & Buildings)

Up to and including £100K
Over £100K

Head of Property Services in Consultation
with CFO (Para 39 Page 45)
Executive

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Debt Write-Off

Decision maker	Delegated powers & authority	Thresholds
The Executive	Amounts exceeding £200,000 may only be written off on the authority of the Executive. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £200k
Executive Member	Amounts over £10,000 and not exceeding £200,000 on the authority of the Executive Member (Corporate Services) in consultation with the CFO. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery	Over £10k and up to and including £200K
CFO	Amounts over £5,000 and not exceeding £10,000 on the authority of the CFO in consultation with the Executive Member (Corporate Services). The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £5k and up to and including £10k
Chief Officers	Amounts not exceeding £5000 may be written off by any Chief Officer in consultation with the CFO, who shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £100 and up to and including £5k
Head of Financial Procedures	Amounts not exceeding £100 may be written off by the Head of Financial Procedures , who shall maintain a record of all such write-offs showing attempted recovery action where taken and the justification for non-recovery.	Up to and including £100

Glossary of terms

Common terms

Budget	<i>A plan expressed in financial terms</i>
Cost centre	<i>A budgeting level which usually reflects a whole service area, or main sub-category of a service. It encompasses a number of standard 'subjective' coding areas such as those used for staffing related costs, supplies & services, income etc</i>
Capital	<i>The organisation's total assets less its liabilities</i>
Capital expenditure	<i>Expenditure to acquire fixed assets that will be of use for more than the year in which they are acquired and which adds to the Council's tangible assets rather than simply maintaining existing ones</i>
Revenue	<i>Income or expenditure, arising from or spent on, day to day activities and short lived commodities or consumables</i>
Service plan	<i>A plan setting out the priorities and service ambitions</i>
Virement	<i>A transfer of resources between or within approved cost centres for both revenue and capital purposes</i>

Acronyms

CFO	<i>The Chief Finance Officer</i>
CIA	<i>The Chief Internal Auditor</i>
CL	<i>Corporate Landlord</i>
FMS	<i>The principal budgeting and financial information management system used at the Council</i>
ITT	<i>Invitation to tender</i>
MEAT	<i>Most Economically Advantageous Tender</i>
MO	<i>The Monitoring Officer</i>
NI(C)	<i>National Insurance (contributions)</i>
PAYE	<i>Pay as you earn</i>
VFM	<i>Value for Money</i>
VAT	<i>Value Added Tax</i>

Organisations

CIPFA	<i>The Chartered Institute of Public Finance Accountancy</i>
SOLACE	<i>Society of Local Authority Chief Executives</i>
The Audit Commission	<i>Quasi autonomous non-governmental body charged with the independent audit of public sector organisations in the Local Government and Health arena</i>
The District Auditor	<i>Independently appointed person responsible for the external audit of the Council. The District Auditor has various statutory powers and responsibilities for public reporting of the audit</i>

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29th June 2009

Audit & Governance Committee

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

Audit Commission Data Quality Report 2008

Summary

- 1 To provide members with the Audit Commission's 2008 Data Quality audit report (attached as Annex 1 to this report) and show how the findings are being addressed through the council's data quality action plan.

Background

- 2 In 2006 the Audit Commission changed their approach to inspecting the statutory indicators the council reports and publishes each year. The audit covers a much wider remit, incorporating indicator inspections with an audit of the council's data quality arrangements.
- 3 The new approach places much more responsibility on the council to check and evidence performance data quality at different levels of the organisation. It examines varied levels of quality assurance:
 - data collection & input (including IT system integrity checks);
 - accuracy of indicator calculations (in this case for 2007/08 outturns);
 - performance analysis and reporting.
- 4 These audit results feed into a number of formal assessments, including the Comprehensive Area Assessment (CAA) and the Annual Audit Letter. The Audit Commission have made it clear that they view data quality as crucial given that much of what the council decides to improve, and how well the council says it is performing, is dependent on the foundations of accurate data and information. Much of this is assessed under Key Line of Enquiry (KLOE) 2.2 of the Use of Resources (UoR) assessment process.

Headlines from the audit report

- 5 The auditor's existing formal judgement under CPA for data quality in the council is 'adequate', equating to a score of 2 out of 4. This score is common across most councils as it is recognised that the change to the new data quality arrangements will take time to adopt and put in place. The audit report acknowledges that the council has made significant progress on improving its data quality arrangements and has taken *"effective action to address key challenges identified in previous audit reports, particularly relating to the lack of corporate profile and commitment to data quality."*
- 6 This relates to the successful implementation of a data quality policy and key elements of the council's corporate data quality action plan. These were delivered as part of the

council's Single Improvement Plan, supported by the active engagement of the Director of Neighbourhood Services, which:

- provided a renewed focus on the quality of underlying performance data; and
- helped to address longstanding weaknesses in the council's corporate arrangements, in particular a lack of consistency in practice between individual directorates.

- 7 The council's Data Quality Policy has now been formally agreed by the Executive and the Performance & Business Assurance Team has been working with Directorate Management Teams (DMTs) to help implement this policy and other data quality improvements across the council in a consistent way.
- 8 The data quality audit report also includes detailed inspection findings on 2007/08 BVPI outturns, which show that the majority of indicators were fairly stated and found to be satisfactory reported. They found improvements in the compilation arrangements of several indicators which had been highlighted as a problem in past audits, including BV102 (local bus journeys) and BV215a (Local Authority controlled street lighting repairs). This is consistent with the largely positive findings from the Internal Audit spot check review of performance indicators, which was carried out prior to the commencement of the 2008 audit.
- 9 There were however, a few indicators that required further work to be undertaken. In particular, inaccuracies were found in one indicator - BV215b (repairs carried out on network operator controlled street lighting) which was reserved (or qualified). This means that York's result could not be formally reported and automatically places the council in the bottom quartile when compared to other authorities. Action has since taken place to address the problems with this indicator.
- 10 Despite the qualification of BV215b, the 2008 audit identified the smallest number of qualifications and recalculations since the data quality inspection process began in 2000. Annex 2 shows that all indicator-specific recommendations made by the Audit Commission have now been addressed or are in the process of being reviewed .

Priority areas for improvement

- 11 A number of data quality improvements have now been implemented across the council and the Audit Commission has acknowledged this. However, six areas of improvement are being progressed as a matter of priority:
 - a) *Complete the implementation of the PMF:* a new Performance Management Framework for 2009/10 has been adopted by CMT, which incorporates revised data quality arrangements within it. Further work is underway to implement the PMF across directorates including training on key elements of the framework.
 - b) *Review roles and responsibilities:* the review of roles and responsibilities of officers involved with producing data has been delayed since the Audit Commission first recommended it in 2008/09. This was to allow for the outcomes of the Efficiency Review so possible links could be identified with that stream of work.
 - c) *Deliver further training:* Ongoing training is being planned in a group and online format which will help those involved understand their role with regards to data quality and performance information through the production of the council's Business Model

handbook, performance officer group sessions and bespoke sessions within directorates.

- d) *Develop Information Sharing Protocols*: further work is planned with partners to strengthen information sharing arrangements. This is particularly important for the Use of Resources KLOEs and to improve the timeliness of performance reporting at partnership level.
- e) *Progress systems integrity checking*: A toolkit has been established and piloted to check systems integrity. However, further work is needed to implement these checks across all directorates.
- f) *Self Assessment Matrix*: The 44 LAA indicators were assessed in 2008 and reported on to CMT and A&G in January 2009 with scores for each indicator. It is now crucial that all the remaining national indicators are assessed using the data quality matrix to help identify any areas that can be addressed within directorates.

Action plan and timetable

- 12 Annex 3 provides members with a revised data quality action plan, which has been updated to take account of the Audit Commission's recommendations, and the priority actions mentioned in paragraph 11 above. As a result, the timescales for each of the actions have changed slightly to reflect what can be achieved over the short term.

Consultation

- 13 Extensive consultation took place with directorate performance officers across the council throughout the duration of the data quality audit (July – September 2008). The Audit Commission also provided directorates with a draft audit report for a 4 week period and amendments/changes were made to the attached report.

