

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, 26 April 2010
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. Exclusion of Press and Public

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

Annex B to Agenda Item 8 (Key Corporate Risk Monitor Quarter Four 2009/10) on the grounds that it contains information relating to negotiations in connection with a labour relations matter arising between the authority and employees of the authority. This information is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

3. Minutes (Pages 3 - 10)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 15 February 2010.

4. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Friday 23 April 2010**.

5. Audit & Governance Committee Forward Plan to February 2011 (Pages 11 - 16)

This report presents the future plan of reports expected to be presented to the Committee to February 2011. It includes any training/briefing events to support members in their role on the Committee.

6. Audit Commission Audit Plan 2010/11 (Pages 17 - 24)

This report presents the Audit Commission's Annual Audit Plan for 2010/11, and associated fee structure.

7. Review of Internal Audit (Pages 25 - 36)

This paper introduces a report by the Audit Commission setting out their findings from a recent review of the Council's arrangements for internal audit.

8. Key Corporate Risk Monitor Quarter Four 2009/10 (Pages 37 - 62)

This report presents details of the revised risks associated with the refreshed Key Corporate Risks (KCRs) as at the fourth quarter for 2009/10.

9. The Role of the Audit & Governance Committee in the Scrutiny of the Treasury Management Strategy (Pages 63 - 70)

This report provides an update on the new requirements for the council to comply with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance.

10. International Financial Reporting Standards (IFRS) Update (Pages 71 - 74)

This report provides an update on progress being made towards implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

11. Review of the Effectiveness of the System of Internal Audit 2009/10 (Pages 75 - 86)

This report advises Members of the process and the outcomes of the 2009/10 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 2009/10 draft Annual Governance Statement.

12. Audit and Counter Fraud Mid-Term Monitor (Pages 87 - 110)

This report provides details of the progress made in delivering the Council's internal audit and counter fraud work plan for 2009/10.

13. Follow Up of Internal Audit Recommendations (Pages 111 - 114)

This report sets out the progress made by directorates in implementing those agreed audit recommendations which were due to have been implemented by 1 March 2010.

14. Draft Annual Governance Statement 2009/10 (Pages 115 - 128)

This report invites Members to consider the draft 2009/10 Annual Governance Statement, the final version of which is to be presented as part of the Statement of Accounts for 2009/10 at the next meeting of this committee on 29 June 2010.

15. Internal Audit & Counter Fraud Plan 2010/11 (Pages 129 - 146)

This report seeks Members' approval for the planned programme of audit and fraud work to be undertaken in 2010/11.

16. Review of Overview & Scrutiny Work 2009/10 (Pages 147 - 152)

This report provides information on the work and outcomes of the Council's overview & scrutiny committees during 2009/10, which may impact on the Audit & Governance Committee's opinion of the Council's internal control framework.

17. Protecting the Public Purse - Self Assessment Checklist
(Pages 153 - 160)

This report provides Members with the results of a self assessment of the Council's counter fraud arrangements following the publication of the Audit Commission's national report '*Protecting the Public Purse – local government fighting fraud*' in September 2009.

18. 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:

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

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

Further information about what's being discussed at this meeting

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

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Holding the Executive to Account

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

Scrutiny Committees

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

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

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;
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City of York Council

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	15 FEBRUARY 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), BOWGETT, JAMIESON-BALL, KIRK, R WATSON AND GUNNELL (SUBSTITUTE)
APOLOGIES	COUNCILLORS SCOTT

55. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda. None were declared.

56. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee held on 21 December 2009 be approved and signed by the Chair as a correct record.

57. PUBLIC PARTICIPATION

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

58. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN

Members considered a report which presented an indicative rolling forward plan of items expected to be brought to the Committee to December 2010.

As previously proposed, the forward plan attached as an annex to the report now reflects the increase to 6 meetings in each municipal year. The taster session which was to be held before the meeting had been deferred due to the addition of four reports to the agenda. The plan reflected the deferral of the Audit and Fraud Update to April 2010 and also a report in the same month to inform Members of the Draft Annual Governance Statement. Officers pointed out that the Treasury Management Strategy would be brought to the next meeting of the Committee.

RESOLVED: (i) That the Committee's Forward Plan for the period up to December 2010 be noted.

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

59. AUDIT COMMISSION OPINION AUDIT PLAN 2009/10

Members considered a report which presented the Audit Commission's Opinion Audit Plan for 2009/10.

The Audit Commissions Opinion Audit Plan was set out as an Annex to the report. It detailed the work to be conducted by the District Auditor in relation to the audit of financial statements 2009/10. The Plan has taken account of:

- National risks
- The inherent audit risks arising from previous audit work carried out at the council including Internal Audit work and previous inspection findings.
- The requirements of the Code of Audit practice in discharging their statutory responsibilities in the conduct of the audit.

The current Audit Commissioner advised that the way the Audit Commission requires audit work to be planned is an ongoing process and that any changes between the present time and June will be incorporated into a refreshed document and will be reported back to Members in order to keep them in the picture.

Officers introduced Lynne Hunt who will be the new Audit Commissioner.

RESOLVED: (i) That Members noted the matters set out in the Opinion Audit Plan.

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

RESOLVED: (ii) That Members agree that the plan sufficiently reflects 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.

60. GRANT CLAIMS CERTIFICATION REPORT 2008/09 (AUDIT COMMISSION)

Members considered a report which introduced the Certificate of Claims and Returns Report 2008/09 as produced by the Audit Commission. The report reviewed the council's arrangements for the preparation and administration of grant claims within the council.

The Audit Commission's report was attached at Annex A. The report identified that the Audit Commission was responsible for certifying claims and returns to the value of £140.3m in 2008/09, this certification work

being charged on an hourly basis to the council. The report concluded that the council had improved its grant claim arrangements from 2007/08. Although similar propositions of grant claims had been amended or qualified, more submission deadlines had been met and fewer delays occurred in those where the deadline was not met.

Further improvements would be taken on board through the action plan at appendix 3 of the report. A further report would be brought to the Committee in April to keep Members informed on any changes implemented.

RESOLVED: (i) That the content of the Certification of Claims and Returns report 2008/09 be noted.

REASON: To enable Members to consider the effectiveness of the council's grant administration activity, and in particular the areas for improvement identified within the report.

61. KEY RISK UPDATE

Members considered a detailed risk paper which responded to their request in December 2009 for further information in relation to the risk surrounding the University Swimming Pool and an update in relation to Member Risk Management training.

The Member Risk Management training would be going ahead on the 16 March 2010 at the Guildhall and would assist Members in understanding the council's risk management system and risk reports to assist them in identifying opportunities for effective challenge which would enhance the council's system for internal control.

The report advised that the University Swimming Pool forms one of the key risks contained within the council's corporate risk register in relation to the Capital Programme. A report provided by the Director of Learning Culture and Children's Services which outlined the key issues and challenges presented by the University Pool was attached at Annex A. The city currently has demand for an additional twelve, 25m lanes of swimming space and the University project is the agreed vision for delivering this. A £4m funding gap currently remains and work is continuing to evaluate opportunities that may be presented by different funding arrangements.

Following a full discussion on the content of the reports, Members requested a further information report on the review which had been undertaken by the Council and the University to identify further funding, as outlined in paragraph 8 of the report at Annex A. Members also requested whether an individual could attend on behalf of the University to address the Committee at a future meeting.

RESOLVED: (i) That Members note the risks set out in the report and the report attached at Annex A.

- (ii) That a further report be brought to the Committee following the review referred to in paragraph 8 of the report attached at Annex A and Officers to look into a representative of University attending a future Committee meeting.¹

REASON: To provide assurance that risks to the council are continuously reviewed and managed.

62. PETITIONS REPORT

Members considered a report which outlined details of current definitions contained within the petitions guidance. It updated Members on the latest legislative position, with regard to the introduction of e-petitions and corporate practices surrounding the handling of petitions with local authorities.

The report informed Members of the current legislative position. Officers advised that further guidance was expected later in the month and pointed out that the definition of petitioners outlined at paragraph 6 of the report, could be subject to change.

Members queried the definition of 'lives in the local authority area' and whether this would be based on the Electoral Roll, and if second home owners could be petitioners. Officers advised this would be looked into.

RESOLVED: (i) That Members noted the guidance relating to petitioners and who can be one as outlined in paragraph 6 of the Officers report.

(ii) That a further report will be received in due course on the implementation of a petitions scheme and e-petitions facility when more information is available from the Department of Communities and Local Government, as the duty to respond to petitions progresses.

REASON: In order to comply with the legal requirements for introducing this duty.

63. DRAFT INFORMATION GOVERNANCE POLICY AND STRATEGY

Members considered a report which asked them to discuss and comment on the proposed framework for improving Information Governance arrangements in the council as laid down in the draft policy and strategy documents which were attached at Annex A and Annex B to the report.

The draft Information Governance had been developed to incorporate the core measures identified in the Government's Data Handling review and the HMG Security Framework.

In response to questions from Members, Officers confirmed that there are technical solutions to stop the downloading of sensitive information

alongside the use of IT policies. It would take time to update and introduce such policies but is something that could be done.

Officers advised that if the Council failed to comply with legislative and best practice requirements the associated risk would be the possibility of being fined up to a maximum of £500,00.

RESOLVED: That Members note the content of the draft documents in Annex A and Annex B.

REASON: To ensure future arrangements adequately manage the council's Information Governance risks.

64. UPDATE ON COUNTER FRAUD POLICIES

Members considered a report which invited them to comment on the content of the counter fraud and corruption policy and the counter fraud and corruption prosecution policy.

In accordance with best practice, the council maintains policies on countering fraud and corruption and prosecuting in cases where fraud is proven. The approval of these policies is the responsibility of the Executive Member for Corporate Services. The Audit and Governance has a responsibility for overseeing counter fraud work as a part of the council's governance framework, and specifically for monitoring these policies.

RESOLVED: That members noted the proposed changes to the Council's counter fraud and corruption policy and fraud and corruption policies and procedures.

REASON: To ensure counter fraud procedures and policies are up to date as part of their responsibility for overseeing the council's overall governance framework.

65. INTERNAL AUDIT PLAN CONSULTATION

Members considered a report which sought their views on the priority of internal audit work for 2010/11 so as to inform the preparation of the annual audit plan. In addition the report sought approval for the adoption of a new internal audit strategy. The finalised audit plan would be presented to the next meeting of the Committee for approval.

In accordance with the CIPFA Code of Practice for Internal Audit (the Code of Practice), audit plans are prepared on the basis of a risk assessment process. The risk assessment methodology is designed to ensure that the limited audit resources available are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of the council's corporate priorities. Consultation with members and with senior council officers is an essential part of the risk assessment process, to ensure that their views on the risks facing the organisation are taken into account.

Members queried why Section 106 agreements, particularly in reference to the University Pool, are classed as medium risk. Officers advised that in relation to other areas, Section 106 agreements are a medium risk. Individual directorates look at their own risks and review them frequently.

RESOLVED: (i) That the relative risks of the audits set out in Annex 1 be noted and Members comments regarding Section 106/University Pool be noted.

REASON: To ensure scarce audit resources are used effectively.

RESOLVED: (ii) That the audit strategy at annex 2 of the report be approved.

REASON; To ensure compliance with proper practice.

66. SUMMARY OF AUDIT COMMISSION NATIONAL REPORTS

Members considered a report which provided a brief overview of the national reports produced by the Audit Commission (AC). The last summary, presented to the Audit and Governance Committee in June 2009, covered reports up to 17 June, and the current report continues from then to 31 January 2010. Whilst the report was for information only, Members may require a more detailed response from Officers regarding how the content of specific reports may impact on the governance or internal control arrangements of the council.

A report produced by the Audit Commission entitled 'Protecting the Public Purse' was attached as an Annex to the report as it was considered relevant to the Committee.

Members queried the checklist contained in the annexed report on page 159 of the agenda, in particular question 19 on page 160 of the agenda which referred to recruitment fraud. Officers advised that the Executive Member for Corporate Services had requested a checklist to see what the Council is doing against the Government recommendations in April and that this Committee would also receive a report to that effect around the same time.

RESOLVED: That Members noted the report and annex and noted that a further report would be brought back in April 2010.

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.

67. AUDIT & GOVERNANCE COMMITTEE'S RELATIONSHIPS WITH OTHER COMMITTEES

Further to the meeting of the Audit and Governance (A&G) Committee on 21 December 2009, as part of the review of the terms of reference of the Committee, the following was considered:

“Under the Comprehensive Area Assessment, in the Organisational Assessment (Use of Resources Key Lines of Enquiry), a ‘performing well’ local authority will have an audit committee which ensures it is aware of the work undertaken by other committees for example the scrutiny committee, so it can take account of any significant internal control issues.”

This follow up report was requested to consider how an approach to the above may be developed in City of York Council. The report summarised the key committees with which A&G had a relationship and how key internal control issues could be communicated to A&G members.

Paragraphs 3 to 8 of the report outlined the committees and the current relationship with each and method of liaison. In particular the Standards Committee had been identified as a committee which shared the same work area. Officers advised that the Assistant Director of resources had already made contact with the Chair of the Standards Committee with a view to arranging a meeting with both Chairs to discuss a way forward.

RESOLVED: (i) That Members agreed that existing relationships with Executive and Council should continue as laid down in the council’s constitution.

(ii) That members agreed that the Assistant Director of Resources (Customer Service & Governance) discusses future liaison arrangements between the Standards and A&G Committees with the respective Chairs, and brings back proposals for future working to the April committee;

(iii) That Members agreed that future arrangements for reporting the internal control-related outcomes of Overview and Scrutiny Committee work by selecting both either option(s) in paragraph 8 of the officers report.

REASON: To improve committee member’s awareness of activity and outcomes from other committees work where it could influence the work and opinion of the A&G Committee.

Cllr. B Watson, Chair

[The meeting started at 5.30 pm and finished at 7.20 pm].



Audit and Governance Committee

26 April 2010

Report of the Director of Customer & Business Support Services

Audit & Governance Committee Forward Plan to February 2011

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee to February 2011. The plan now includes any training/briefing events to support members in their role on the Committee.

Background

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for the remaining meetings to February 2011. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.