Options

- 14 Not applicable to this report.

Analysis

- 15 Not applicable to this report.

Corporate priorities

- 16 It is important to ensure that the council reports improvements accurately for corporate priorities and the Local Area Agreement, as these will be used more for CAA, additional government funding and to demonstrate to citizens that progress is being made to improve areas that they have identified as important.
- 17 Last year extensive data quality work was carried out on priority performance indicators to ensure they were collected, measured and reported in a timely and accurate way. Further improvements will be made to the systems and processes that support these indicators throughout 2009/10.

Implications

- a) **Financial** – There are no implications.
- b) **Human Resources (HR)** - There are no implications.
- c) **Equalities** - There are no implications.
- d) **Legal** - There are no implications.
- e) **Crime and Disorder** - There are no implications.
- f) **Information Technology (IT)** - There are no implications at present. However, the council is about to procure a new IT based performance management system which
- g) **Property** - There are no implications.

Risk Management

18 Not applicable to this report.

Recommendations

19 Members are asked to approve the revised data quality action plan set out in Annex 3. As previously agreed, progress on the improvements set out in the action plan will be reported to A&G every 6 months.

Reason: To ensure continual improvement is made to the council's data quality arrangements, which will also help support CAA.

Contact Details

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Report Approved Date 16 June 2009

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

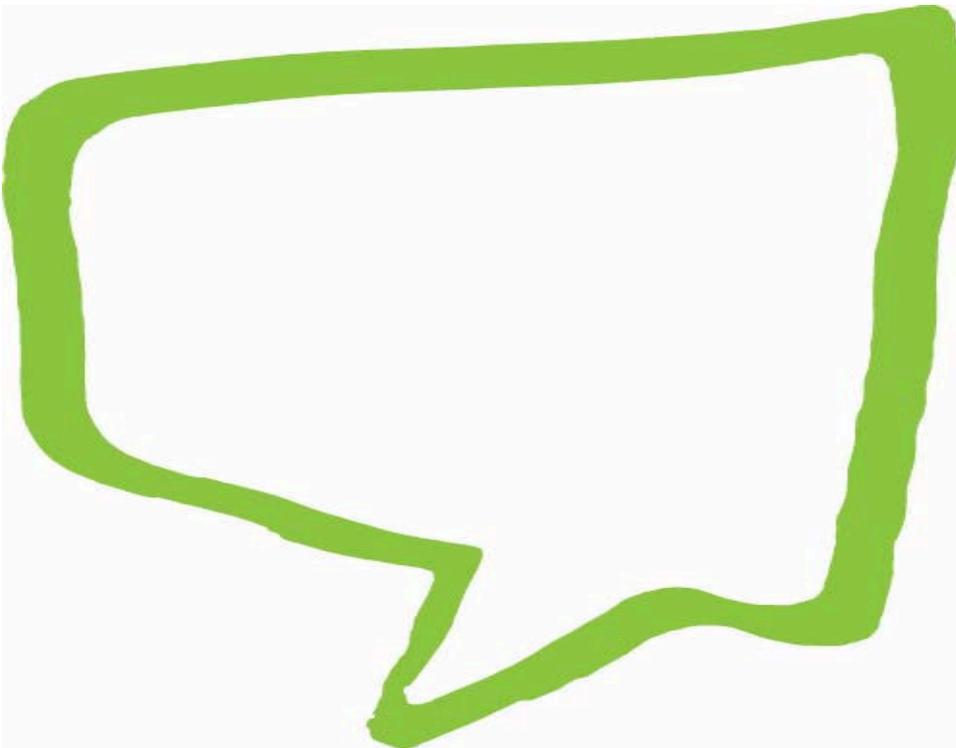
- Annex 1 – Audit Commision's report – Review of data quality arrangements (2007/08).
- Annex 2 – Actions taken to address qualification and recalculations from 2007/08 BVPI inspection.
- Annex 3 – Revised CYC data quality action plan.

Review of Data Quality Arrangements

City of York Council

Audit 2007/08

April 2009



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Status of our reports

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

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

- 1 The purpose of this report is to summarise the findings from our work on data quality for 2007/08.
- 2 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators (PI) in its service assessments for comprehensive performance assessment (CPA).
- 3 Our work on data quality is complemented by the Audit Commission's paper, 'Improving information to support decision making: standards for better quality data'. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality. The expected impact of the Audit Commission's work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

Scope of our work

- 4 We have followed the Audit Commission's three-stage approach to the review of data quality as set out in Table 1.

Table 1 Data quality approach

Stage 1	<p>Management arrangements</p> <p>A review using key lines of enquiry (KLOE) to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money (the VFM conclusion).</p>
Stage 2	<p>Analytical review</p> <p>An analytical review of 2007/08 BVPI and non-BVPI data and selection of a sample for testing based on risk assessment.</p>
Stage 3	<p>Data quality spot checks</p> <p>In-depth review of a sample of 2007/08 PIs most of which come from a list of specified BVPIs and non-BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice. For 2007/08 PI spot checks, the Audit Commission specified that it is compulsory to review two housing benefits PIs at all single tier and district councils as a minimum.</p>

- 5 As this is the third year of applying this approach to data quality, we tailored our work to focus on the key changes and actions taken to address previously identified weaknesses and recommendations.
- 6 In addition to the specified indicators at stage 3, we reviewed two performance indicators that are not on the list of specified indicators (BVPI 102 and BVPI 215). This is because we have previously identified problems with the Council's arrangements for ensuring the quality of the underlying data for these indicators.

Summary conclusions

Summary conclusions

Stage 1 – Management arrangements

- 7 The Council's overall management arrangements for ensuring data quality are demonstrating adequate performance.
- 8 The Council can show that it is now taking effective action to address key challenges identified in our previous data quality reports, particularly relating to the lack of corporate profile and commitment to data quality.
- 9 The inclusion of data quality as a key project within the Council's Single Improvement Plan together with the active engagement of a Chief Officer level champion and the development of the monthly corporate performance dashboard has provided:
 - a renewed focus on the quality of underlying data; and
 - fresh stimulus to focus on longstanding weaknesses in the Council's corporate arrangements and particularly the lack of consistency in practice between individual directorates.
- 10 There is a clear programme of action with identified responsibility and timescales to develop Council arrangements which extends into 2008/09 and incorporates the results of our previous reviews. Arrangements exist to formally review and report progress to senior officers and at an operational level, the PIT team provides a mechanism to monitor and review data quality.
- 11 Since the period under review a data quality policy has been formally agreed and Directorate Management Teams (DMTs) have been formally engaged as part of the implementation process.

Stage 2 – Analytical review

- 12 Our analytical review work at stage 2 identified three specified indicators - BVPI 183b, BVPI 199 and BVPI 212 which fell outside expected ranges. In each case the performance improvement or decline were reasonably substantiated by evidence. All other specified BV and non-BV PIs fell within expected ranges.

Stage 3 – Data quality spot checks

- 13 A summary of the results of our spot check reviews including a comparison with the equivalent outcomes from our previous data quality reviews is shown in Table 2. A summary of the key findings from the individual indicator reviews is shown in Table 4.

Table 2 Summary of data quality spot check testing

Indicator	2007/08	2006/07	2005/06
Fairly stated as presented for audit	4 (66.7%)	4 (66.7%)	6 (66.7%)
Fairly stated after audit	1 (16.7%)	1 (16.7%)	2 (22.2%)
Reserved (unfairly stated)	1 (16.7%)	1 (16.7%)	1 (11.1%)
Total tested	6 (100%)	6 (100%)	9 (100%)

- 14** We found the majority of indicators to be fairly stated and found satisfactory and/or improvements in the compilation arrangements of several previously reviewed indicators including BV102 and BV215a. This is consistent with the largely positive findings from the recent Internal Audit spot check review of performance indicators.
- 15** However there remain long-standing problems with a small number of indicators which need to be resolved if the Council is to make progress in the assessment of its overall data quality arrangements. In particular for the third year in a row we found BV215b to be unfairly stated and reserved this indicator.
- 16** A number of themes are evident from those indicators where problems were identified and which are consistent with our findings from previous years. In particular:
- an absence of effective protocols or other arrangements for obtaining accurate and relevant data from external partners and the lack of adequate checking procedures (BV215b);
 - a lack of source documentation to substantiate indicator values (BV78a, B78b and BV183b, BV212);
 - incorrect categorisation of benefit claims and incorrect use of start and end dates (BVPI 78a and 78b); and
 - ongoing difficulties with compiling specific indicators (BV215b).
- 17** The Council now has a clear framework for improving its arrangements for managing data quality which incorporates the key issues raised in our previous reviews. As a result our 2007/08 does not replicate or provide any additional recommendations relating to the Council's corporate arrangements. Our action plan which has been agreed by the Council focuses on the issues arising from our review of the detailed indicators from our stage 3 work (see Appendix 1).

Detailed findings

Management arrangements (Stage 1)

18 Overall, the Council's corporate arrangements for data quality are demonstrating adequate performance.

Governance and leadership

19 The importance and corporate profile of data quality within the Council has been developing during 2007/08 and onwards. In particular:

- data quality has been included as one of the projects featuring within the Council's single improvement plan (SIP) which targets action on key themes arising from external scrutiny;
- the Council has appointed a Chief Officer Data Quality Champion without Directorate responsibility for the Performance Improvement Team (PIT) to help promote and embed practice; and
- the Chief Executive has attended the Performance Officer Group (POG) meeting to emphasise corporate commitment to improving data quality.

20 There is a corporate procedure in place covering the quality assurance of annual performance indicator collection, validation and publication processes and evidence over time of ongoing development and improvement. Since the 2007/08 year-end arrangements have been incorporated within an overarching corporate data quality policy framework.

21 There is a clear programme of action with identified responsibility and timescales to develop Council arrangements which extends into 2008/09 and incorporates the results of our previous reviews. Arrangements exist to formally review and report progress to senior officers and at an operational level, the PIT team provides a mechanism to monitor and review data quality. Although data quality has not formally or systematically been considered within the risk management framework to date there is evidence of an increasing risk in the context of the accuracy of key strategic indicators.

22 Ownership and accountability for data quality is still developing within the organisation. In particular:

- data quality responsibilities are identified at corporate and directorate level and incorporated within job descriptions and targets for some relevant staff though this is not consistent across the Council;
- specific data quality policies and objectives are not consistently reflected within individual directorates and the extent to which arrangements have developed within directorates to date is varied; and
- there are longstanding problems with the accuracy and compilation of particular indicators which suggests ownership of data at service level remains a problem.

Policies

23 The Council's three stage data quality model covers arrangements for the collection, calculation and validation of data and is supported by detailed guidance. Since our review these arrangements have been formalised with the development and adoption of the Council's corporate data quality policy.

24 The Performance Officer Group (POG) is a key mechanism for ensuring procedures are applied consistently across the Council and includes representation from all directorates. However, the lack of consistency in roles and responsibilities and seniority of individual POG officers remains a longstanding weakness but is to be addressed following the roll-out of the data quality policy during 2008/09.

25 Data quality guidance and procedures are well defined and well established. Relevant documentation is readily accessible to users through the shared network ('V') drive and additional support is provided by the PIT team which continues to be well regarded by the POG officers we interviewed. Our review of relevant documentation shows that compliance with procedures and completion of pro-forma documentation is generally good though some gaps remain particularly in the quality of analysis of major variances in PI values.

Systems and processes

26 There are a variety of systems in place for all stages of the data collection process though these are not integrated within the existing performance management framework and vary between directorates. The existing QPR performance management system has not operated effectively or as intended and directorates have developed separate reporting processes. The Council is taking effective action to address identified weaknesses and is currently conducting an extensive review of IT performance systems and practice. Detailed testing of individual PIs by internal audit and ourselves has identified general improvement although ongoing problems with particular indicators indicate that ownership and accountability for data at operational management level is not yet fully embedded.

Detailed findings

- 27** System checks and other controls are in place for several key information systems though arrangements have not to date been consistently embedded across all directorates. System control arrangements have been a key feature of the Council's recent data quality policy and a framework of regular quality checks on all relevant information systems is planned from 2008/09 onwards. Security arrangements are in place including data back-up and access controls to maintain the integrity of key information systems.
- 28** The Council has identified the need to improve its arrangements for managing and securing the quality of external data. In particular:
- several relevant external partners are now represented at the Council's POG;
 - arrangements for sharing partner data is a key theme within the Council's recently published data quality policy; and
 - whilst there have been ongoing weaknesses in obtaining accurate and reliable data from external sources our 2007/08 detailed PI testing has identified some improvement in relevant arrangements for particular problem indicators, for example BVPI 102 and to a lesser extent BVPI 215.

People and skills

- 29** Roles and responsibilities exist within directorates to secure data quality through the POG officer structure and an effective support framework is provided by the PIT team. Training needs have been identified at POG meetings and job descriptions generally include specific reference to data quality though inconsistencies in roles, responsibility and seniority of POG officers remain.
- 30** Effective mechanisms to ensure training needs are identified and addressed consistently across directorates have still to be developed. The Council intends to carry out a data quality skills assessment during 2008/09 and use this as a basis for implementing a formal training programme for relevant staff.

Data use and reporting

- 31** There is a well established framework for monitoring performance data and managing performance which involves both members and officers. The implementation of the monthly corporate dashboard to highlight delivery against key Council objectives from December 2007 has helped sharpen the focus on performance and quality of the underpinning data. There is evidence that DMTs make effective use of PIs and management information to monitor performance including trend and forecast data. As in the previous year, there has been a general improvement in comparative BVPI performance in 2007/08 and evidence of improvement in key service areas including community safety and waste management.

- 32** All BVPIs are supported by full audit trails where applicable and checks are carried out by PIT staff to test material variations in indicator values. Our review found validation arrangements are generally satisfactory but previously identified weaknesses still remain. In particular we found:
- weak or unspecific explanations for some significant variances in indicator values;
 - definitions have generally been appropriately used with fewer problems identified by detailed testing though specific issues remain to be addressed for example, BVPI 215b; and
 - there are some good examples of pro-forma being used to ensure data checks are carried out and senior commitment is obtained prior to submitting data externally for example in LCCS, but no evidence that this is formally or consistently considered across the Council.
- 33** Data validation processes still primarily focus on year-end out-turn indicators although the Council is expecting to formally integrate data quality within the existing performance management framework during 2008/09. In-year validation procedures currently vary between individual directorates with good examples evident in HASS and LCCS.

Analytical review (Stage 2)

- 34** An analytical review of the following BVPIs was carried out. The findings, subject to the validation of a sample of PIs in stage 3 spot checks, are shown below.

Table 3 Analytical review findings

2007/08 Performance indicator	Assessment	Comment
BVPI 183b Average time in temporary accommodation hostels	Real performance decline	Growth in capacity has resulted in more placements with increase in complexity of case-mix
BVPI 199a & b Cleanliness of public places	Real performance improvement	Full year impact of improved cleansing methods, including use of barrows, introduced during 2006/07
BVPI 212 Average re-let times	Real performance improvement	Reduction in the number of void properties together with improvement in the void management process, including implementation of pre-termination inspections

- 35** All other PIs reviewed were found to be complete and within plausible and permissible values.