Consultation

3. The Forward Plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

7

(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

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

Recommendations

9

- (a) The Committee's Forward Plan for the period up to December 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.

Contact Details

Author:

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& Governance)
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Chief Officer Responsible for the report:

Ian Floyd
Director of Resources
Telephone: 01904 551100

Report Approved



Date 13.4.10

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 to February 2011

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Audit & Governance Committee Draft Forward Plan to February 2011

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

- **June 2010 (to be arranged)**

Separate Statement of Accounts Briefing

- **Committee 29 June 2010**

Annual Internal Audit Report 2009/10

Annual Governance Statement 2009/10

Draft Statement of Accounts 2009/10

Audit Commission reports as per agreed Audit & Inspection plan

- **Committee 28 July 2010**

Risk Management Quarterly Monitoring Report

IFRS Update

CAA Update from the CAA Area Lead

Treasury Management Annual Report

Audit Commission national reports summary

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee 29 September 2010**

Annual Governance Report

Corporate Governance Update

Risk Management Quarterly Monitoring Report

Treasury Management Qtr 1 Monitor

Follow-up of Internal and External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

Audit Commission national reports (if any)

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee December 2010**

CAA Outcomes & Annual Audit Letter – Audit Commission (if published)

Data Quality Progress Report

IFRS Update

Key Risk Update

Treasury Management Qtr 2 Monitor (and half-year update)

Internal Audit & Fraud Plan Progress Report

Audit Commission national summary

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **February 2011**

Update of Counter Fraud Policies

Internal Audit Plan Consultation

Risk Management Quarterly Report

Treasury Management Qtr 3 Monitor

Treasury Management Strategy

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)



Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service & Governance)

Audit Commission Audit Plan 20010/11

Summary

1. This report presents the audit plan and associated fee structure of the council's external auditor, the Audit Commission. The Plan is attached at Annex A.
2. The draft Inspection Plan for 20010/11 which covers the Comprehensive Area Assessment is still under discussion and will be presented to the June or July meeting of this committee.

Background

3. The audit plan sets 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 Organisational Assessment findings in the Comprehensive Area Assessment (CAA) ;
 - the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit.

Consultation

4. The Plans have been consulted on with the relevant responsible officers prior to them 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 20010/11 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 Plan presented by the District Auditor;

Reason

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

b) agree the Plan having first considered whether it sufficiently reflects 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:

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services
Telephone: 01904 551100

Report Approved



Date 13.4.10

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annual Audit Plan 20010/11 (Annex A)

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29 March 2010

Ms K England
 Chief Executive
 York City Council
 The Guildhall
 York
 YO1 0EG

Dear Ms England,

2010/11 Audit Fees

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at York City Council. This 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 Commission for 2010/11. It reflects only the audit element of our work, excluding any inspection and assessment fees. Your Audit Commission Comprehensive Area Assessment Lead will be writing to you separately on these fees.

As I have not yet completed my audit for 2009/10 the audit planning process for 2010/11, 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 2010/11 is £248,900. Fees will also be payable in respect of certification of claims and returns, and the Audit Commission's National Fraud Initiative. A summary of this information, with 2009/10 comparatives, is shown below:

Table 1 2010/11 audit fee

Audit Area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£158,556	£150,848
Use of Resources/VFM conclusion	£87,694	£94,920
Whole of Government Accounts	£2,650	£2,632
Total Audit Fee	£248,900	£248,400
Certification of claims and returns	£42,700	£43,520
National Fraud Initiative	£3,650	0

The Audit Commission has published its work programme and fee scales for 2010/11. The Audit Commission scale fee for York City Council is £249,260. The fee proposed for 2010/11 is 0.15% below this scale fee and within the normal level of variation specified by the Commission.

The increase in fees for the financial statements element of the audit reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards. Changes in international auditing standards will also increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of these additional requirements within the fee.

In setting the fee, I have assumed that the quality of the financial statements and supporting working papers submitted for audit will have improved compared to that we have received in previous years. A separate opinion plan for the audit of the financial statements will be issued in 2011 and will detail the risks we have identified, planned audit procedures, and any changes in fee. If I need to make any significant amendments to the audit fee during the course of our work 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 those charged with governance.

My use of resources assessment will be based on the evidence from three themes, as follows:

- 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 scale of fees for 2010/11. The reduction in fees for this component of the audit reflects a more proportionate approach which:

- builds on the findings from previous years' work,
- has regard to the work done by other regulators and assessors; and
- focuses more clearly on value for money and cost savings delivery in view of the economic climate generally, and proposed changes at York City Council specifically.

Work on use of resources informs my 2010/11 value for money conclusion. As part of this work I will also consider any significant local risks we have identified, the arrangements put in place by the Council to mitigate these risks, and then plan my work accordingly.

My initial risk assessment for value for money audit work is shown in the table below. Outcomes from this local risk based audit work will be reported through use of resources judgements and the annual audit letter to members. In addition, we will continue to follow up and report on progress made by the Council in respect of action plans agreed in previous years.

Table 2 Value for money

Risk identified	Planned work	Timing of work
<p>The Council has embarked on an ambitious transformation programme, based on delivery of:</p> <ul style="list-style-type: none"> • More 4 York efficiency programme • management restructure • office relocation <p>These initiatives will challenge staff capacity and there is also a risk to the Council's financial position if anticipated savings are not delivered.</p>	We will track progress on these initiatives and assess how well the risks relating to them are being identified, managed and reported.	Ongoing throughout 2010 and 2011.
<p>Delivery of the new Waste PFI scheme has been identified as a key business risk in the Council's most recent risk register update (Q3 2009/10)</p>	We will track progress on this initiative in terms of its legal, financial and accounting implications as well as the expected service delivery benefits and impact on local people.	Ongoing throughout 2010 and 2011.
<p>The recent CAA report highlights that tackling health inequalities is an important priority for local people, but an area where many organisations experience difficulty in setting clear objectives, identifying outcomes and demonstrating value for money.</p>	We will assess progress made by the Council and its partners in this important area.	Ongoing throughout 2010 and 2011.

I will issue a number of reports relating to my work over the course of the audit, these are listed below:

Table 3 Planned outputs

Planned output	Indicative date
Opinion audit plan	January – March 2011
Annual governance report Audit opinion and value for money conclusion	September 2011
WGA opinion	October 2011
Use of resources report	November 2011
Annual audit letter	December 2011

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Any such pieces of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for 2010/11 are:

- Lynn Hunt – Audit Manager
- Allan Humphreys – Performance specialist
- Keith Illingworth – Team Leader

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 Northern Region Head of Operations (d-allsopp@audit-commission.gov.uk).

Yours sincerely

Steve Nicklin
Engagement Lead

Cc Ian Floyd, Director of Resources (at Library Square)



Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Business & Support Services (Customer Service and Governance)

Review of Internal Audit

Summary

- 1 This paper introduces a report by the Audit Commission (see annex 1) setting out their findings from a recent review of the council's arrangements for internal audit.

Background

- 2 The Accounts and Audit Regulations 2003 (as amended) require the council to maintain an effective system of internal audit. The Audit Commission conduct periodic reviews of internal audit to ensure that the council meets this requirement and that the arrangements for undertaking internal audit work comply with proper professional practice (as determined by the CIPFA Code of Practice for Internal Audit). These reviews are conducted every three years, or whenever there is a significant change in internal audit arrangements. The current review was triggered by the transfer of internal audit provision to Veritau from April 2009.
- 3 Details of the review are included in the Audit Commission Report at annex 1. The review has concluded that the internal audit service provided by Veritau continues to meet its professional and statutory duties. No significant areas of concern have been identified and no recommendations for improvement were made.

Consultation

- 4 The report has been discussed and agreed by officers.

Options

- 5 Not relevant for the purpose of the report.

Analysis

- 6 Not relevant for the purpose of the report.

Corporate Priorities

- 7 This report contributes to the overall effectiveness of the council's governance and assurance arrangements. In doing so it contributes to the corporate objective of making the Council an Effective Organisation.

Implications

- 8 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

- 9 The council will fail to comply with legislation if it does not maintain an effective system of internal audit.

Recommendation

- 10 Members are asked to note the contents of the report.

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 13 April 2010

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 – Audit Commission Report on the Review of Internal Audit 2009/10

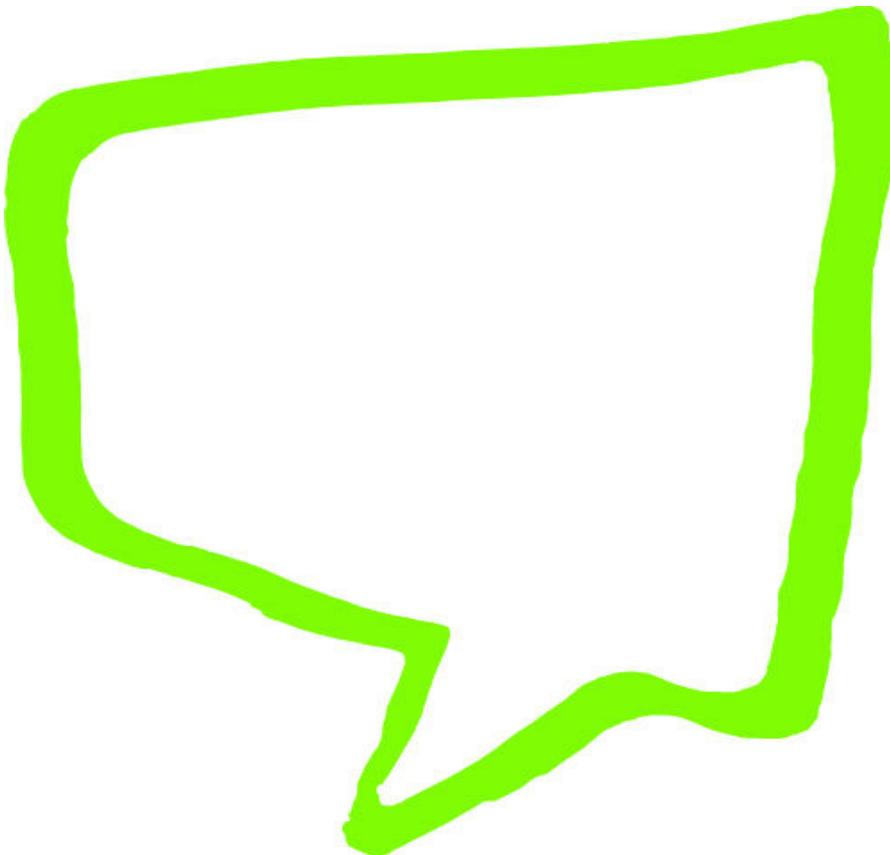
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Review of Internal Audit

York City Council

Audit 2009/10

March 2010



Contents

Introduction	3
Audit approach	4
Main findings	5
Main conclusions	6

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.
-

Introduction

- 1 The Accounts and Audit Regulations 2003 (as amended) require local authorities to maintain an internal audit function, and to conduct an annual review of its effectiveness. As external auditors, part of our assessment of the Council's overall control environment requires us to consider whether Internal Audit arrangements are both adequate in principle and properly applied in practice. We are required to make this assessment at least once every three years, or whenever there is a significant change in Internal Audit arrangements.
- 2 Since September 2007, North Yorkshire County Council and York City Council have been working in partnership to develop a shared service covering all the functions of internal audit, counter fraud and information governance. A limited company – Veritau – was established as the vehicle to take forward this arrangement and internal audit staff from both councils were transferred to this company with effect from 1 April 2009. This change has triggered the need for us to update our review.

Audit approach

- 3 Professional standards for Internal Audit are contained in the CIPFA Code of Practice for Internal Audit in Local Government. Our review has focussed on a comparison of Internal Audit's working practice against the Code of Practice requirements, with particular reference to :
- a review of Internal Audit's organisational structure;
 - the contents of Internal Audit's 2009/10 work plan;
 - staffing and resourcing arrangements;
 - a review of Internal Audit's Audit Manual against the professional and statutory requirements contained within the Code; and
 - a sample review of Internal Audit's files.
- 4 Our findings are set out below.

Main findings

Organisational structure

- 5 Internal Audit's formally approved terms of reference are set in the Council's Financial Regulations. These are comprehensive, and kept up to date. Their scope is appropriate to a local authority internal audit function.
- 6 Internal Audit are clearly independent of the Council, as staff are employed by a separate organisation, and they have no operational responsibilities that could compromise the scope of their work.
- 7 The Council has an independent Audit and Governance Committee which has been identified within the organisation as "those charged with governance". The Committee approves Internal Audit's work plans, reviews progress during the year against plan and considers Internal Audit's annual report.

Staffing and training

- 8 Internal Audit is adequately resourced. Most staff either have, or are studying for, professional qualifications and other staff have extensive internal audit experience. Joint arrangements with North Yorkshire County Council, delivered through Veritau, provide benefits in terms of offering staff wider experience and the scope to develop more specialist skills.
- 9 A training plan is in place and kept up to date. Staff with professional qualifications are required to comply with their institute's requirements for continuing professional development.

Audit strategy and planning

- 10 Internal Audit's annual work plan is approved by the Audit and Governance committee. This plan is developed using a risk-based approach. Systems identified in the plan as key are tested annually, in addition there is:
 - cyclical coverage of non-key systems and processes
 - adequate coverage of fraud and corruption risks
 - regular visits to schools, leisure centres and other council establishments.
- 11 The Assistant Director of Resources (Governance and Customer Services) reviews and challenge the proposed audit plan before it is finalised and presented to members for approval.

Undertaking audit work

- 12 There is a comprehensive audit manual, which is designed to meet Code of Practice requirements. The sample of audit files we tested confirmed that the requirements of the manual are being met in practice. Sufficient evidence is retained on file to support the judgements made and conclusions reached, and work is subject to an appropriate level of review.

Main conclusions

- 13** Internal Audit continues to meet its professional and statutory duties, and our review did not identify any significant areas of concern.

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.

Copies of this report

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

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

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Audit & Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service & Governance)

Key Corporate Risk Monitor Quarter Four 2009/10

Summary

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) the revised risks associated with the refreshed Key Corporate Risks (KCRs) as at the fourth quarter for 2009/10.

Background

2. The KCRs are reported to both A&G and Corporate Management Team (CMT) on a quarterly basis as part of the council's overall governance arrangements. The KCRs were reviewed at a session of the Corporate Leadership Group (CLG) in June 2009 and approved by A&G and CMT in September 2009.

Quarter Four Monitor

3. The position of the revised KCRs at the end of the fourth quarter of 2009/10 are set out at Annex A and confidential Annex B 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.
4. Whilst A&G can review the monitor (Annex A & B) in its entirety they may wish to consider some of the following risks in more detail, given the high risk assessment scores:

KCR 0003 Waste Management Strategy Partnership

- Failure to secure planning consent
- Solution is unaffordable

KCR 0010 Emergency Planning & Business Continuity

- Inability to respond to multiple incidents

KCR 0014 Equal Pay

- Potential for Administrative Professional Technical & Clerical (APTC) claims

KCR 0015 Fairness & Inclusion

- Failure to comply with Equalities legislation and best practice

KCR 0016 Capital Programme

- Failure to obtain funding for Access York phase 1
- Failure to deliver York University Pool by 2011
- Failure to achieve planning approval (Admin Accom)

KCR 0017 More for York

- Lack of resource to deliver organisational design work
- Risk of identified savings not been achieved

KCR 0018 Impact of an Ageing Population

- Increasing social care support costs

5. In terms KCR0014 'Equal Pay' the risk in relation to the signing of the 'memorandum of understanding' has been removed following its signature.
6. More detailed information can be provided by the appropriate risk owner from the relevant directorate, if it is required in relation to any of the above risks or any others contained within the monitor.
7. The dynamic nature of the council especially at a time when it is undergoing fundamental change in it's structure means that new risk focus areas may arise between the formal CLG risk identification sessions. It is important that both A&G and CMT keep the KCR's under constant review and suggest additional risks to be added where appropriate.
8. As a result of the process outlined at paragraph 6 above CMT have suggested adding Climate Change to the KCR's. This follows a report to CMT on the initial findings from the York Local Climate Impact Profile Study. A&G may wish to invite the report author to the 28 July committee to provide more detail and assurance around how this specific risk is being managed or suggest an alternative risk to review.

Directorate High & Critical Risks

9. In terms of High and Critical directorate risks that A&G may wish to consider outside of the KCRs there have been no risks raised from Directorate Management Teams this quarter.

Other matters

10. The Organisational Review and the change in Chief Officer portfolios will lead to changes in lead officer responsibility for the KCRs. Any changes will be reflected in the 2010/11 monitor reports.
11. The MoreforYork risks have now been defined in detail, but further work is required to specify mitigating action and target dates within the register.

Options

- 12 Not applicable.

Corporate Strategy

13. The effective consideration and management of risk within all of the council's business processes will contribute to achieving an 'Effective Organisation' and aid the successful delivery of each theme within 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. In compliance with the council's Risk Management strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the

council's internal control environment and avoid criticism within the Organisational Assessment under CAA.

Recommendations

16. Audit & Governance Committee are asked to:

- a) Consider, comment and agree on the risks set out at Annex A, confidential Annex B and paragraph 4 of this report;

Reason

To provide assurance that risks to the council are continuously reviewed and updated.

- b) Consider the climate change risk or an alternative risk report for A&G in July as set out at paragraph 7;

Reason

To provide assurance that key risks are regularly monitored and reviewed

- c) Recommend the climate change KCR be approved by Executive and added to the recently refreshed KCR Register.

Reason

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

Contact Details

Author:

David Walker
Head of Financial Procedures
Phone No. 01904 552261

Claire Rogers
Risk Management Officer
Phone No. 01904 551156

Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director of Customer Service &
Governance

Report Approved

Date 13.4.10

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Key Corporate Risk Monitor Quarter Three 2009/10.

Annexes

Annex A – Key Corporate Risk Monitor

Annex B – Confidential Risks

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KCR 0003 Waste management strategy partnership

Corporate Lead Bill Woolley

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

Waste Management Strategy Partnership**City Strategy****Project delays**

Risk Owner: Bill Woolley

High

20

Cause Failure to communicate to stakeholders regarding the benefits and requirement for a treatment site.
Failure to secure and/or demonstrate adequate consultation.
Stakeholder issues arise to do with planning and design, due to negative perception of treatment plants and technologies.

Consequence This could result in judicial review, objections of planning permission, protests, public enquiry and significant delays to the project and increase costs.

Controls

Communication Strategy
Public Consultation
Communication Plan
Work with bidders and NYCC planners
Project programme includes time for planning debate
Work to ensure the site is deliverable
Early feasibility study to be carried out to identify possible areas of concern

Owner

Bill Woolley
Bill Woolley
Bill Woolley
Bill Woolley
Bill Woolley
Bill Woolley
Bill Woolley

Actions

Work with planning department
Consultation to be completed as statutory consultation on planning

Target Date

31/08/2010
31/08/2010

Revised Date

Failure to secure planning consent

Risk Owner: Bill Woolley

High

19

Cause Failure to secure planning consent on any of the selected sites. If there is not enough 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 project.

Controls

- Identification of suitable alternative sites
- Environment Impact Assessment
- Participants working closely with planning department re design and site plan
- Council engagement with statutory consultees
- Engagement with Government Office
- Requirement of bidders to demonstrate how they plan to ensure planning success
- Post preferred bidder to work closely with participant through planning - commu

Owner

- Bill Woolley

Solution is unaffordable

Risk Owner: Bill Woolley

High

19

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. Inability to obtain agreement with Treasury/DEFRA resulting in failure to get Final Business Case approval.

Consequence The cost of this facility highly significant but lower than the penalties. The Government has contributed £65m through PFI credits towards these costs, however, the likely net impact is still highly significant to the Council. Should the Council fail to set the monies aside to deal with it. The potential loss of PFI credits means additional cost to the council.

Controls

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

Owner

- Bill Woolley
- Bill Woolley

Potential challenge of the procurement process

Risk Owner: Bill Woolley

High

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

- Auditable trails of documentation

Owner

- Bill Woolley

KCR 0008 Comprehensive Area Assessment & Use of Resources

Corporate Lead Ian Floyd

The new Comprehensive Area Assessment, to be introduced from April 2009, encompasses a joint risk assessment undertaken by all local services inspectorates and will provide an independent assessment of the prospects for local areas and the quality of life for people living there. It will look at the likelihood of local and national priority outcomes being achieved by focusing on those identified in the Sustainable Community Strategy and related documents.

Resources

Lack of understanding of what it is, why it is important and implications of failure

Risk Owner: Pauline Stuchfield

High

19

Cause *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

Communications plan in place
Monitoring and development of communications plan

Owner

Pauline Stuchfield
Pauline Stuchfield

Inability to influence our partners performance

Risk Owner: Pauline Stuchfield

High

18

Cause *Inability to engage with our partners and secure wider involvement for the wider assessment.*

Consequence *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

Actions

Develop partnership working

Target Date

31/03/2010

Revised Date

Lack of buy-in from elected members

Risk Owner: Pauline Stuchfield

High

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
Communication plan

Owner

Pauline Stuchfield
Pauline Stuchfield

Lack of evidence of good practice

Risk Owner: Pauline Stuchfield

Medium

14

Cause *Lack of corporate working 'as a team' and lack of resources*

Consequence *Poor Organisational Assessment Score and Red Flags in CAA*

Controls

P & BA repository of evidence, Business Planning Steering Group and POG grc

Owner

Pauline Stuchfield

Actions

Identify required outcomes from activities and projects at start as part of business planning

Target Date

31/03/2010

Revised Date

KCR 0010 Emergency Planning & Business Continuity

Corporate Lead Bill Woolley

Business Continuity : - The Council has a statutory duty to have plans in place to ensure the delivery of it's critical services continues throughout any disruption to itself or the community. *Emergency Planning*: - The Council, as a Category 1 responder to critical incidents, has a duty to maintain both generic and specific plans to respond to the major risks facing it's community.

Corporate

Inability to respond to multiple incidents

Risk Owner: Richard Wood

Critical

23

Cause The council's Business Continuity Plans currently only deal with single separate incidents.

Consequence If more than one major incident was to occur at one time then the council may not be as able to cope under such circumstances.

Controls

Emergency Plans for the city
Emergency manuals
Officers on-call

Owner

Richard Wood
Richard Wood
Richard Wood

Actions

Review departmental business continuity plans

Target Date

31/03/2011

Revised Date

Inability to respond to and assist in the recovery of city of York after a major incident

Risk Owner: Richard Wood

High

18

Cause Under the Civil Contingencies Act, as a local authority, it is the role of City of York Council to support the emergency services in the case of a major emergency and to provide aid and assistance and advice to the general public.

Consequence Emergency services may not be completely co-ordinated which could hinder the promptness of their response, the speed of recovery of the city, and vulnerable people within the city may be put at risk.

Controls

Emergency Plans for the city
Emergency manuals
Exercising of the plans
Officers on-call
Plans and manuals updated quarterly (particularly contacts)

Owner

Richard Wood
Richard Wood
Richard Wood
Richard Wood
Richard Wood

Actions

Modification of contacts

Target Date

30/06/2010

Revised Date

Inability to deliver critical services

Risk Owner: Richard Wood

Medium

12

Cause *If the council does not have appropriate business continuity plans in place throughout the organisation.*

Consequence *This could result in reputational damage. It could prevent vulnerable people from receiving the care and accessing the services they need.*

Controls

- 75% of departmental BCPs in place
- Directorate BCPs in place
- Corporate BCP in place
- Corporate exercise

Owner

- Richard Wood
- Richard Wood
- Richard Wood
- Richard Wood

Actions

Review all BCPs

Target Date

31/03/2011

Revised Date

KCR 0012 Effects of the Economic Downturn

Corporate Lead Bill Woolley

The council has a duty to enhance the economic well-being of the City. A number of short term measures have been agreed by the Council to respond to the current economic situation. These will be monitored and any scope for further action considered. In addition, the Council will need to consider the effect of the economic situation on increasing demand for specific services and declining income in some areas.

Resources

Corporate Finance

Increase in the value of employer's contribution to LGPS due to effects of economic downturn

Risk Owner: Louise Dixon

High

19

Cause A fall in investment returns due to the volatility of the market due to the credit crunch. This could take effect from 1st April 2011.

Consequence At a rough estimate, a 1% increase in the contribution rate is upwards of £700k p.a. so there could be some substantial costs to meet at a time when government funding and council tax income are both under pressure. The Fund's actuary has estimated that an increase of 1-2% per annum may be required over the 3 year period from 2011/12, although the government may "relax" current valuation methodology to lessen the impact.

Controls

Increase in employer contributions built in to 2010-11 Medium Term Financial P

Owner

Louise Dixon

Actions

The government will review and may change the valuation methodology

Target Date

01/04/2010

Revised Date

City Strategy

City Development and Transport

Reduced levels of tourism due to less investment of national & regional transport infrastructure

Risk Owner: Richard Wood

High

19

Cause The financial impact of the economic downturn will almost certainly result in a reduction in investment in regional and national air services, rail network and long distance buses.

Consequence This could mean that potential tourists cannot as easily access the city and may choose to visit other areas, affecting the future economic prosperity of the city.

Controls

Lobbying for sustainable levels of investment and funding

Review policy setting

Access York Phase 1 Dft Funding through RTB

A19 Roundabout Extension, funding from RTB Top-up

Cycling City Dft funding through Cycle England

Access York Phase 2 DaST Connectivity Study with Leeds City Region

LTP 3 Consultation

Owner

Richard Wood

KCR 0015 Fairness & Inclusion

Corporate Lead Bill Hodson

A new, draft Fairness and Inclusion Strategy and Single Equality Scheme for 2009/12 has been approved by the Equalities Leadership Group. This replaces the previous Equalities Strategy (Pride In Our Communities) and Corporate Equality Scheme and also updates the approach in line with the new statutory requirements from April 2009. Both documents have been produced following extensive consultation and engagement with groups and people from the equality strands.

Learning, Culture and Children's Services

Failure to comply with Equalities legislation and best practice

Risk Owner: Paul Murphy

High

20

Cause *If we fail to pass our own audits of communicating with customers, due to a lack of understanding of Equalities legislation and a lack of following established best practice.*

Consequence *Financial costs associated with a tribunal cases. Reputational damage linked to CAA ratings and press coverage.*

If we are not seen to be on the front foot for anti-discrimination policies for both staff and customers.

Controls

- EIA - customer communications
- Mystery shopping inspector
- Equality & Leadership Group

Owner

- Paul Murphy
- Paul Murphy
- Paul Murphy

Actions

Implement actions from recommendations of corporate communications EIA

Target Date

30/06/2010

Revised Date

Be vulnerable to claims of unfairness and inequality and have difficulties recruiting and retaining staff

Risk Owner: Paul Murphy

High

20

Cause *If we do not carried out EIA's for all relevant areas of the business and/or fail to take all required actions determined necessary from those assessments.*

Consequence *The Council could; be taken to court by either individuals (employees or service users) or by organisations that represent them; have the Commission for Equality and Human Rights (CEHR) issue a Notice to Comply; fail to meet the requirements of the Equality Framework for Local Government and therefore fail to pass key inspections like UoR and CAA; fail to meet our own Equality and Inclusion objectives as agreed by elected members. Possible court action and/or adverse publicity in local or national media. Reputational as a poor equal opportunities employer.*

Controls

- Corporate-wide EIA's completed
- Staff Equalities Groups (covering the six strands)
- Directorate Equalities Leads
- Social Inclusion Working Group
- Annual programme to complete EIA's
- Equalities Leadership Group (ELG)

Owner

- Paul Murphy
- Paul Murphy
- Paul Murphy
- Evie Chandler
- Evie Chandler
- Evie Chandler

Actions

Annual Fairness and Inclusion project plan

Target Date

30/04/2011

Revised Date

KCR 0016 Capital Programme

Corporate Lead Bill Woolley

The Capital Programme delivers a number of capital schemes that directly contribute to the achievement of the Corporate Strategy. All capital schemes are included into the Capital Programme via the annual capital budget process which allocates resources to the projects that facilitate with service delivery and contribute toward the Corporate Strategy. Currently the Capital Programme contains 85 projects over a 5 year period with a budget of over £206m.