Detailed findings

Data quality spot checks (Stage 3)

36 A number of PIs were reviewed using a series of detailed spot checks and audit tests. Our findings are shown below.

Table 4 Spot check findings

Performance indicator	Assessment	Comment
Housing Benefits Speed of processing new claims BVPI 78a	Fairly stated	<p>We identified a number of errors in the PI, but, although some of these were high value, this did not lead to a materially mis-stated performance. However from the number of errors we identified it is clear that there are some significant issues for the council to address for this PI (and BVPI 78b).</p> <p>The key issues identified were that claims were included in the PI even though they were not new claims, they were actually changes in circumstance, and the start/end dates were being incorrectly identified/processed by benefits staff.</p> <p>The key issue for the council to address appears to be a training issue, to ensure that all benefit processing staff know how to categorise claims and identify the start and end dates of the processing correctly.</p>
Housing Benefits Speed of processing change in circumstances BVPI 78b	Fairly stated	<p>The issues were much the same as reported above for BVPI 78a. We identified that the reported PI included claims that were not actually changes in circumstances, and that the start/end dates were incorrectly identified/processed.</p>
Housing Average time in temporary accommodation: hostels BVPI 183b	Fairly stated	<p>Some management arrangements for this PI, particularly around quality checking, are weak and this has lead to errors in the calculation of the PI.</p> <p>Weaknesses exist in systems to collect and record data. An excessive amount of manual manipulation is needed to extract information from a number of different reports and computer systems in order to gather data and produce the PI.</p>

Performance indicator	Assessment	Comment
		Detailed spot checking of manual records against computer records and the data used to produce the PI found some errors which required extended sample testing. However, it has been possible to correct all the errors found and amend the PI so that it is fairly stated.
<p>Housing Average time to re-let Council Housing BVPI 212</p>	Fairly stated	<p>Management arrangements for the data collection for this PI are good, with a system of checks in place between the section producing the PI and staff producing and supplying the data.</p> <p>Systems and processes used to collect data and produce the PI are satisfactory. Some manual manipulation is needed to ensure that the correct data is used in the calculation but generally there are good audit trails to show where amendments have been made.</p> <p>There is a weakness in the audit trail ensuring that data excluded due to major works complies with the major works definition and that the major works completed date used in the PI calculation corresponds with the completion date of the major works by the contractors.</p> <p>In particular the department responsible for producing the PI do not routinely keep:</p> <ul style="list-style-type: none"> • comprehensive records of work carried out under the definition of 'major works'; or • records of contractors work sheets showing the completion date of 'major works' to ensure it is excluding these items correctly from the PI calculation. <p>However, further testing confirmed that 'major works' had been excluded correctly from the PI.</p>

Detailed findings

Performance indicator	Assessment	Comment
<p>Community Safety Speed in fixing street lighting BVPI 215a</p>	<p>Fairly stated</p>	<p>The Service has improved its system and processes used to collect data and produce this PI following our previous recommendations.</p> <p>Information is now collected and recorded on a bespoke database which has reduced the amount of manual manipulation needed. The database links to the council's street lighting asset register to help ensure that only relevant data is used to calculate the PI.</p> <p>However, a clearer audit trail is still needed to support the start date of the indicator as most of the faults are reported by telephone calls and there are no specific records kept of the call once it has been entered onto the database.</p> <p>Spot checking has shown the incorrect inclusion of a small number of lamps though the resulting error was not material.</p>
<p>Community Safety Speed in fixing street lighting by Distribution Network Operator (DNO) BVPI 215b</p>	<p>Unfairly stated</p>	<p>The system used to collect the data is not adequate.</p> <p>It does not include clear audit trails to be able to confirm relevant dates and lighting units. For example, for those faults reported directly to the DNO, there is no clear audit trail to be able to check the DNO fault back to the Council's asset register of street lighting to ensure that the light unit is of a type to be included in the PI.</p> <p>There is also no reliable and consistent audit trail to be able to cross check and verify the start date of those faults passed on to the DNO by the Council.</p> <p>Where the audit trail has allowed cross checks to be made, testing has shown that all start dates are incorrect.</p> <p>It has not been possible to check that the data from the DNO fits the criteria that should be included in the PI calculation.</p>

Performance indicator	Assessment	Comment
Transport and Planning Passenger Journeys on buses BVPI 102	Fairly stated	<p>The system and processes used to collect data and produce the PI are much improved since our last inspection of this indicator.</p> <p>Testing has shown that controls and checks are sufficient to ensure that relevant data is collected and the PI produced correctly.</p> <p>Data is collected from bus operators who complete a council generated pro-forma with relevant information needed to produce the PI. The pro-forma includes generally good information for bus operators about what data should be included, however clarification for operators about cross boundary journeys data is currently missing from the form.</p>

37 The recommendations arising from our detailed review of the individual performance indicators are included below.

Recommendations	
R1	Ensure refresher training is provided for benefits assessment staff on data collection for the relevant performance indicators.
R2	<p>Develop a clear, easy to read one page desk aid for assessors to keep on their desks which summarises the rules around data collection for the performance indicator. This should:</p> <ul style="list-style-type: none"> • provide guidance on which date should be used as the start date; and • include a list of scenarios which constitute a new claim, a change of circumstances and data that is disregarded from the calculation of the performance indicator.
R3	<p>The service should enhance its quality assurance regime to:</p> <ul style="list-style-type: none"> • increase specific quality checking on PI start dates; • check that the assessment has been classified correctly for the PI as new, change of circumstances or disregarded; and • ensure that the results are used to identify ongoing training needs for staff involved in the collection of data for the benefits PIs.
R4	Improve management arrangements for producing BVPI 183b by implementing sample quality assurance checks of data collected and paper records against computer records to ensure that the data meets the requirements for inclusion in the PI calculation.

Detailed findings

Recommendations	
R5	Ensure that major works worksheets and completion sheets are routinely collected by the team calculating BVPI 212 for each void being excluded due to major works and that the data is not amended until both documents have been received
R6	Strengthen arrangements for verifying the start date used in BVPI 215a calculation by: <ul style="list-style-type: none"> • keeping records of the date of faults being reported (through all channels including telephone, in writing, via 3rd party partners etc); • introducing management checks to ensure that the date the fault has been reported corresponds with the 'reported date' on the fault recording database; and • keeping records of management checks made against the above.
R7	Establish a clear audit trail for all repairs with the DNO to verify relevant dates used in the PI calculation by ensuring that: <ul style="list-style-type: none"> • the DNO records the Council's fault reference number and asset reference number on their fault recording database and subsequently on the data supplied to the Council; and • the Council obtains a DNO order number and records it on their database against their record of the fault.
R8	Liaise with the DNO to ensure timely and accurate submission of data for BV215b by establishing a formal arrangement specifying a regular date for receiving data.
R9	Ensure guidance is provided to bus operators on cross boundary journeys on the monthly data collection sheets to assist in the accurate completion of BVPI 102.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	R1 Ensure refresher training is provided for benefits assessment staff on data collection for the relevant performance indicators.	3	Andrew Walmsley	Yes	A new revamped version of SSX3 will be out in June. New training will be designed and delivered including data collection and the link to NIs.	June 2009
14	R2 Develop a clear, easy to read one page desk aid for assessors to keep on their desks which summarises the rules around data collection for the performance indicator. This should: <ul style="list-style-type: none"> provide guidance on which date should be used as the start date; and include a list of scenarios which constitute a new claim, a change of circumstances and data that is disregarded from the calculation of the performance indicator. 	3	Andrew Walmsley	Yes	This will be included in the above.	June 2009

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	R3 The service should enhance its quality assurance regime to: <ul style="list-style-type: none"> increase specific quality checking on PI start dates; check that the assessment has been classified correctly for the PI as new, change of circumstances or disregarded; and ensure that the results are used to identify ongoing training needs for staff involved in the collection of data for the benefits PIs. 	3	Andrew Walmsley	Yes	Benefits team will review QA process and will improve the feedback loop to identify training needs.	April 2009
14	R4 Improve management arrangements for producing BVPI 183b by implementing sample quality assurance checks of data collected and paper records against computer records to ensure that the data meets the requirements for inclusion in the PI calculation.	1	Kath Bonfield	Yes	No longer relevant as we no longer calculate this indicator. The existing data is data quality checked through the normal procedures.	January 2009
14	R5 Ensure that major works worksheets and completion sheets are routinely collected by the team calculating BVPI 212 for each void being excluded due to major works and that the data is not amended until both documents have been received.	2	Kath Bonfield	Yes	A new system has been set up to obtain documentation which is then verified and held for auditor.	January 2009