City Strategy

City Development and Transport

Transport Capital Programme

Failure to obtain funding for Access York Phase 1

Risk Owner: Tony Clarke

High

19

Cause If the DfT or CYC funding was not available

Consequence Project would not proceed

Controls

Regional Funding Allocation confirmed available.
Follow DfT procedures to obtain main funding.
Follow CYC CRAM procedures for local contribution.

Owner

Tony Clarke
Tony Clarke
Tony Clarke

Actions

Identify CYC funding through CRAM process
Resolve DfT queries on Business Case

Target Date

31/03/2009
31/01/2010

Revised Date

31/03/2010

Learning, Culture and Children's Services

Failure to deliver York University Pool by 2011

Risk Owner: Charlie Croft

Critical

21

Cause The University has not set a start date for the construction of the pool and have not yet been able to identify the required £10m funding.

Consequence Delivery of the University Pool is dependent on York University instigating the building works. This has so far not happened and therefore it is looking unlikely that it will be complete by 2011. This means that the council will not meet its target to fill the gap in swimming pool provision.

Controls

Identification of potential external funders

Owner

Charlie Croft

Actions

University to consider private sector funding
University to review their capital position
Work with the University to try to identify other funding sources.

Target Date

31/03/2011

Revised Date

Failure to deliver LCCS school modernisation strategy

Risk Owner: Pete Dwyer

Medium

13

Cause Late delivery or failure of significant capital projects include: New Manor School, Joseph Rowntree, Rawcliffe and Clifton Primary schools and English Martyrs and Our Lady's primary school merger, and Knavesmire Children's Centre, Further projects subject to DCSF funding.

Consequence Late delivery of large scale capital projects may lead to reputational damage, financial loss and difficulties with school admissions and accommodating children.

Controls

Extensive project management
Regular reporting to Members

Owner

Maggie Tansley
Kevin Hall

Administration & Accommodation Review**City Strategy****Failure to achieve planning approval**

Risk Owner: Ian Asher

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

Owner

Maria Wood
Ian Asher
Ian Asher

Actions

Regular pre planning consultation and meetings with developers
Awareness and adherence to planning policy

Target Date

08/05/2009
02/08/2009

Revised Date

09/04/2010
31/08/2010

Developers unable to meet the requirements of the development brief.

Risk Owner: Ian Asher

High

18

Cause *Developers are unable to comply with the brief as outlined in the design brief, within the budget due to emerging historical building, archaeological or onerous conditions.*

Consequence *Reduction in scope.- eg. Building area or quality.
Possibly less effective building due to an increase in staff density resulting in negative feedback and staff dissatisfaction.
Sustainability features put at risk.
Potential for extended programme due to historic finds.
Reputational damage to CYC.*

Controls

Realistic development brief
Professional advice to ensure specification is achievable.

Owner

Ian Asher
Ian Asher

Actions

Monitor design proposals and early site work
Advance investigations

Target Date

Revised Date

08/04/2010
01/09/2010

KCR 0017 More for York

Corporate Lead Ian Floyd

The efficiency programme contains a number of projects that, if delivered successfully, will produce millions of pounds of cashable efficiency savings which will support the council's budget, keep council taxes low, improve the quality of services and make them more efficient. The council has set aside an invest to save fund and is also going to work with private sector partner to drive through the change required to deliver these projects. Not delivering this programme of efficiencies will lead to further

More for York

Resources

HR - Organisational Design Resources

Risk Owner: Angela Wilkinson

Critical

21

Cause Lack of available resource to start the organisational design work in HR.

Consequence May impact on the ability to have the new structure in place by April 2010.

Controls

Prioritise design work

Owner

Will Boardman

Actions

Finalise Plan

Target Date

Revised Date

Programme - Skills

Risk Owner: Stewart Halliday

High

19

Cause Programme may not have the required in house skills and knowledge at the relevant time.

Consequence Possible reduction in benefits and/or effective implementation.

Controls

Resource management review

Regular monitoring of workstream progress

Owner

Stewart Halliday

Stewart Halliday

Actions

Resource requirement identification

Workstream Review Meetings

Target Date

Revised Date

Programme - Identified Savings

Risk Owner: Ian Floyd

High

19

Cause Risk that savings identified will not be achieved.

Consequence Target efficiencies may not be met - this could result in an adverse effect on operational budgets.

Controls

- Capture of Issues
- Regular monitoring of budget realisation
- Regular monitoring of progress

Owner

- Phil Davidson
- Phil Davidson
- Phil Davidson

Actions

- Capture of Workstream and Programme Issues
- Workstream Review Meetings

Target Date

Revised Date

HR - HR and Payroll System Implementation

Risk Owner: Angela Wilkinson

High

18

Cause Delay to the implementation of HR and Payroll system.

Consequence Any significant further delay in the implementation of the HR and payroll system will make it difficult to achieve the efficiencies associated with improved payroll processing.

Controls

- Workload Planning

Owner

- Will Boardman

Actions

- Plan Development

Target Date

Revised Date

Neighbourhood Services - Waste Round Changes

Risk Owner: Dave Atkinson / NS DMT

High

18

Cause Risk that changes to waste rounds are not handled or communicated in an appropriate way.

Consequence Inappropriate handling and communication of changes could lead to a potential problem with staff and customers.

Controls

- Communication of Changes

Owner

- Dave Atkinson

Actions

- Weekly Meetings

Target Date

Revised Date

Programme - Comms

Risk Owner: Stewart Halliday

Medium

14

Cause Failure to communicate effectively to staff impacted by the programme.

Consequence Possible adverse effect on staff morale.

Controls

- JCC Meetings
- Workstream Comms Plans
- Programme Comms Group
- Project and directorate boards to review comms

Owner

- Stewart Halliday
- Stewart Halliday
- Stewart Halliday
- Stewart Halliday

Actions

Ongoing governance arrangements

Target Date

Revised Date

Programme - Mobile Working Project

Risk Owner: Stewart Halliday

Medium

14

Cause Several projects are dependent on the mobile working solution being available.

Consequence Possible impact on benefits realisation.

Controls

- Plans and progress reviewed weekly

Owner

- Stewart Halliday

Actions

Mobile Working control documentation to be generated for each More for York workstream

Target Date

Revised Date

KCR 0018 Impact of an Ageing Population

Corporate Lead Bill Hodson

This is a long term piece of work which has been initiated by a scoping report to CMT. The next stage is to set up agreed actions for 10/11 and beyond following a workshop with senior managers across the council and an appraisal of the key issues.

Corporate

Inability to understand and respond to the demands of an Ageing Population

Risk Owner: Graham Terry

High

20

Cause *If the Ageing Population Review fails to be given the necessary priority corporately, including required resources for it to be carried out during 2010.*

Consequence *We may not understand the extent and scale of the changes required to be made to our services to meet the ageing populations changing demands. This could lead to reputational damage and affect our CAA rating, especially if older people become disengaged with the council and broader social issues.*

Controls

Corporate review by questionnaire

Owner

Graham Terry

Actions

Formulate corporate action plan

Target Date

Revised Date

Conduct Corporate Review of impact of an ageing population

31/03/2010

CLG awareness raising session

30/06/2010

Increasing social care support costs

Risk Owner: Bill Hodson

High

20

Cause *If we do not involve older people in the design and delivery of services such as health, social care, housing and other services and deliver the changes required to manage demand and create efficiencies/savings.*

Consequence *The rising demographic for social care support projections show that the costs could increase by £12m by 2020. This would happen if the council does not respond and change the way it delivers its services. We will lose the opportunity to have an inclusive design that supports older people's quality of life in the city.*

Actions

Enter into a more formal partnership with York Older People's Assembly

Target Date

Revised Date

Deliver two major projects within More For York Programme

31/03/2010

KCR 0019 Safeguarding

Corporate Lead Pete Dwyer

Ensuring that our children and young people in the city are safe and protected has to be a key priority for any authority. This involves not simply ensuring effective interventions into family life but the creation of protective arenas of safety which for example include safe recruitment practice. The individual, organisational and reputational implications of ineffective safeguarding practice are acute

Learning, Culture and Children's Services

Serious injury or death occurs where there is or should have been some safeguarding involvement

Risk Owner: Eoin Rush

Critical

22

Cause Evidence that multi agency procedures were not properly implemented

Consequence Serious case review which would put into the public domain the short comings of any services that were involved

Controls

Monitoring of referral arrangements

Safeguarding Children Board

Review of local Authority referral assessment arrangements

Implementation of comprehensive assessment safeguarding children training pr

Owner

Eoin Rush

Eoin Rush

Eoin Rush

Eoin Rush

Inability to retain and support experienced safeguarding practitioners in front line social care teams

Risk Owner: Eoin Rush

High

18

Cause This can result because the job is becoming less attractive.

Consequence This can result in inexperienced/agency staff being used who don't have the same level of experience or expertise, or level of commitment.

Controls

Workforce development programme

Owner

Eoin Rush

Schools and other childcare settings do not provide arenas of safety

Risk Owner: Eoin Rush

High

18

Cause If the Safeguarding Board does not provide adequate and sufficient support and advice to these institutions.

Consequence Children and young people may be put at risk and are not identified and brought to the attention of social care teams.

Controls

Advice and support provided by the Safeguarding Children Board

Dedicated post to provide support and advice about safeguarding issues

Owner

Eoin Rush

Eoin Rush

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By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Audit & Governance Committee

26 April 2010

Report of the Director of Customer & Business Support Services

The Role of the Audit & Governance Committee in the Scrutiny of the Treasury Management Strategy

Summary

1. The purpose of this report is to update members with regards to the new requirements for the council to comply with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code").
2. The revised Code was published in November 2009. From 2010/11, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies. This report details the requirements to be fulfilled by Audit & Governance Committee in accordance with the revised "Code".
3. Attached at Annex A are the 15 key changes that the revised "code" details. This list was included in the "Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15" report at paragraph 14. This scrutiny report is structured around these 15 revised points in "the code" to allow members to consider these areas of change in relation to the scrutiny of treasury management strategy.

Background

4. The Local Government Act 2003 requires the Council to approve the Treasury Management Strategy for the following year by 31 March. It also requires the Council to formally adopt the CIPFA Treasury Management in the Public Services Code of Practice and the Treasury Management Policy Statement. The "Strategy", "the code" and the "Policy Statement" were all approved at full Council on 26 February 2010 in the "Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15" report (known in this report from this point forward as the "TM Strategy Report").
5. The CIPFA Treasury Management in the Public Services Code of Practice "the Code" has been revised during 2009, in light of the Icelandic situation in 2008. The revised "code" emphasised 15 areas of key changes that were listed in the "TM Strategy Report" at paragraph 14. This list is attached at Annex A, the 15 points are labelled (a) to (o) and the remainder of this report highlights how the council is dealing with these requirements.
6. The purpose for bringing this report to Audit & Governance Committee is included in points (j) and (k) of Annex A, which detail the specific requirements for scrutiny. Points (h) and (i) detail the reporting requirements. Paragraph 15 of the "TM Strategy Report" states that "This strategy statement has been prepared in accordance with the revised Code.

Accordingly, the council's Treasury Management Strategy will be approved annually by full Council and there will also be a mid year report. In addition there will be monitoring reports and regular review by members in both executive and scrutiny functions. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting."

7. Paragraph 16 of the "TM Strategy Report" goes on to detail the reports that will be reported to Audit & Governance Committee in their scrutiny role. An extract from table 1 of the "TM Strategy Report" is detailed below:

Area of Responsibility	Council/ Committee/ Officer	Frequency
Scrutiny of treasury management strategy	Audit & Governance Committee	Annually
Scrutiny of treasury management performance	Audit & Governance Committee	Quarterly

Extract from the "TM Strategy Report": Table 1 Reporting Arrangements

8. Audit & Governance committee will receive the annual treasury management strategy, the quarterly monitoring reports, which will include the mid-year treasury management strategy review, and the annual outturn report. These regular assurance reports to the Audit & Governance Committee will allow them to fulfill their scrutiny role.
9. The Treasury Management Strategy as approved by full Council on 26 February 2010 is available on the council's website – the "Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15" report, which went to Executive on 16 February 2010, the intranet link is:
[http://modgov.york.gov.uk/Published/C00000102/M00004324/\\$\\$ADocPackPublic.pdf](http://modgov.york.gov.uk/Published/C00000102/M00004324/$$ADocPackPublic.pdf)
 The recommendations included that "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports."
10. The other revisions to "the code" listed in Annex A focus around - the adoption of the "code" (point a), risk (points b to e), the investment strategy (point f) and the policy on debt (point g), as well as skills and training of officers and members (points l & m) and that clearly defined policy is followed as set out by the S151 officer (points n & o).
11. Point (a) of Annex A requires the adoption of the revised code and the Treasury Management policy statement. This is fulfilled by the full Council approval of Executive recommendation C of the "TM Strategy Report".
12. Point (b) effective management and control of risk is a prime objective of the council and is captured in the "TM Strategy Report" at paragraph 6 to 12. These paragraphs highlight the importance of the requirements of the Local Government Act 2003, the Prudential Code – "...ensure the council's capital investment plans are affordable, prudent and sustainable",

the investment strategy – “for giving priority to the security and liquidity of those investments” and effective treasury management operations.

13. Point (c) where the council's appetite for risk is clearly written in the “TM Strategy Report” at paragraph 5, states “The Council's investment priorities are the security of capital and the liquidity of its investments. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments, see later in the section of the Creditworthiness Policy”.
14. Point (d), which requires the responsibility for treasury management decisions to be controlled by the authority, is detailed in the “TM Strategy Report” at paragraphs 78 to 80. Specifically it states “The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers”.
15. Point (e) requires that “Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support” is included in the “TM Strategy Report” at paragraphs 57 to 64 – the Investment strategy and also in paragraphs 65 to 71 –Creditworthiness Policy. Specific reference is included at paragraph 70 “Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and information, information on government support for banks and the credit ratings of that government support”.
16. Point (f) “Councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits” this is included in the investment strategy and creditworthiness policy at paragraphs 57 to 71 of the “TM Strategy Report”.
17. Point (g) “Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities”. This Policy on Borrowing in Advance of need is clearly defined in the “TM Strategy Report” at paragraphs 42 to 44. It considers value for money, interest rates compared to borrowing rates, the pressure of an increasing borrowing requirement in one year, the consideration of estimated future increasing borrowing rates. All factors will be considered when taking such a decision and also the consideration of the overall borrowing strategy, paragraphs 34 to 41, the policy on gross and net debt paragraphs 41 to 51 and the debt restructuring considerations paragraphs 52 to 56.
18. Points (l) and (m) that are listed in Annex A are concerned with the necessary skills and training of officers and also give members the opportunity to access training. Officers in the area of treasury management attend regular seminars / workshops provided by the council's treasury management advisers and therefore keep their knowledge up to date of changes in the economic and market environment. Training is offered to members in the recommendations to this report in the form of a training presentation by officers to give members' an overview of what treasury management is and how borrowing and investments are managed in the council. In future, if further training is required the

council's treasury management advisers can be requested to provide specific up to date economic / market training.

19. Finally in points (n) and (o) of Annex A it is a necessity that "Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures...." and also "Responsibility for these activities must be clearly defined within the organization". This is clear in the "TM Strategy Report" in paragraph 81 that refers to the Scheme of Delegation and role of the section 151 officer. Also paragraph 10 "...Therefore, to enable effective treasury management, all operational decisions are delegated by the Council to the Assistant Director of Resources (Finance), who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices...."
20. In conclusion, as a result of the revised "code" Audit & Governance Committee have been appointed as the scrutiny body for Treasury Management. This was approved by full Council and therefore in the light of these new changes the required reports as stated in paragraph 8 above will be brought to Audit & Governance Committee for monitoring purposes.

Consultation

21. Not applicable.

Options

22. It is a statutory requirement under Local Government Act 2003 for full Council to approve the Treasury management strategy and formally adopt CIPFA Treasury Management in the Public Services Code of Practice "the Code". The Strategy and the revised "code" were approved at full Council on 26 February 2010 and also Council approved "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports." No alternative options are available.

Corporate Priorities

23. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Corporate Strategy. It therefore underpins all of the council's aims.

Implications

24. The implications are
 - Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - 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 - the revised code may have implications for the requirements placed on officers and members for the scrutiny and management of the treasury function.

Risk Management

25. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Recommendations

26. That Audit & Governance Committee:
- (a) Note the requirements of the revised 2009 CIPFA Treasury Management in the Public Services Code of Practice “the Code” approved at full Council on 26 February 2010.
 - (b) Receive these monitoring reports on a regular basis, acknowledge their ultimate responsibility for the treasury management function and appreciate fully the implications of treasury management policies and activities.
 - (c) Confirm their requirement for a training presentation by officers to give members an overview of treasury management - as detailed in paragraph 18 above.

Reason: *That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.*

Contact Details

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Chief Officer responsible for the report:

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 Assistant Director of Customer &
 Business Support services (finance)

Ian Floyd
 Director of Customer & Business Support
 Services

Report approved ✓ Date

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

Local Government Act 2003 and amendments

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”)

Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15

Annex

Annex A - Key Areas of Change in the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”).

Key Areas of Change in the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”).

The revised “code” has emphasised a number of key areas which have been taken into account in the Treasury Management Strategy and are highlighted in the 15 points as follows:

- a) All councils must formally adopt the revised Code and four clauses,
- b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Council’s treasury management activities,
- c) The Council’s appetite for risk must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out,
- d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organization,
- e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support,
- f) Councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits,
- g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities,
- h) The main annual treasury management reports MUST be approved by full Council,
- i) There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved,
- j) Each council must delegate the role of scrutiny of treasury management strategy and policies to a specific named body,
- k) Treasury management performance and policy setting should be subjected to scrutiny,
- l) Members should be provided with access to relevant training,
- m) Those charged with governance are also personally responsible for ensuring they have the necessary skills and training,
- n) Responsibility for these activities must be clearly defined within the organization,
- o) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council.

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Audit & Governance Committee

26 April 2009

Report of the Director of Customer & Business Support Services

International Financial Reporting Standards (IFRS) Update

Summary

1. The purpose of this report is to update Members of the progress being made on implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).
2. This is the third report, which updates those responsible for governance arrangements of the transition to IFRS implementation to provide assurance that the process is being efficiently managed.

Background

3. The change in financial reporting to IFRS will be fully implemented in the 2010/11 Statement of Accounts, to be reported to Audit & Governance Committee (A&G) by 30 June 2011. The need to include comparative information for 2009/10 in the first IFRS-based Statement of Accounts means that the effective date of transition is at 1 April 2009 and the 2009/10 accounts will need to be restated in IFRS format.
4. Originally it had been suggested that the Audit Commission would review the restated balance sheet (one of the core statements in the Statement of Accounts) for the 1 April 2009 in March 2010. However, there has been no formal guidance issued by the Audit Commission as yet and therefore it is assumed that the restated 1 April 2009 Balance Sheet and the restated 2009/10 Statement of Accounts will be audited along with the 2010/11 Statement of Accounts, in accordance with the regular timetable in July/August 2011. In the NHS (where the conversion to IFRS is occurring a year earlier than in Local Government) the equivalent restated accounts to 2009/10 (and 1 April 2009 balance Sheet) would have been reviewed by the Audit Commission in the 4th quarter of 2010. It is still a possibility that this could occur in Local Government but as yet nothing has been confirmed.
5. In the report presented to A&G on 21 December 2010, the report detailed the significant areas of change for the implementation of IFRS and prioritised the areas that affected the restatement of the 1 April 2009 balance Sheet as well as 2009/10 Statement of Accounts - Private Finance Initiatives (PFI), Group Accounts, Leases, Assets & Investment properties, Employee benefits and Group Accounts. This report sets out the progress that has been made in these specific areas.

6. The accounting treatment for Private Finance Initiatives has changed under UK GAAP for the Statement of Accounts 2009/10. Therefore, these changes will be completed and included in the Statement of Accounts 2009/10 when presented to A&G on 29 June 2010. Additional changes that will also occur in the 2009/10 Statement of Accounts are the requirements for the changes to the Collection Fund and the inclusion of Group Accounts for the first time for Yorwaste (an associate) and Veritau (Internal Audit – a subsidiary).
7. Leases – information has been collated across all Directorates in relation to current lease and service contract arrangements. It is necessary to assess under new IFRS regulation whether agreements should be classed as finance leases, operating leases or whether they should remain as service contracts. Corporate Finance are currently evaluating these returns and if it is found that current agreements have changed to a finance leases then this will lead to a change in accounting treatment and further information to be received from Directorates. This process is time consuming due to the number of contracts that need to be assessed. The Audit Commission has been consulted and agreed that the approach being taken is appropriate. The key to the collation of this data has been collaborative working across the council's directorates.
8. Assets and investment properties – the valuers in Property Services have attended a training day organised by CIPFA to ensure that they understand the changes in valuations required for the Statement of Accounts 2010/11. The new IFRS regulation requires Property Services to consider valuation by fair value, to value assets in component parts if material and recognise the differences in the categorisation of assets. The changes in relation to valuation / categorisation of assets commenced from 1 April 2010, these changes are not retrospective as for other changes under IFRS and Property Services have already taken on board the requirements for their valuations in 2010/11.
9. The collection of data from directorates in relation to the IFRS requirements for employee benefits is progressing well. It is necessary to collate a sample of the number of annual leave days that have not been taken in a financial year and apply this to the salary bill to quantify a monetary value of untaken leave days that can be included in the accounts. This process is reliant on individuals across the authority completing the required proforma, individuals are currently being chased up for a reply. This process is slightly complicated due to the leave year of each individual being different and the teachers leave year running from September. Both these factors have been clarified and the process is in place to obtain the required data.
10. To date only the “significant” areas of IFRS changes to the Statement of Accounts have been reported to members. In future at the July 2010 meeting, a more detailed timetable will inform members of other aspects of change. The timescale set by this authority to have a completed restated Statement of Accounts 2009/10 is by 31 December 2010; this will assist with the smooth transition of the Statement of Accounts 2010/11.

Consultation

11. The report shows that collaborative working with all departments across the authority is positive in assisting the progress in attaining the changes required by IFRS.

Options

12. It is a statutory requirement to introduce IFRS into local authority accounts for the financial year 2010/11. No alternative options are available.

Corporate Priorities

13. The council will need to comply with IFRS as financial reporting is one of the measures in the Use of Resources score forming part of the Comprehensive Area Assessment

Implications

14. The implications are
- Financial - there are no financial implications to this report as the project work is being undertaken by existing resources in corporate finance and also across departments.
 - 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 currently no information technology implications to this report as only current IT available is being utilised.
 - Property –are no property implications to this report.
 - Other - there are no other implications to this report.

Risk Management

15. There is a risk to the authority if the Statement of Accounts 2010/11 are not in accordance with IFRS requirements. It is a statutory obligation, with ultimate government action if there is none compliance.

Recommendations

16. That Audit & Governance Committee note the progress contained in this report and recognise the continuing work being undertaken for a smooth transition to IFRS.

Reason: *That those responsible for governance arrangements are updated on a regular basis to ensure that the implementation of IFRS is proceeding in a timely manner for 30 June 2011 implementation.*

Contact Details

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Ian Floyd
 Director of Resources
 Report approved Date 13.4.10

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

IFRS information produced by CIPFA

Supporting documentation for leasing / employee benefits- proformas, Directorate information, accounting analysis

CIPFA Training course information for property valuations



Audit and Governance Committee

29 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service & Governance)

Review of the Effectiveness of the System of Internal Audit 2009/10

Summary

1. To advise members of the process and the outcomes of the 2009/10 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 2009/10 draft 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 and what the system of internal audit is. Until 1 October 2007, in York it consisted solely of the internally provided Internal Audit and Counter Fraud service, from this point authority was given by members to operate an informal shared service with North Yorkshire County Council. This was formalised on 1 April 2009 when the service was transferred to Veritau Ltd. This change is fully reflected in this review.

6. The principal functions of an internal audit function 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 will review elements of the internal audit provider'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. The results of the recent Audit Commission review, undertaken in the last couple of months is attached as an earlier item on this committee's agenda.

11. The review of internal audit under the Use of Resources assessment in itself will also not fully satisfy the requirements of the regulations, as this is a wider review of which internal audit forms only a small part, (it does however look at the effectiveness of the council's governance arrangements). The analysis for the 2009/10 Use of Resources assessment will rely heavily on the detailed work carried out for the review outlined in paragraph 10 above.

12. This review has been undertaken jointly with North Yorkshire County Council by the Shared Service Contract Board (SSCB) and in consultation with the Audit Committee Chairs of both councils, in accordance with the agreed recommendations brought to this committee in December 2009.

Scope of the Review

13. 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 for 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.
14. 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 (to follow at the June 2010 Committee);
 - (c) Internal Audit Strategy and Annual Plan (reported to this meeting);
 - (d) regular reports on the implementation of Internal Audit recommendations.

2009/10 Review of the Effectiveness of the System of Internal Audit

15. For the purposes of this review, the following work has been completed:
 - (a) The Code of Practice self assessment checklist used last year has been refreshed so as to identify any significant changes in the degree of compliance against the Code.
 - (b) An overview of customer survey results have been considered as part of this review.
 - (c) Consideration of Audit Commission views expressed in any of their reports published during 2009/10.
16. In 2008/09 the review included the results of the latest benchmarking data available from CIPFA to provide some indication of how cost-effective the service was, compared to internal audit provision within other unitary councils. Given that the service is now a shared service provided by an external body, albeit owned by the two councils involved, no suitable benchmarking data has been identified for the purpose of the 2009/10 assessment. The Head of Internal Audit will endeavour to benchmark costs against similar service providers in 2010/11.

Up-date of Code of Practice Self Assessment Checklist

- 17 The self assessment checklist has been updated for 2009/10. Carrying on from the previous year, considerable work has continued in integrating working practices and systems across the shared service and to select best practice from both partners' organisations. The Assistant Director's view is that whilst there have been some changes in operational arrangements, adherence with the professional standards set out in the Code has been maintained or enhanced. This is fully supported by the Audit Commission's recent assessment of compliance against the Code (see earlier agenda item). The 'effectiveness' part of the review is attached as Annex A to this report.
- 18 There were a small number of areas for development which were identified as part of last year's review.
- (a) The Internal Audit Terms of Reference and the council's Constitution needed 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 – **reported and agreed by this Committee in December 2009.**
 - (b) A full skills audit of all Veritau staff to be undertaken in 2009/10 – **completed.**
 - (c) This was to inform the development of a training plan linked to the service's business plan - **completed.**
- 19 The main areas for development in 2010/11 are:
- (a) Identify opportunities for cost and quality benchmarking with similar UK based organisations.
 - (b) Staff to be rotated on regular/annually audited areas. Given the organisation of the audit teams (with responsibility for service directorates allocated to specific audit teams) it may difficult to ensure regular rotation of audits as recommended. However, the service is to determine whether a greater degree of rotation can be achieved in order to improve the skills, knowledge and adaptability of the individual auditors concerned.
 - (c) To develop a protocol for defining future working relationships with the client and other managers in each Council.
 - (d) Individual auditors to maintain a record of their professional training and development.
 - (e) To improve flow of information in place at both councils to ensure that risk registers are updated for issues identified through the audit process.
20. In addition the Head of Internal Audit is committed to providing training on the role of internal and external audit to the Audit & Governance Committee which is a requirement of the CIPFA Standards, but is very much the responsibility of the council's Officer Governance Group.

Customer Satisfaction Surveys

21. As per the CIPFA Standards, the service carries out a customer survey of each audit review undertaken. Overall customer satisfaction levels are currently at 100% at City of York Council (CYC), and more analysis will be available as part of the Annual Internal Report which will be reported to this committee in June 2010.