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
15	<p>R6 Strengthen arrangements for verifying the start date used in BVPI 215a calculation by:</p> <ul style="list-style-type: none"> keeping records of the date of faults being reported (through all channels including telephone, in writing, via 3rd party partners etc); introducing management checks to ensure that the date the fault has been reported corresponds with the 'reported date' on the fault recording database; and keeping records of management checks made against the above. 	1	Ricky Watson	Yes	These were completed 2 weeks are Audit checks were completed	January 2009
15	<p>R7 Establish a clear audit trail for all repairs with the DNO to verify relevant dates used in the PI calculation by ensuring that:</p> <ul style="list-style-type: none"> the DNO records the Council's fault reference number and asset reference number on their fault recording database and subsequently on the data supplied to the Council; and the Council obtains a DNO order number and records it on their database against their record of the fault. 	1	Ricky Watson	Yes	These were completed 2 weeks are Audit checks were completed	January 2009

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
15	R8 Liaise with the DNO to ensure timely and accurate submission of data for BV215b by establishing a formal arrangement specifying a regular date for receiving data.	1	Ricky Watson	Yes	These were completed 2 weeks are Audit checks were completed	January 2009
15	R9 Ensure guidance is provided to bus operators on cross boundary journeys on the monthly data collection sheets to assist in the accurate completion of BVPI 102.	1	Sarah Milton	Yes	Completed	January 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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www.audit-commission.gov.uk

Progress on Audit Commission BVPI recommendations**Annex 2**

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsible	Agreed	Comments	Date
R1 Ensure refresher training is provided for benefits assessment staff on data collection for the relevant performance indicators.	3	Andrew Walmsley	Yes	A new revamped version of SSX3 will be out in June. New training will be designed and delivered.	June 09
R2 Develop a clear, easy to read one page desk aid for assessors to keep on their desks which summarises the rules around data collection for the indicator.	3	Andrew Walmsley	Yes	This will be included in the above.	June 09
R3 The service should enhance its quality assurance regime to increase specific quality checking on PI start dates and check that the assessment has been classified correctly for the PI.	3	Andrew Walmsley	Yes	Benefits team will review QA process and will improve the feedback loop to identify training needs.	April 09
R4 Improve management arrangements for producing BVPI 183b by implementing sample quality assurance checks of data collected and paper records against computer records to ensure that the data meets the requirements for inclusion in the PI calculation.	1	Kath Bonfield	Yes	No longer relevant as we no longer calculate this indicator. The existing data is data quality checked as normal.	Jan 09
R5 Ensure that major works worksheets and completion sheets are routinely collected by the team calculating BVPI 212 for each avoid being excluded due to major works and that the data is not amended until both documents have been received	2	Kath Bonfield	Yes	A new system has been set up to obtain documentation which is then verified and held for auditor.	Jan 09
R6 Strengthen arrangements for verifying the start date used in BVPI 215a calculation	1	Ricky Watson	Yes	These were completed 2 weeks after Audit checks completed.	Jan 09
R7 Establish a clear audit trail for all repairs with the DNO to verify relevant dates used in the PI calculation	1				
R8 Liaise with the DNO to ensure timely and accurate submission of data for BV215b by establishing a formal arrangement specifying a regular date for receiving data.	1				
R9 Ensure guidance is provided to bus operators on cross boundary journeys on the monthly data collection sheets to assist in the accurate completion of BVPI 102.	1	Sarah Milton	Yes	Completed	Jan 09

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Revised Data Quality Action plan for CYC**Annex 3**

Action	Responsible	Dead-line	Success Factors	Progress
Approve Draft Data Quality Policy	CMT	July 08	Agreed approach for the council	Complete
Consultation with Audit Commission	Performance & Business Assurance (PaBA)	Aug 08	Identify areas of improvement	Complete
Establish DQ Toolkits and Guidance	PaBA /POG Officers/Internal Audit	Oct 08	Useable toolkits for system integrity and identifying risk	Complete
Reports to DMT/EMAP on their approach to DQ including risk assessments.	POG officers	Oct 08	Recommendations by each directorate to improve data quality	Complete
Carry out Systems Integrity Checks	PaBA Team	Jan 09	Suggested areas of improvement for Council Systems	Guidance and self-assessment tool complete. Still ongoing
Integrate data quality within the Performance Management Framework	PaBA	April 09	Embed DQ arrangements in new reporting framework	Complete
Identify High Risk Indicators for 2009 Audit	PaBA/POG	April 09	Enables Internal Audit to target correct indicators	Complete
Policy Sign Off – after initial draft roll out in 2008.	Executive	May 09	Member engagement in process	Complete
Review the Roles and Responsibilities of Key Stakeholders	CMT	Dec 09	Roles and Responsibilities align across the council	
Review all National Indicators against the Self Assessment Matrix	PaBA /POG officers	Dec 09	All National Indicators Assessed	TBA
Design and Deliver Training	PaBA /POG officers	Ongoing	All stakeholders develop clear and concise understanding of their role and responsibilities with regards to DQ and Performance Management	Initial training taken place through Performance Officer Group. Further work to be done in 2009
Develop Information Sharing Protocols with Partners	PaBA /POG officers	March 10	Arrangements in place to share data in a timely and efficient way	Initial arrangements need to be reviewed further
Implementing Performance Management System	PaBA /POG officers	Delayed	Using one system to report data reducing errors with DQ	Delayed until further work done with efficiency review
Review arrangements with Partners	PaBA /POG/LSP	Delayed	Implementation of Web based PMS	

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Audit and Governance Committee

29 June 2009

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

Audit Commission Revised Plan 2008/09 and Audit and Inspection Plans 2009/10

Summary

1. This report presents the following plans and associated fee structures from the council's external auditor, the Audit Commission:
 - Supplementary Opinion Audit Plan 2008/09 (Annex 1)
 - Annual Audit Plan 2009/10 (Annex 2)
 - Annual Inspection Plan 2009/10 (Annex 3).

Background

2. The separate audit and inspection plans set out the work to be conducted by:
 - the District Auditor, who has taken account of
 - the inherent audit risks arising from previous audit work carried out at the council including Internal Audit work and previous CPA findings;
 - the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit.
 - the Comprehensive Area Assessment (CAA) Lead, who has based the plan on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance.

Consultation

3. The Plan has been consulted on with the relevant responsible officers and Corporate Management Team members prior to it being reported to those members charged with governance at the council.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Analysis of fee structures are contained in the attached reports

Corporate Priorities

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

Implications

7.
 - (a) **Financial** – The fees can be contained within the 2009/10 budget for external audit fees.
 - (b) **Human Resources (HR)** - There are no implications.
 - (c) **Equalities** - There are no implications.
 - (d) **Legal** - There are no implications.
 - (e) **Crime and Disorder** - There are no implications.
 - (f) **Information Technology (IT)** - There are no implications.
 - (g) **Property** - There are no implications.

Risk Management

8. 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 its Use of Resources score in future CAA assessments could be adversely affected.

Recommendations

9. Members are asked to:
 - a) consider the matters set out in the Audit Plans presented by the District Auditor and the CAA Lead Inspector;

Reason

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

b) agree the Plans having first considered whether they sufficiently reflect the audit needs and interests of the council.

Reason

To ensure that the external audit and inspection process contributes effectively to the council's system of internal control.

Contact Details

Author:

Pauline Stuchfield
Assistant Director (Customer Service
& Governance)
Telephone: 01904 551706

Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
Telephone: 01904 551100

Report Approved

Date 16 June 2009

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Supplementary Opinion Audit Plan 2008/09 (Annex 1)
Annual Audit Plan 2009/10 (Annex 2)
Annual Inspection Plan 2009/10 (Annex 3).

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Our reference YO00109A

29 April 2009

Ian Floyd
 Director of Resources
 City of York Council
 City Finance Centre
 Library Square
 York

Direct line 0844 798 4314
Email j-prentice@audit-
 commission.gov.uk

— Dear Ian

Supplementary opinion audit plan 2008/09

You may recall that I issued the initial audit plan for 2008/09 on 30th April 2008, which set out the work that I proposed in order to satisfy my responsibilities under the Audit Commission's Code of Audit Practice. As this plan was produced at the start of the financial year to give you an indication of the proposed fee, I was not able at that time to specify the detailed risks that I would need to consider as part of my audit opinion work.

I am now in a position to do this as the opinion work is about to commence. This letter represents my supplementary opinion plan under International Standard on Auditing (United Kingdom and Ireland) 300.

The above standard requires me to:

- identify the risk of material misstatements in your accounts;
- plan audit procedures to address these risks; and
- ensure that the audit complies with all relevant auditing standards.

I have therefore considered the additional risks that are appropriate to the current opinion audit and I have set these out below.

Risk	Residual risk	Audit response
The council will not accurately address the revised requirements of the SORP 2008. Although experience suggests that all new items are addressed by the council this risk is inherently	Yes	We will review the council's accounting treatment for all relevant new/revised items in the SORP 2008.

Risk	Residual risk	Audit response
present.		
The council's asset valuations (both fixed and current) will not be materially correctly stated, taking into account the impact of the economic and financial downturn.	Yes	We will discuss arrangements for revaluations and impairment reviews with officers prior to the draft accounts being produced. We will audit the valuations of assets and challenge the council where we consider that these valuations are not materially correct.
The council will not adequately address the weaknesses discovered last year in the accounting and closedown arrangements, in particular for fixed assets.	Yes	We will maintain our regular discussions with the Assistant Director (Finance) and corporate accountancy staff to satisfy ourselves that the closedown arrangements are on track. We will audit the fixed asset accounting entries in detail once the draft financial statements are produced.

In my original audit plan, the estimated fee for the financial statements audit was based on my best estimate at the time and agreed at £78,000 as part of a total audit fee of £241,055.

At this stage I am still satisfied that the original fee estimate for the opinion audit is appropriate and no adjustment is therefore required to the fee. However, I will keep the fee under review as the opinion audit progresses. If I need to amend the fee subsequently, I will first discuss it with you.

Yours sincerely

John Prentice
District Auditor

Our reference YO00110A

29 April 2009

Mr B McCarthy
 Chief Executive
 City of York Council
 Guildhall
 York

Direct line 0844 798 4314
Email j-prentice@audit-
 commission.gov.uk

Dear Bill

Annual audit fee 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at City of York Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £248,400 (exclusive of VAT) which compares to the planned fee of £241,055 for 2008/09. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10 £	Planned fee 2008/09 £
Financial statements	150,848	130,471
Use of Resources/VFM Conclusion	94,920	108,354
WGA	2,632	2,230
Total audit fee	248,400	241,055
Certification of claims and returns	43,520	49,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for City of York Council is £248,400, which is the precise level of the audit fee for 2009/10.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. A separate plan for the audit of the financial statements will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Director of Resources and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
To address the risk of the needs of minority communities not being adequately addressed, bearing in mind the changing profile of the city's community and the relative affluence of many parts of the city.	We will carry out a case study approach to assess the way the Council and its partners have worked together to ensure equality of access to services, with a particular focus on the most disadvantaged areas of the city.	Autumn/Winter 2009
New ledger system is being introduced from 1 st April 2009	We will document and test the transactions in the ledger system (and corresponding debtors and creditors systems) to provide assurance to our opinion on the financial statements.	Autumn 2009

The council's Internal Audit is provided by a jointly owned company – Veritau – with effect from 1 st April 2009	We will review Veritau's work at the Council and assess their compliance with professional standards, and the extent to which they contribute to the Council's governance framework.	Autumn 2009
The council will need to continue its planning to implement International Financial Reporting Standards	We will review the council's progress through 2009/10 as it produces and implements a project plan.	Throughout 2009/10

I will issue a separate project specification for the Equality in Access to Services review before beginning the work.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2009/10 audit are:

Audit Manager – Alastair Newall 01904 552007 or 0844 798 6646

Team Leader – Keith Illingworth 01904 552004 or 0844 798 7141

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 Head of Operations, David Allsop (d-allsop@audit-commission.gov.uk).

Yours sincerely

John Prentice
District Auditor

cc Ian Floyd, Director of Resources
Roger Pierce, Chair of the Audit Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the audit committee.

Table 1

Planned output	Indicative date
Audit plan	April 2009
Equality in Access to Services review	TBC
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Use of resources report	September 2010
Annual audit letter	November 2010

Our reference Insp Fee

21 April 2009

Mr. B McCarthy
Chief Executive
City of York Council
Guildhall,
YORK
YO1 9QN

Direct line 0844 798 6648
Mobile 07760 173188
Email m-newbury@audit-
commission.gov.uk

Dear Mr. McCarthy

Annual inspection plan

I am writing to outline the assessment and inspection work that we propose to undertake for the 2009/10 financial year at City of York Council. The inspection fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission's inspection work, excluding any audit fees. Your appointed auditor, Mr. John Prentice, will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. After reviewing the available information I have concluded that, at present, there is no requirement for the Commission to undertake any assessment activity beyond that required to complete the managing performance element of the organisational assessment. The inspection plan will be reviewed and updated as necessary and I will maintain a dialogue with you about our planning intentions through the year.

The total indicative fee for inspection for 2009/10 is £16,630. This is the standard fee for the managing performance element of the organisational assessment. The inspection fee has been set in accordance with the Audit Commission's work programme and scales of fees 2009/10.

Assessment and inspection work plan and fee

Assessment / inspection activity	Planned fee for 2009/10
Area assessment of local partnership	n/a (CLG grant funded)
Managing performance theme of organisational assessment	£16,630
Add: Risk based inspection if applicable	nil
Total inspection fee	£16,630

If I need to make any significant amendments to the inspection plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any work you requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please contact me in the first instance. Alternatively you may wish to contact the North East and Yorkshire and the Humber Head of Operations, Dave Allsop.

Yours sincerely

Michael Newbury
Comprehensive Area Assessment Lead

cc Mr. John Prentice, District Auditor



Audit and Governance Committee

29 June 2009

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

Summary of Audit Commission National Reports

Summary

1. This paper gives a brief overview of national reports produced by the Audit Commission (AC) during 2009 to date. Whilst this report is for information only, it may prompt a request for a more detailed response from council officers, where the content of a specific report may impact on the governance or internal control arrangements of the council.

Background

Report Summaries

2. **Tired of hanging around: Using sport and leisure activities to prevent anti-social behaviour by young people (Published 28 January 2009)**

This study focuses on the role of sport and leisure activities in preventing anti-social behaviour in young people aged 8 to 19 years. These activities are part of the actions that councils and their partners can use to tackle and prevent anti-social behaviour. This study recognises, but does not cover, local agencies' work with families and young children or the role of schools in helping to prevent or address anti-social behaviour

3. **CAA framework and guidance (Published 25 February 2009)**

Following extensive consultation with government, stakeholders and local people, the partner inspectorates published the CAA framework. The framework sets out what CAA is and how it will be delivered. The AC also produced a document which outlines the changes made in the final framework compared to the summer 2008 consultation document.

4. **Final score: The impact of the Comprehensive Performance Assessment of local government 2002-08 (Published 5 March 2009)**

The report considers the extent to which CPA helped councils improve their governance, finances and services for local people, and finds that on the whole councils got better year on year during CPA, although CPA was only one element in a wider system.

5. Risk and return: English local authorities and the Icelandic banks (Published 26 March 2009)

This report examines English local authorities' deposits in the Icelandic banks and their UK subsidiaries. The AC found that the majority of councils acted properly in managing their investments and were alert to the risks. Authorities halved their investments in Icelandic banks between January and October 2008. However, one in four (127) local authorities share £954 million at risk in Icelandic banks. The report also identifies some examples of poor practice during the days leading up to the collapse of the Icelandic banks on 7 October 2008.

6. Working better together? Managing local strategic partnerships, (Published 21 April 2009)

The report reviews local strategic partnerships' (LSPs) arrangements for performance, resource management, and governance. It identifies LSPs as evolving and maturing, and that local and national partners still need to recognise the key dynamics that support partnership working. LSPs that have good, shared systems for performance management (with performance reporting, resource allocation, and risk management) will find it easier to show that they are on track to achieve agreed outcomes than those that do not.