Audit Commission Opinions expressed during 2009/10

22. (a) Apart from the recent Review of Internal Audit (see (c) below), any reference to internal audit and related anti-fraud activity is contained in reports published in September 2009 and December 2009, but essentially relate to the financial year 2008/09. Extracts are contained in Annex B to this report
- (b) The council achieved a score of '3 – performing well' on KLOE 2.4 (Risk Management & Internal Control) in its Use of Resources assessment for 2008/09 which included the arrangements for providing internal audit. This was reported to this committee in September 2009 (see also Annex B).
- (c) Members are referred to the Audit Commission's Review of Internal Audit as per this committee's agenda which raises no matters of concern.

Conclusion

23. 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 reviewing the draft Annual Governance Statement for 2009/10.

Consultation

24. This review has been conducted by the SSCB in consultation with the Chair of the Audit & Governance Committee as recommended and agreed by this Committee in December 2009.
25. The Chair has responded with one comment relating to the 'characteristic of effectiveness' in Annex A which suggests that internal audit should 'Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.' The Chair expressed concern about internal audit being able to do this and stay independent.
26. Assurance has been given that the CIPFA Code of Practice for Internal Audit covers this specifically, it is also covered in the CYC Terms of Reference for internal audit and Veritau's Code of Ethics for its staff.

There are merits and benefits to the organisation of the internal audit function keeping a watching brief or to act as a 'critical friend' on major projects and developments, but it will not take responsibility for decision making, 'signing-off' or approving projects.

Options

27. Not relevant for the purpose of the report.

Analysis

28. Not relevant for the purpose of the report.

Corporate Priorities

29. 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

30. 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

31. 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

32. 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

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services

Report Approved



Date 15.4.10

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
- Audit Commission’s Review of Internal Audit 2009/10 (April 2010)
- Audit Commission’s Use of Resources Report 2008/09 (September 2009)

Annexes

Annex A – Effectiveness Checklist for Internal Audit

Annex B - Extracts from Audit Commission reports published in 2009

CIPFA Code of Practice 2006
Review of Characteristics of Effectiveness of Veritau Limited 2009/10

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 these 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.	√			
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.	√			
Ensure the right resources are available	The skills mix, capacity, specialism and qualifications experience requirements all change constantly. Ongoing training and development arrangements are in place to ensure that individual auditors maintain the knowledge and skills necessary to undertake their duties effectively.	√			

Annex B

Extracts from Audit Commission Reports published in 2009/10 for CYC

Extract from the Annual Governance Report 2008/09 (Published September 2009)

The fraud investigation service has been effective in bringing successful prosecutions for external fraud during 2008/09 working with the Police and DWP which have been well publicised in the local press. They exceeded their targets in 2008/09 for sanctions and successful prosecutions, and these increased by 15% on the previous year.

The programme of counter fraud and corruption work is resourced, risk based and proportionate. There is an annual counter fraud activity plan agreed by the Audit Committee.

Extract from Use of Resources Report 2008/09 (Published September 2009) and Annual Audit Letter 2008/09 (Published December 2009)

The programme of counter fraud and corruption work is resourced, risk based and proportionate. There is an annual counter fraud activity plan agreed by the Audit Committee. This includes budgets for both reactive and preventative work and time for staff training and general fraud awareness. The counter fraud and corruption policy was revised and approved in March 2008, prepared in accordance with CIPFA good practice principles, and it sets out the overall approach of the Council.

The Council has a strong counter fraud culture and reviews the success of its arrangements. Fraud awareness training was provided to certain groups of staff, the council publicises successful investigations, and continued to work closely with the DWP and other organisations. The fraud team work with key departments such as housing to raise awareness and identify potential frauds, and internal and external publicity of the fraud team and successful prosecutions is used frequently. Several high profile cases with successful prosecutions, either working with the police or bringing their own prosecution, have served to embed a strong counter fraud culture within the council and a public awareness that fraud is not tolerated.

The Council's Audit and Governance Committee has a balanced membership, is independent, receives and approves reports on the control framework, and training is provided to members of the Committee. The Committee is starting to actively challenge internal control arrangements, though there is little evidence of liaison with other committees to identify potential internal control issues. The Council has an effective internal audit service that completed over 90% of the 2008/09 audit plan, but there have been vacancies in 2008/09 that have impacted on delivery. In addition in 2008/09 the Council has delivered the project to establish a separate Internal Audit shared service provider, which commenced on 1 April 2009. We will assess the operation and impact of the new arrangements in next years' Use of Resources assessment. The Internal Audit plan provides sufficient assurance over financial controls.

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Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services (Customer Service & Governance)

Audit and Counter Fraud Mid-Term Monitor

Summary

- 1 This report provides details of the progress made in delivering the internal audit and counter fraud work plan for 2009/10.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government. In accordance with the code of practice, the 2009/10 audit and fraud plan was approved by the Audit and Governance Committee on 29 June 2009. The plan included a programme of audit reviews and details of planned counter fraud activities. The total number of planned audit days was 1,420. The counter fraud activity plan was based on the resources available to the fraud team. The total number of days allocated to counter fraud activities in 2009/10 was 1,282.
- 3 It was also recognised that changes might need to be made to the audit plan through the year as a result of new or changed priorities and/or if new risks were identified. To reflect the new contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from management are subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Assistant Director (Customer Service and Governance) who is the client manager for the service. All agreed variations will then be communicated to the Audit and Governance Committee for information.
- 4 The counter fraud activity plan included details of:
 - planned activities, including fraud detection and investigation;
 - fraud awareness and training;
 - proactive fraud work;
 - joint working with other counter fraud agencies;

- resource allocation.

2009/10 Internal Audit Plan – Progress to Date

- 5 Two of the priorities for Veritau are to deliver at least 90% of the audit plan and to ensure that the service continues to operate to recognised professional standards (as determined by the Code of Practice). These are the minimum requirements necessary to achieve a good score for internal control as part of the Use of Resources assessment process.
- 6 Internal audit successfully delivered 94.2% of the 2008/09 audit plan. 80% of the 2009/10 audit plan had been completed by 23 March 2010. This figure is however based on reports issued and does not take into account further audit fieldwork which is either complete or in progress. Based on the current work programme it is anticipated that the 90% target will be achieved. Details of the audits completed and the reports issued since the last progress report to this committee (on 21 December 2009) are given in annex 1.
- 7 As noted in paragraph 3 above, it has been necessary to make a number of variations to the audit plan to accommodate a shortfall in resources and changes in priorities. Details of the audit plan variations approved by the client manager since the last report to this committee in December 2009 are given in annex 2.

2009/10 Counter Fraud Activity Plan – Progress to Date

- 8 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides details of the investigations completed and provides a summary of the work undertaken. Additional work undertaken in 2009/10 (shown in the annex) includes the following.
 - A fraud awareness survey of council managers and supervisors. This has highlighted a number of issues and an action plan to address these is currently being prepared.
 - A project to investigate housing tenancy related fraud, for which a major publicity campaign is currently in progress.

Breaches of Financial Regulations

- 9 There have been a number of breaches of the council's financial regulations identified during the course of internal audit work in 2009/10. A summary of those breaches identified since the last report to this committee in December 2009 is included in annex 4.

Consultation

- 10 Not relevant for the purpose of the report.

Options

- 11 Not relevant for the purpose of the report.

Analysis

- 12 Not relevant for the purpose of the report.

Corporate Priorities

- 13 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an effective organisation.

Implications

- 14 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

- 15 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance. This in turn would adversely impact on the council's Use of Resources assessment score.

Recommendation

- 16 Members are asked to:

- (a) Note the results of the audit and fraud work undertaken to date in 2009/10.

Reason

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

- (b) Note the variations to the 2009/10 Audit Plan, approved to date by the Internal Audit Client Manager (see annex 2).

Reason

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

Contact Details

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Report Approved



Date 13 April 2010

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- 2009/10 Internal Audit Plan
- 2009/10 Counter Fraud Activity Plan

Annexes

Annex 1 – 2009/10 Audits Completed and Reports Issued
Annex 2 – Variations to the 2009/10 Audit Plan
Annex 3 – Counter Fraud Activity
Annex 4 – Summary of Breaches of Financial Regulations

2009/10 AUDITS COMPLETED AND REPORTS ISSUED

(A) The following categories of opinion were used for audit reports issued before 31 July 2009:

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

(B) The following categories of opinion have been used for audit reports issued after 1 August 2009:

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk with no significant weaknesses identified. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few significant weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.

Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

(C) Actions to address issues are agreed with managers where weaknesses in control are identified. For reports before 31 July 2009, the following categories were used to classify agreed actions:

Priority

Definition

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.

Action 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.

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

(D) For reports issued after 1 August 2009, the following categories have been used:

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>
2 (Medium)	<p>Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.</p>

Priority

Long Definition

Short Definition – for use in Audit Reports

risks such as financial or other loss.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3 (Low)

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

(E) Draft Reports Issued

15 draft reports have been issued since 1 November which have so far not been finalised. The reports are currently with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this Committee. The draft reports are categorised as follows:

Opinion	Number
“High Assurance”	3
“Substantial Assurance”	6
“Moderate Assurance”	4
“Limited Assurance”	1
“No Assurance”	0
“Not given”	1

(F) Final Reports Issued

The table below shows audit reports finalised since 1 November 2009. In all cases the recommendations made have been accepted by management, and will be subject to follow up by Internal Audit.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
Payroll	4/12/09	Good	4	0	Controls were found to be operating well. Four actions were agreed to address minor issues.
Ralph Butterfield Primary School	18/12/09	Substantial Assurance	5	0	A school establishment audit. Generally controls were good although actions were agreed to address a number of minor issues. It was noted that the school was not using a standard letting form, which gives rise to risks around liability for any incidents and insurance. The school agreed to use a standard form, which will address this problem.
English Martyrs' RC Primary School	22/12/09	High Assurance	5	0	A school establishment audit. Controls were found to be operating well. Actions were agreed to address minor issues.
New Financial Management System	30/12/09	Not Given	2	2	The audit looked at control issues arising from the implementation of the new

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
					<p>financial management system. There were significant control issues found in relation to:</p> <ul style="list-style-type: none"> • the lack of regular bank reconciliation for the main bank accounts • backlogs of creditor payments requiring processing. <p>Management is taking action to address these two issues. Internal Audit has been involved in ongoing discussions with management to monitor progress and to provide advice.</p>
Adult Social Services Training Contracts	12/1/10	Moderate Assurance	15	0	This audit looked at arrangements for contracting for staff training. While there were a relatively high number of weaknesses identified, these were not individually significant. The issues were generally around procedures for administering contracts, and record keeping.
Music Tuition Fees	15/1/10	No	24	6	Significant weaknesses in control were

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
		Assurance			<p>identified, including:</p> <ul style="list-style-type: none"> • a failure to comply with Payments Card Industry (PCI) Data Security Standard (DSS) policies and procedures for card payments • delays in banking cash • the write off of irrecoverable debts (procedures were in breach of financial regulations) • poor computer access controls. <p>While actions were agreed to address the concerns identified, income arrangements in this area will also be subject to review as part of the More for York programme.</p>
New Earswick Primary School	19/1/10	High Assurance	4	0	A school establishment audit. Controls were found to be operating well. Actions were agreed to address minor issues.
Carr Junior School	20/1/10	High Assurance	6	0	A school establishment audit. Controls were found to be operating well. Actions were agreed to address minor issues.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
Haxby Road Primary School	20/1/10	Substantial Assurance	7	0	A school establishment audit. Generally controls were good although actions were agreed to address a number of minor issues. A breakdown in procedures for undertaking recruitment checks for a recent appointment led to a substantial rather than a high assurance opinion being given, however, this appears to have been an isolated incident.
Business Continuity	4/2/10	Moderate Assurance	5	0	<p>Progress has been made in developing business continuity arrangements across the council, however, work is still ongoing and a number of outstanding issues were noted. Actions agreed included the need for:</p> <ul style="list-style-type: none"> • service departments to complete business impact analyses • the corporate business continuity plan to be updated • more guidance to be made available to directorate staff.
Health and Safety	8/3/10	Moderate	6	0	A review of council processes for

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
		Assurance			<p>managing health and safety risks. While there is an ongoing programme of work to develop health and safety management practices across the council, there are currently a number of areas which require improvement, including:</p> <ul style="list-style-type: none"> • the quality of risk assessments • a lack of formal procedures for following up on action taken after the issue of a prohibition or improvement notice • provision of staff training.
Council Tax and NNDR	22/3/10	Moderate Assurance	10	0	A number of controls were found which needed improvement, including a lack of monitoring of suppressed bills, accounts where recovery is suspended, and recovery payment plans. There was also a lack of documentary evidence to support the work done to verify single persons discounts (SPDs).
Equalities	22/3/10	Moderate Assurance	11	0	The audit looked mainly at the progress being made with the ongoing programme

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are priority 1	
					<p>of equalities impact assessments (EIAs) across the council. While most of the EIAs planned for 2008/09 had been completed by April 2009 there were issues with consistency and the quality of some assessments. The audit highlighted a need for improvements in the following areas.</p> <ul style="list-style-type: none"> • Allocation of responsibility for monitoring changes to legislation and practice that require implementation by the council. • Development of processes to promote consistency in completion of EIAs including training and wider input into their completion. • The need to incorporate actions identified in EIAs in service/business plans.
Wheldrake Primary School	31/3/10	High Assurance	2	0	A school establishment audit. Controls were found to be operating well. Actions were agreed to address minor issues.

(G) Other Work Completed in 2009/10

- Ongoing support and advice to departments across the council on control issues, and support in relation to specific projects eg void cleaning, HR transformation
- Review of progress made by management to implement previously agreed audit recommendations – see separate report on this agenda
- Review of progress made by service departments to address Audit Commission recommendations
- Chargeable work including grant claim audits (scambusters, supporting people) and support in relation to the community stadium project
- Finalisation of the audit of LPSA 2 indicators
- Development of an audit newsletter for schools
- A risk based review of compliance with the Financial Management Standard in Schools, for all York schools
- Seven internal investigations in respect of potential probity issues

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VARIATIONS TO THE 2009/10 AUDIT PLAN

Additions to the plan are considered where:

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

Additions to the audit plan are only made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been agreed by the Head of Internal Audit.

Audits are deleted from the plan or delayed until later years where:

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable
- the initial reason for inclusion in the audit plan no longer exists
- it is necessary to vary the plan to balance overall resources.