7. Summing up: A review of financial management in local government 2005-2008. (Published 23 April 2009)

Summing up provides an overview of councils' progress in developing their financial management arrangements between 2005 and 2008, and discusses the importance of sound financial management in helping to meet the challenges facing local government in the short to medium term. Councils are accountable for around one-quarter of all public spending, and sound and strategic financial management is essential to ensure that resources are available to help

8. Managing the transition to IFRS. (Published 4 May 2009)

The third International Financial Reporting Standards (IFRS) briefing paper considers what local government bodies should be doing now as they prepare for the transition to IFRS and also highlights what the AC considers to be the most significant issues that authorities will have to address as the new standards take effect. The transition to IFRS will require careful planning and can have significant resourcing implications.

9. Room for Improvement: A review of strategic asset management in local government (Published 17 June 2009)

Nine years after its last examination of asset management, the AC finds that few councils are managing strategically their £250 billion of assets. They report that

- councils have spent £1.2 billion more on buying or refurbishing their offices than they have derived from sales
- only one in 14 (7 per cent) of councils is an exemplary manager of its assets
- in 2007/08, while 65 improved, the performance of 46 councils on asset management deteriorated (based on their UOR scores)
- a third do not yet share assets with other public services

The AC warns that, in the current economic climate, councils will need to do far better, if councils are to achieve expected savings and maintain services in the coming years. The report also calls on central government to give a clear steer on the priority for local government: should councils seek to dispose of assets to maximise receipts, or enhance estates

Consultation

10. The Audit Commission Manager and the council's Policy Officer have been consulted on the list of reports in this paper.

Options

11. Not relevant for the purpose of the report.

Analysis

12. Not relevant for the purpose of the report.

Corporate Priorities

13. This report contributes to the overall effectiveness of the council's financial, governance and assurance arrangements in the achievement of all its priorities, and in particular the Effective Organisation theme of the Corporate Strategy.

Implications

14.
 - (a) **Financial** – There are no implications.
 - (b) **Human Resources (HR)** - There are no implications.
 - (c) **Equalities** - There are no implications.
 - (d) **Legal** - There are no implications.
 - (e) **Crime and Disorder** - There are no implications.
 - (f) **Information Technology (IT)** - There are no implications.
 - (g) **Property** - There are no implications.

Risk Management

15. By not considering the content of Audit Commission Reports, the council will fail to properly comply with best practice requirements, and its Use of Resources score in CPA/CAA assessments could be adversely affected.

Recommendations

16. Members are asked to note the report and comment on any areas for further consideration by the Committee or by officers

Reason

To ensure that the council can benchmark, learn from and meet best practice requirements derived from external audit national activity and enhance its governance frameworks as a result.

Contact Details

Author:

Pauline Stuchfield
Assistant Director (Customer Service & Governance)
Telephone: 01904 551706

Chief Officer Responsible for the report:

Ian Floyd
Director of Resources

Report Approved



Date 19 June 2009

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

Audit Commission Reports as follows:

- Tired of hanging around: Using sport and leisure activities to prevent anti-social behaviour by young people, Published 28 January 2009
- CAA framework and guidance, Published 25 February 2009
- Final score: The impact of the Comprehensive Performance Assessment of local government 2002-08, Published 5 March 2009
- Working better together?: Managing local strategic partnerships, Published 21 April 2009
- Risk and return: English local authorities and the Icelandic banks, Published 26 March 2009
- Summing up: A review of financial management in local government 2005-2008, Published 23 April 2009
- Managing the transition to IFRS, Published 4 May 2009
- Room for Improvement: A review of strategic asset management in local government, Published 17 June 2009

Annexes

None



Audit and Governance Committee

29 June 2009

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

Annual Internal Audit and Fraud Plan for 2009/10

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 2009/10.

Background

- 2 On an annual basis, the Head of Internal Audit is responsible for drawing up a risk based audit plan setting out the scope of audit work for the coming year. Under the council's constitution, and in line with proper practice, the plan is required to be authorised by the Audit and Governance Committee.

2009/10 Internal Audit Plan

- 3 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.
- 4 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 (subject to resource constraints):
 - 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.
- 5 Current resources do not allow all of the systems and other auditable areas within the strategic plan to be reviewed in accordance with the required frequency. Therefore in compiling the annual plan, priority is given to high and medium risk areas. Consideration is also given to the results of consultation with senior officers and the views of the Audit and

Governance Committee (a consultation report was brought to this committee in March 2009). The following factors are also taken into account:

- a) Planned work to be undertaken by other departments within the council or external agencies.
- b) Areas of known weakness, for example issues identified through the previous CPA process or through compilation of the Annual Governance Statement.
- c) 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 (this necessitates a relatively high proportion of time to be spent reviewing corporate systems such as payroll and creditors).
- d) Resources required to investigate possible fraud and corruption and participate in the Audit Commission's National Fraud Initiative.
- e) Contingency time needed to undertake urgent or unplanned work, which may arise during the year, including special investigations.
- f) The need to undertake follow up work to assess action taken in response to recommendations made by the internal and external auditors.

6 The draft audit plan is included at Annex 1 for approval.

Counter Fraud Activity Plan

7 A copy of the draft 2009/10 counter fraud activity plan is attached as Annex 2. This is based on the resources currently available to the fraud team, and includes details of activity including:

- a) fraud awareness
- b) fraud detection and investigation
- c) proactive work.

Consultation

8 In preparing the 2009/10 audit plan, consultation has been undertaken with key officers including the Chief Finance Officer, Corporate Management Team, departmental management teams and the Audit and Governance Committee.

Options

9 Not relevant for the purpose of the report.

Analysis

10 Not relevant for the purpose of the report.

Corporate Priorities

11 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It also contributes to the Effective Organisation corporate objective.

Implications

12 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

13 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the annual audit plan is not approved by the Audit and Governance Committee. This in turn could adversely impact on the council's Use of Resources score and therefore its overall CAA score.

Recommendation

14 Members are asked to

- approve the 2009/10 internal audit and counter fraud activity plans.

Reason

In accordance with the committee's responsibility for overseeing the work of internal audit.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Ltd
Telephone: 01904 552940

Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director (Customer Service & Governance)
Telephone: 01904 551706

Report Approved



Date 16 June 2009

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Annexes

Annex 1 – 2009/10 Internal Audit Plan
Annex 2 – 2009/10 Counter Fraud Activity Plan

CITY OF YORK COUNCIL
INTERNAL AUDIT PLAN 2009/10

Code Description

Chief Executive's Directorate

- 11030 Recruitment and Selection Processes
A review of recruitment and selection processes throughout the council. The audit will review compliance with the Council's policy, in particular the arrangements for verifying employment details, undertaking Criminal Records Bureau (CRB) disclosure checks and ensuring compliance with the Asylum and Immigration Act.
- 19160 Sickness Management
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.
- 19520 Equalities
A review of the progress being made by departments to put in place arrangements to ensure compliance with equalities legislation and best practice.
- 10200 Payroll
A review of systems and controls associated with payroll processing.
- 19519 Health & Safety
A review of arrangements for managing health and safety issues.
- 10960 Chief Executive's Directorate Support, Advice & Liaison
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.

Code Description

Housing and Adult Social Services

- 11470 Homecare
Provision to provide support and advice on proposed changes to existing systems; and to assess progress made in addressing recommendations from previous audits.
- 11710 Housing Rents
A review of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.
- 11730 Housing Repairs and Maintenance
A review of the arrangements for carrying out responsive housing repairs. The audit will include the operation of the partnership arrangement with Neighbourhood Services, and will be undertaken in conjunction with a review of the building repairs and maintenance service within Neighbourhood Services.
- 11760 Blue Badge Scheme
A high level review of the arrangements for administering and policing the disabled blue badge scheme. The audit will look at arrangements for working with other departments to enforce the scheme.
- 11450 HASS Support, Advice & Liaison
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.

Code Description

City Strategy

- 10410 Property Lease Management
A review of the Council's arrangements for managing property leases.
- 10510 Section 106 Agreements
A review of the administrative arrangements for processing Section 106 Agreements (Town and Country Planning Act 1990). The audit will include a review of the systems to record and monitor payments received from developers and expenditure incurred.
- 10580 Highways Regulation
A review of highways regulatory functions for example traffic management and s38 agreements. The scope of this work will be determined in consultation with the directorate.
- 10790 Partnership Arrangements and LAA
A review of the governance arrangements associated with partnerships to ensure that appropriate safeguards are in place to protect the interests of the Council.
- 11060 Business Continuity
A review of the arrangements for business continuity planning, including an assessment of the progress made in implementing the corporate strategy and delivery plan.
- 19020 Administration Accommodation
Provision to provide advice and support in relation to the project.
- 19515 Waste PFI
Provision to provide advice and support in respect of this project.
- 10450 City Strategy Support, Advice & Liaison
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.

Code Description**Learning, Culture and Children's Services**

- 11140 Nursery Education Grants
A review of payments to private nursery providers.
- 11170 Adult and Community Education
A review of financial and administrative procedures, including budgetary control.
- 11240 Music Tuition Fees
An audit of the system for charging for music tuition including charge setting, invoicing, and collection and recovery arrangements.
- 15698 Financial Management Standard in Schools (FMSiS)
Provision to undertake the FMSiS risk assessment and make recommendations to the S151 Officer as to whether the schools have appropriate financial management arrangements in place.
- 15699 Schools
A programme of visits to schools. The audits are undertaken in accordance with a detailed risk assessment.
- 11090 LCCS Support, Advice & Liaison
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.

Code Description

Neighbourhood Services

10610 On Street Parking and Car Parks

A review of controls and administrative procedures operating within the parking service, including those associated with:

- income collection and banking
- enforcement activities
- the recovery of unpaid penalty charges, and
- the issuing of residents parking and other permits.

The audit will also review the controls over income security and performance management arrangements.

10930 Building Repairs and Maintenance

A review of the arrangements for carrying out responsive housing repairs. The audit will include the operation of the partnership arrangement with HASS, and will be undertaken in conjunction with a review of the housing repairs service within HASS.

10830 Neighbourhood Services Support, Advice & Liaison

Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.

Code Description**Resources**

- 10120 Main Accounting Systems
A review of the arrangements for managing and maintaining the financial ledger. The time allocated includes a provision for assessing changes to controls as a result of the introduction of the new FMS on 1 April 2009. The audit will include a review of:
- 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.
- 10140 VAT Accounting
A 'healthcheck' review of key controls to ensure compliance with VAT accounting requirements.
- 10150 Treasury Management and Prudential Code
A review of the key controls associated with treasury management. The review will also examine the arrangements for borrowing within the Prudential Code framework.
- 10180 Ordering and Creditor Payments
A review of the systems for ordering goods and services and processing creditor invoices. The audit will include an assessment of changes to controls as a result of the introduction of the new FMS on 1 April 2009.
- 10190 Customer Accounts (Debtors)
A review of the systems for raising debtor invoices and collecting income, and credit control and debt recovery arrangements. The audit will include an assessment of changes to controls as a result of the introduction of the new FMS on 1 April 2009.
- 10310 Council Tax and NNDR
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.
- 10320 Council Tax Benefits and Housing Benefits
A review of the systems and processes for paying Council Tax Benefit and Housing Benefit.

Code Description

- 10330 Cashiers & Income Management
A review of overall income management arrangements and administrative processes for processing payments (eg cash handling controls and security). The 2009/10 audit will include a brief review of arrangements for income collection within the library service.
- 10430 Risk Management
A review of the council's risk management arrangements.
- 19040 Replacement FMS System
Provision to provide advice and support in respect of the project.
- 10110 Resources Support, Advice & Liaison
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls.

Code Description**Corporate and Cross Cutting Audits**

- 10240 IT Advice and Support
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, not specifically covered by other audits.
- 10400 Asset Management
A review of the arrangements for managing the council's fixed assets and systems for accounting for assets.
- 10740 Pool Cars
A review of arrangements for providing pool cars, and staff transport.
- 19095 Efficiency & Value for Money
A review of overall arrangements for ensuring council services are provided efficiently and achieve value for money.
- 11050 Performance Management
A review of overall systems for managing performance both corporately, and within directorates.
- 10260 Information Security
A review of controls over data security including information stored on portable devices and removable media, transmission of data, and remote access. Time is also included for a review of controls associated with the Every Child Matters database.
- 10530 Environment & Sustainability Issues
A review of the council's arrangements for addressing environment and sustainability issues in relation to the services it provides.
- 11040 Performance Indicators
A review of systems for the collection of performance data, to ensure the quality of data is robust.
- 11280 Transport
A review of the arrangements for providing transport for customers eg social care and home to school transport. This will include procurement arrangements and controls over the provision of the service.
- 19050 National Fraud Initiative
Provision to undertake work in relation to National Fraud Initiative data matches.

Code	Description
19080	<u>Procurement & Contract Management</u> A review of arrangements within the council for procuring goods and services. The audit will look at systems for ensuring that the council obtains best value through its procurement arrangements, and that procurement is carried out lawfully and in accordance with the council's Financial Regulations.
19090	<u>Budgetary Control</u> A review of systems for managing the council's budget including corporate arrangements and procedures in place within each directorate.
19091	<u>Financial Planning & Budget Setting</u> A review of the arrangements for medium term financial planning and preparation of annual budgets.
19100	<u>Staff Registers of Interests and Gifts & Hospitality</u> A review of compliance with council policy in relation to registers of interests and acceptance of gifts and hospitality.
19110	<u>Annual Governance Statement & Governance Support</u> Provision to provide support in relation to governance arrangements, including preparation of the Annual Governance Statement.
19120	<u>Project Management</u> A review of corporate arrangements for ensuring that projects are correctly planned and managed.
19200	<u>Breaches and Waivers</u> A review of compliance with council Financial Regulations and preparation of the annual breaches and waivers report for the Audit & Governance Committee.

Code Description**Other Chargeable Audit Work**

- 17030 External Audit Liaison
Provision for regular liaison and information sharing with the Audit Commission.
- 19000 Contingency Assignments
Provision to undertake additional work in response to:
- specific requests from the Chief Finance Officer (S151 Officer), Audit and Governance Committee, or the Assistant Director (Customer Service & Governance)
 - 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.
- 19060 Follow Up Audits
Provision to follow up previously agreed audit recommendations.
- 19070 Special Investigations
Provision to undertake investigations into suspected fraud, corruption or other wrongdoing.
- 19240 Audit and Governance Committee
Provision to prepare reports for the Audit and Governance Committee and attend meetings.
- 17010 Strategic & Annual Audit Plans
Preparation and monitoring of strategic and annual audit plans.

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**CITY OF YORK COUNCIL
COUNTER FRAUD ACTIVITY PLAN 2009/10**

Fraud Awareness

Training

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.

General Fraud Awareness

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.

Advice and Guidance

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).

Public Awareness

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.

Fraud Detection and Investigation

The Investigation of Suspected Frauds

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.

Financial Investigations

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.

Data Matching

Provision to check data validity and investigate potential frauds identified through bulk data matching exercises, including;

- the monthly Housing Benefit Matching Service (HBMS);
- the National Fraud Initiative;
- local data matching exercises.

Prosecutions and Sanctions

Provision to prosecute or apply sanctions against claimants found to have committed fraud.

Proactive Investigations

Unannounced Visits

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.

Targeted Investigations

A programme of work targeted at high risk categories of claimants to confirm their entitlement to benefit.

Reporting and Feedback

General

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.

Other

Review of the Anti Fraud and Corruption Policy and related guidance and policies.

Ongoing maintenance, review and update of the fraud case management system and related investigation procedures.

Liaison with the DWP Counter Fraud Investigation Service (CFIS), the National Investigation Service, Police, Inland Revenue, other Local Authority Fraud Investigators, and other stakeholders.

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