To reflect the new contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Assistant Director (Customer Service and Governance) as the client manager for internal audit. Any significant variations will then be communicated to the Audit and Governance Committee for information.

2009/10 Audit Plan Variations

The following variations to the Plan have been approved by the Assistant Director (Customer Service and Governance), since the last report to this committee in December 2009. The deletions from the plan were necessary to address over programming of 78 days in the original audit plan, which were included with the expectation that some work would not be required.

Audit	Days	Justification For Change
Deletions from the Audit Plan		
Breaches and Waivers	-40	Separate audit no longer required. Information on breaches of financial regulations is being compiled through other ongoing audit work and is being reported to the Audit and Governance Committee as part of regular internal audit and fraud progress reports.
S106 Agreements	-18	To be deferred to 2010/11. The service is currently unable to support this audit because of an ongoing staff restructure.
Transport	-20	Deferred in order to balance the audit plan to available resources.
Total	-78	

The following variations have also been approved, but do not affect overall planned days as they can be accommodated using contingency.

Audit	Days	Justification For Change
Additions to the Audit Plan		
Petty Cash Project	25	Additional audit requested by the service. This is currently a high priority as a large number of potentially inappropriate payments via petty cash are being identified (for example payroll related expenditure).
Trainee Mentoring	6	Mentoring support for accounting trainees.
Fishergate Centre	15	Additional audit requested by the service to review procedures for monitoring and reporting expenditure on the project.

COUNTER FRAUD ACTIVITY 2009/10

(A) The table below shows the total numbers of investigations completed, sanctions applied, fraudulent overpayments identified by the counter fraud team to date. The table also shows performance against agreed targets (as at 31/03/10):

	2009/10 Actual to date	2009/10 Target	2008/09 Actual
Number of Benefit Fraud referrals received (excluding HBMS). <i>The target is designed to promote fraud awareness and encourage people to report suspected fraud.</i>	391	450 referrals to be received	433
% of referrals which are investigated (excluding HBMS). <i>The target is designed to measure the quality of referrals received and the capacity of the counter fraud team to investigate cases.</i>	51%	60% of referrals investigated	50.5%
% of investigations completed which result in a positive outcome (benefit stopped or amended, sanction or prosecution). <i>The target is designed to measure the effectiveness of counter fraud activity</i>	35%	25% of those cases which are investigated to result in a positive outcome	Note 1
Value of fraudulent overpayments identified. <i>The target is designed to measure the effectiveness of counter fraud activity</i>	£340k	£300k of overpayments to be identified	£304k
Number of investigations completed	327	N/A	317
Number of sanctions / prosecutions	44	N/A	55

Note 1 - these are new performance targets for 2009/10. The corresponding data for 2008/09 is not available for this indicator.

(B) The relevant caseload figures for the period are:

	As at 1/4/09	As at 31/03/10
Awaiting allocation	52	75
Under investigation	201	157

(C) Other counter fraud activity completed during 2009/10 to date:

Activity	Work Completed or in Progress
Fraud Awareness	<p>Work includes ongoing provision of fraud awareness training to housing and council tax benefit staff, the publication of successful prosecutions through the local press, and internal publicity eg articles in news and jobs.</p> <p>The counter fraud team has recently undertaken an exercise to assess levels of fraud awareness across the council. This was a joint exercise with North Yorkshire County Council, using a web based questionnaire. The survey was issued to 300 managers and supervisors across the council. The results have shown a number of areas requiring improvement and an action plan to address these issues is therefore currently being prepared.</p>
Advice and Guidance	<p>Ongoing advice and guidance is provided on the design and implementation of measures to prevent and detect fraud and other financial irregularities. 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.</p>
Data Matching	<p><i>Audit Commission National Fraud Initiative (NFI):</i> Work is ongoing to investigate cases identified in the last NFI exercise. The results of the next set of data matches is expected to be received in</p>

Activity	Work Completed or in Progress
	<p>the near future.</p> <p><i>Housing Benefit Matching Service (HBMS):</i> The counter fraud team has continued to investigate potential benefit fraud cases identified by the DWP through the HBMS data match process. The council has received 678 HBMS referrals to date this year of which 41 have been passed for investigation.</p>
Joint Working with Other Agencies	<p>The service has continued to work closely with the DWP in the investigation of benefit fraud – a total of 20 joint council and DWP cases have resulted in a prosecution or sanction to date. A further 64 cases are currently the subject of a joint investigation. Work to develop relationships with other agencies is ongoing. The team is currently in discussions with housing services, and with housing associations about referrals for tenancy related fraud as part of the current government sponsored housing fraud project.</p>
Other	<p>The counter fraud team is participating in the government's national initiative to target housing related fraud as noted above. Systems have been put in place to monitor referrals and investigate suspected fraud, where appropriate. A major campaign to publicise the initiative is currently underway. This includes posters and leaflets and radio advertisements.</p>

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ANNEX 4

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS IDENTIFIED
DURING INTERNAL AUDIT WORK COMPLETED IN THE PERIOD**

Description of Breach	Instances
Debts written off without proper authorisation	1
Income not banked promptly.	1
Income not held securely.	1
Not using FMS to record all financial transactions.	1
Not conducting reconciliation of directorate system to FMS.	1
VAT not correctly accounted for on income or expenditure	1
Waiver not obtained prior to selecting a quotation (which was not the lowest or where less than 3 quotes obtained)	2
No formal contract in place (or tendering exercise) for procured service.	1
Purchase orders not completed by staff when ordering goods and services.	1
Payment made in advance of receiving service.	1
Inventory records not properly maintained or incomplete.	2

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Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service & Governance)

Follow Up of Internal Audit Recommendations

Summary

1. This report sets out the progress made by directorates in implementing those agreed audit recommendations which were due to have been implemented by 1 March 2010.

Background

2. Internal audit follow up reports are brought to the committee twice a year, setting out the progress made by service departments in implementing agreed internal and external audit recommendations; together with details of any outstanding recommendations that require referral to the committee for further action. This report is based on follow up work by the council's internal audit service provider, Veritau Limited.
3. All recommendations are reviewed once their agreed implementation date has passed. The review is carried out using a combination of questionnaires completed by departments, risk assessment, and by further detailed examination by internal audit where appropriate. The last report was presented to this committee in December 2009 and therefore the summary of follow up work below is for a period of only four months rather than the usual six.

Consultation

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

Follow Up of Internal Audit Recommendations

5. A total of 86 recommendations were followed up as part of this review. A summary of the priority of these recommendations is included in figure 1, below.

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

Priority of Recommendations	No. of Recommendations Followed Up
1 (High)	3
2 (Medium)	23
3 (Low)	60
Total	86

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

Figure 2: Recommendations followed up by Directorate

Priority of Recommendations	No. of Recommendations Followed Up by Directorate					
	Chief Executives	City Strategy	HASS	LCCS	Resources	Neighbourhood Services
1 (High)	0	0	1	1	1	0
2 (Medium)	1	1	7	10	4	0
3 (Low)	2	0	10	31	7	10
Total	3	1	18	42	12	10

7. Of the 86 recommendations, 12 (14% of total) had been superseded (for example by business developments or because of cessation of service). Of the remaining recommendations, 63 (73% of total) had been satisfactorily implemented.
8. In a further 11 cases (13% of total) the agreed recommendations had not been implemented by the due date. In all these cases satisfactory explanations for the delays were received from the relevant service departments (e.g. unexpected difficulties or the action being dependent on new systems being implemented). Following this, revised implementation deadlines have been agreed. These will be followed up again after the revised deadline, and if necessary will proceed to the approved escalation procedure.

Follow Up of Audit Commission Recommendations

9. In December 2009, the committee requested that information on whether work on the Sure Start grant claim is on track to meet submission deadlines be included in this report. Following further follow up, assurance has been given by the responsible finance manager that the grant claim is on track to meet the submission deadline.
10. A follow up of the recommendations made by the Audit Commission in relation to financial planning is being undertaken as part of a current internal audit review in this area. Work is ongoing and an update will be included as part of the next follow up report due in September. The progress made by

management to implement the recommendations contained in the Audit Commission's reports on Grant Claims Certification and Asset Management will be assessed and also reported to this committee in September.

Conclusions

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

Options

12. Not relevant for the purpose of the report.

Analysis

13. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

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

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

Recommendations

17. Members of the Audit and Governance Committee are asked to:
- consider the progress made in implementing audit recommendations as reported above (paragraphs 5 – 11).

Reason

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

Contact Details

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Report Approved Date 1/4/10

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

None



Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service & Governance)

Draft Annual Governance Statement 2009/10

Summary

- 1 The purpose of this report is to allow consideration of the draft 2009/10 Annual Governance Statement (AGS), which is to be presented as part of the Statement of Accounts for 2009/10 at the next meeting of this committee on 29 June 2010. The draft AGS is attached as Annex A.

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.
- 5 The AGS is now required to include a specific statement on whether the council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. This statement is included in paragraphs 3.12 and 3.13 of the AGS.

Draft Annual Governance Statement 2009/10

- 6 A range of sources of evidence have been reviewed by the Officer Governance Group in compiling the AGS including consideration of the following:
- (a) significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies;
 - (b) the results of internal audit and fraud investigation work undertaken during the period;
 - (c) the Review of the Effectiveness of Internal Audit;
 - (d) the results of the review of 2008/09 and draft initial findings of the 2009/10 Use of Resources assessments;
 - (e) 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;
 - (f) 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;
 - (g) the outcomes of service improvement reviews (now known as the MoreforYork programme) and performance management processes;
 - (h) progress in dealing with control issues identified in the 2008/09 Annual Governance Statement.
- 7 Information from the following further sources will be considered prior to the final draft being presented for approval on 29 June 2010, but these sources are not yet available, due to the closeness of this report to the end of the last financial year:
- (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.
- 8 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 draft AGS at Section 5 includes 6 new significant control issues and 3 areas of ongoing work from the 2008/09 AGS. Once the agreed AGS is approved and signed it will be published as part of the 2009/10 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. It is not intended, therefore, to have a separate plan for the AGS. The items included in the 2010/11 Improvement Plan will be monitored quarterly by Executive when monitoring the Corporate Strategy as part of the council's performance management framework. The items covered by Directorate Plans will be monitored by the Director of Customer & Business Support Services who also chairs the Officer Governance Group (OGG) which will have oversight of the progress of all AGS actions.

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:

- (a) Consider and comment upon the content of the draft AGS 2009/10, particularly the significant control issues identified to inform the final statement to be presented to the Committee on 29 June 2010;

Reason

To enable Members to consider the effectiveness of the council's governance framework, and in particular the significant control issues identified in advance of approving the final statement in June 2010.

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

Reason

To enable Members to comment on the proposed monitoring arrangements.

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Report Approved



Date 15 April 2010

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’ (2007)
- CIPFA/SOLACE – Application Note to Delivering Good Governance in Local Government: a Framework (March 2010)
- 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)
- 2008/09 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

Annexes

Annex A – Draft Annual Governance Statement 2009/10

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DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10

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 putting in place proper arrangements for the governance of its affairs, which facilitate 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 by the Accounts and Audit (Amendment) (England) Regulations 2006 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 scrutiny 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

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10
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and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts for 2009/10.

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 until 2012 and priorities and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

- 3.3 The full 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 full 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 officer 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. New arrangements have been developed to introduce officer agenda planning for all Executive decisions. This will ensure that all reports receive a legal overview.
- 3.5 The council has new scrutiny arrangements which were introduced during 2009/10, the effectiveness of those arrangements are yet to be measured and articulated but Audit Commission feedback on Use of Resources for 2009/10 suggests that there are some good practices which set the standard for all of the committees to achieve during 2010/11.
- 3.6 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.
- 3.7 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

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10
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of the parish councils. In addition, the Chair of the Committee must be one of the independent members.

- 3.8 The Audit and Governance and Standards Committees have committed to working together improve the oversight of corporate governance.

Management and Decision Making Processes

- 3.9 During 2009/10 the Corporate Strategy, under its Effective Organisation theme included the 'Improvement Plan' which was developed after a fundamental review of corporate governance arrangements in early 2009. Its aim was to secure continuous improvement of internal processes and governance frameworks, which in turn support effective service delivery. Nine individual areas for improvement were identified, and progress against milestones monitored throughout the year by Executive.

- 3.10 Corporate management and leadership is supported and developed through the Corporate Leadership Group.

Policies and Guidance

- 3.11 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
- The council's Business Model.

- 3.12 Many codes and protocols form part of the constitution and are monitored for effectiveness by the Officer Governance Group (see paragraph 3.19 below). Any amendments must be scrutinised by the Audit & Governance Committee prior to approval by full Council.

Financial Management

- 3.13 The then Director of Resources now the Director of Customer & Business Support Services (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.

- 3.14 The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's financial strategy; and he
- leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10
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- 3.15 In delivering these responsibilities he leads and directs a finance function:
- that is resourced to be fit for purpose; and
 - is professionally qualified and suitably experienced.
- 3.16 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:
- Medium Term Financial Plan highlighting key financial risks and pressures on a 5 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 3.23 below.

Compliance Arrangements

- 3.17 Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:
- The Section 151 Officer
 - The Monitoring Officer
 - The Head of Internal Audit
 - Finance officers and other relevant service managers.
- 3.18 The council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration..
- 3.19 Compliance with the council's governance 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 Head of Internal Audit 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

- 3.20 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.
- 3.21 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 quarterly by CMT and the Audit & Governance Committee.

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10
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Internal Audit and Fraud

3.22 The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The service in 2009/10 was provided by Veritau Limited, a shared service company established by the City of York and North Yorkshire Councils. Veritau's Internal Audit & Counter 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

3.23 The council recognises the importance of effective performance management arrangements and has been working to secure further improvements in 2009/10. 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 2009/10 each directorate reported finance and performance monitoring progress to members through the revised Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

3.24 The council has embarked on an ambitious programme of efficiency improvements known as MoreforYork. The Programme was approved by members in principle in July 2009 and in detail, supported by detailed business plans, in October 2009. The MoreforYork Programme has a clear governance structure with CMT as its Programme Board and a clear project management approach with financial and performance monitoring processes in place.

Consultation and Communication Methods

3.25 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

3.26 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

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10
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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 the 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 and further development of this work is covered in paragraph 5.2 below.

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 Customer & Business Support Services (the Section 151 Officer) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer), the Assistant Director of Customer & Business Support Services (Customer Service & Governance) and the Head of Internal Audit (Veritau Ltd). 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 Review of the Effectiveness of Internal Audit;
- the MoreforYork efficiency programme, including the organisational review;
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks;
- the council's risk register and any other issues highlighted through the council's risk management arrangements 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 2008/09 Annual Governance Statement.

4.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

5.1 In considering the significant internal control issues contained within the 2008/09 AGS, it is noted that the following enhancements have been achieved, mostly through the actions resulting from council's 2009/10 Improvement Plan:

- improved corporate Human Resource structures and frameworks including the development of a Workforce Development Plan;
- improvements in the quality and consistency of financial monitoring processes;
- a review of internal communications with improvements informing the design of the new corporate intranet;
- further development of the Health and Safety Framework;
- development of the Single Corporate Equality Scheme and action plan, and further development and delivery of Equality Impact Assessments;
- introduction of internal performance challenge processes;

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10

- development and approval of an Information Governance Policy & Strategy and related action plans;
- development and launch of the council’s Business Model which provides the council’s standard framework of governance rules and procedures to officers.

5.2 In addition to the above, a number of issues referred to in the 2008/09 AGS have been partially actioned in 2009/10 and will be further progressed during 2010/11 and beyond (through the named plans in brackets):

- project and programme management (Chief Executive’s Directorate Plan);
- partnership governance including shared use of resources (Improvement Plan);
- officer Code of Conduct awareness including a revision of current procedures such as the Whistleblowing Policy, and the delivery of a training programme to cover this and the findings of a recent Fraud Awareness survey (Customer & Business Support Services (C&BSS) Directorate 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:

- Organisational leadership and cultural change (Improvement Plan/MoreforYork Programme Project Plan);
- Improved use of scrutiny, including training for members and officers (Improvement Plan);
- Improvements to officer and member decision-making processes (Improvement Plan);
- Improved compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the council resources in relation to procuring goods and services (C&BSS Directorate Plan);
- Compliance with the requirements of the new Information Governance Strategic Framework (C&BSS Directorate Plan);
- Improved processes for bank reconciliations during 2010/11 (C&BSS Directorate 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
K England
Chief Executive

Dated

Signed
Cllr A. Waller
Leader of the Council

Dated



Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service and Governance)

Internal Audit & Counter Fraud Plan 2010/11

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 2010/11.

Background

- 2 In accordance with the CIPFA Code of Practice for Internal Audit, the annual audit plan has been prepared on the basis of the approved audit strategy and a risk assessment process. The risk assessment methodology is designed to ensure that limited audit resources are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of the council's corporate priorities and objectives.
- 3 The audit risk assessment is reviewed on an ongoing basis, and is used to draw up an indicative audit plan at the start of each financial year. Consultation on the plan is undertaken with the Audit and Governance Committee, directorate audit leads and management teams, and the Corporate Management Team (CMT). Consultation with the council's external auditor also takes place to ensure there is no duplication of work. Final approval of the plan is the responsibility of the Audit and Governance Committee.

2010/11 Internal Audit Plan

- 4 Annex 1 shows proposed audit and counter fraud work for 2010/11. This is based on the outcomes of the risk assessment and consultation process outlined above.
- 5 Continuing the trend of recent years, the majority of audit resources are required to review high priority and mandatory areas. These include corporate and cross cutting issues, and the main financial systems. While there are sufficient resources available to undertake priority audits there is little time available for other service based work and there is consequently less emphasis on this in the 2010/11 plan when compared to previous years. The format of the plan has been amended to reflect this, by amalgamating directorate audits into one section.

- 6 An additional change for 2010/11 is the amalgamation of the audit and counter fraud plans, and the inclusion of information governance services. This shows all of the governance related services provided by Veritau in one place, and more closely reflects the delivery of work such as counter fraud which is provided across the audit and fraud teams.

Consultation

- 7 In preparing the audit plan, consultation has taken place with the Audit and Governance Committee, the Corporate Management Team, directorate management teams and key officers across the council.

Options

- 8 Not relevant for the purpose of the report.

Analysis

- 9 Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

- 11 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

- 12 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

13 Members are asked to

- approve the 2010/11 internal audit and counter fraud plan.

Reason

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

Contact Details

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Chief Officer Responsible for the report:

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

Report Approved



Date 13 April 2010

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 – 2010/11 Internal Audit & Counter Fraud Plan

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**CITY OF YORK COUNCIL
INTERNAL AUDIT AND COUNTER FRAUD
PLAN 2010/11**





CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

CONTENTS

- 1 Introduction
- 2 2010/11 Audit Plan
- 3 Corporate & Cross Cutting Audits
- 4 Main Financial Systems
- 5 Directorate Audits
- 6 Counter Fraud & Corruption
- 7 Information Governance
- 8 Other Chargeable Audit Work

**CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE****Annual Internal Audit and Counter Fraud Plan for 2010/11****1. INTRODUCTION**

- 1.1 This document sets out the planned 2010/11 programme of work for internal audit, counter fraud, and information governance services provided by Veritau Ltd for City of York Council.
- 1.2 In accordance with proper practice, internal audit is required to prepare an audit plan on at least an annual basis. The plan is based on a risk assessment model that is maintained by internal audit. The council's own risk management systems are also considered in forming a view on what audits to undertake. The audit plan is a working document, and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 1.3 The content of the audit plan is subject to consultation with directors and other senior council officers, and is formally approved by the Audit and Governance Committee. The committee is responsible for monitoring progress against the plan. Changes to the plan are agreed through the council's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the council's external auditors, to ensure that there is no duplication of effort.
- 1.4 Further detail about the audit planning process can be found in the approved audit strategy.

2. 2010/11 AUDIT PLAN

- 2.1 A number of changes have been made to the format of the audit and counter fraud plan for 2010/11, including the following.
 - Amalgamation of separate internal audit and counter fraud plans, and the inclusion of information governance work to show all of the governance related services provided by Veritau in one place. This more closely reflects the delivery of work such as counter fraud which is provided across the audit and fraud teams.
 - Removal of the emphasis on a directorate based split of work. Over the last few years the requirement to audit corporate and cross cutting audits has continued to increase, leaving less time for specific service based work. It is likely this trend will continue for the future. While there is time in the plan to undertake some directorate specific work this is much less than in previous years. Directorate specific work has therefore been combined into one section in the plan.
- 2.2 The council is currently undergoing a period of significant change through the More for York programme. While the emphasis of audit work will remain the provision of



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

assurance on the overall control environment, consideration must be given to areas where change is being made. This will be taken account of through the scoping of audit assignments (for example value for money and financial planning) and through specific input in some areas (such as housing repairs and maintenance). Consultation about how audit work may best be undertaken alongside other review work is ongoing.

2.3 Details of the 2010/11 plan are set out in the sections below.



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

3. CORPORATE & CROSS CUTTING AUDITS

<u>Project</u>	<u>Days</u>
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.	15
10400 Asset Management A review of the arrangements for managing the council's fixed assets and systems for accounting for assets.	20
10430 Risk Management A review of the council's risk management arrangements.	10
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. This audit was deferred from 2009/10.	20
10530 Environment and Sustainability A review of the council's arrangements for addressing environment and sustainability issues in relation to the services it provides.	15
10790 Partnership Arrangements Including 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.	25
11030 Recruitment Process A review of recruitment and selection processes including, for example, verifying employment details, undertaking Criminal Records Bureau (CRB) disclosure checks and ensuring compliance with the Asylum and Immigration Act. The audit will look at changes being made as part of the More for York programme, and will also cover the appointment of consultants and temporary staff. This work will be undertaken in conjunction with the review of agency staff arrangements.	12
11040 Performance Indicators and Data Quality A review of systems for the collection of performance data, to ensure that information used in managing services is robust.	45
11050 Performance Management A review of systems for managing performance both corporately, and within directorates.	25



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

11060	<p>Business Continuity</p> <p>A review of the arrangements for business continuity planning, including an assessment of the progress made in implementing the corporate strategy and delivery plan.</p>	18
11280	<p>Transport</p> <p>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. This audit was deferred from 2009/10.</p>	20
19080	<p>Procurement and Contract Management</p> <p>A review of the 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.</p>	50
19090	<p>Budgetary Control</p> <p>A review of systems for managing the council's budget including corporate arrangements and procedures in place within each directorate.</p>	20
19091	<p>Financial Planning and Budget Setting</p> <p>A review of the arrangements for medium term financial planning and preparation of annual budgets.</p>	15
19095	<p>Efficiency and Value for Money</p> <p>A review of overall arrangements for ensuring council services are provided efficiently and achieve value for money. The audit will consider progress being made as part of the More for York programme.</p>	15
19110	<p>Annual Governance Statement & Governance Support</p> <p>Provision to provide support in relation to governance arrangements, including preparation of the Annual Governance Statement.</p>	10
19120	<p>Project Management</p> <p>A review of corporate arrangements for ensuring that projects are correctly planned and managed.</p>	15
19130	<p>Workforce Planning</p> <p>A review of overall arrangements for determining and managing workforce requirements.</p>	15
19140	<p>Agency Staff</p> <p>A review of arrangements for employing agency staff. This will be undertaken in conjunction with the audit on recruitment.</p>	15



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

19230	New Payroll & HR Systems	10
	Provision to provide advice and support in relation to the project.	
19511	Disciplinary Procedures	15
	A review of compliance with council policy and procedures.	
19519	Health & Safety	15
	A review of arrangements for managing health and safety issues. The 2010/11 audit will specifically consider health and safety issues within schools.	
19520	Equalities	20
	A review of the progress being made by departments to put in place arrangements to ensure compliance with equalities legislation and best practice.	
19525	Handling Complaints	15
	A review of organisational arrangements for handling complaints. This will include quality assurance procedures within services formerly based on a client and contractor model.	
TOTAL – Corporate & Cross Cutting Audits		455



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

4. MAIN FINANCIAL SYSTEMS

<u>Project</u>	<u>Days</u>
10120 Main Accounting System	25
<p>A review of the arrangements for managing and maintaining the financial ledger. The audit will include a review of:</p> <ul style="list-style-type: none"> • access and back up arrangements • the integrity and timeliness of data • the processing of journals and virements • reconciling control and suspense accounts • the creation and maintenance of the coding structure • feeder systems • year end processes. 	
10140 VAT Accounting	5
<p>A healthcheck review of key controls to ensure compliance with VAT accounting requirements.</p>	
10150 Treasury Management & Prudential Code	8
<p>A healthcheck review of the key controls associated with treasury management.</p>	
10180 Ordering and Creditor Payments	40
<p>A review of the systems for ordering goods and services and processing creditor invoices.</p>	
10190 Debtors	30
<p>A review of the systems for raising debtor invoices and collecting income, and credit control and debt recovery arrangements.</p>	
10200 Payroll	40
<p>A review of the systems and controls associated with payroll processing.</p>	
10310 Council Tax & NNDR	30
<p>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.</p>	
10320 Council Tax Benefits & Housing Benefits	30
<p>A review of the systems and processes for paying Council Tax Benefit and Housing Benefit.</p>	



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

10330	Cashiers and Income Management	20
	A review of overall income management arrangements and the administrative processes for processing payments (eg cash handling controls and security).	
11710	Housing Rents	25
	A review of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.	
	TOTAL – Main Financial Systems	253



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

5. DIRECTORATE AUDITS

<u>Project</u>	<u>Days</u>
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. This audit was deferred from 2009/10	15
10670 Concessionary Travel A review of payments to bus companies through the concessionary travel scheme.	5
10985 Members Allowances An audit of payments made through the members allowances scheme.	10
11140 Nursery Education Grants A review of payments to private nursery providers.	20
11190 Libraries A review of the controls within the systems used by the service for the procurement of book stock and other materials, management of assets, lending and return, and income collection.	18
11210 Leisure Facilities A review of procedures at the Energise sports centre.	5
11255 Post 16 Funding An audit of sixth form course entrant figures following the transfer of LSC responsibilities for sixth form funding.	10
11325 ContactPoint Database The audit will review compliance with the conditions of accreditation for the database.	15
11470 Homecare (Expenditure & Charging) Provision to review proposed changes to systems for example electronic monitoring. This will not be a full audit.	10
11480 Direct Payments & Individual Budgets Provision to review changes to controls as part of the ongoing development of personalisation and individual budgets.	10
11730 Housing Repairs and Maintenance A review of new procedures and controls being introduced as part of the overall changes to systems under the More for York programme.	20



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

15698	Financial Management Standard In Schools	45
	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	100
	A programme of visits to schools. The audits are undertaken in accordance with a detailed risk assessment.	
19020	Administration and Accommodation Review	10
	Provision to provide advice and support in relation to the project.	
19515	Waste PFI	10
	Provision to provide advice and support in respect of the project.	
	TOTAL – Directorate Audits	303



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

6. COUNTER FRAUD & CORRUPTION

<u>Project</u>	<u>Days</u>	
<p>F001 Data Matching</p> <p>Provision to coordinate data submission, check data validity, assess referrals, and investigate potential frauds in relation to:</p> <ul style="list-style-type: none"> • the National Fraud Initiative (NFI) • Housing Benefit Matching Service (HBMS) referrals • local data matching exercises. 	250	
<p>F002 Fraud Detection and Investigation</p> <p>Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. The majority of the work will relate to benefit fraud. Examples of other types of investigation work that may be undertaken include internal fraud, housing tenancy fraud and blue badge fraud. Activities include:</p> <ul style="list-style-type: none"> • recording and risk assessing all referrals • investigation • application of sanctions, and progressing cases to prosecution where appropriate • liaison with the police, DWP and other agencies • proactive, targeted, benefit fraud investigations 	1,103	
<p>F003 Fraud Awareness</p> <p>Provision to deliver an overall programme of work to raise awareness of fraud issues amongst staff and the public. Activities include:</p> <ul style="list-style-type: none"> • targeted fraud awareness training • launch of an e-learning application • organising counter fraud publicity (both internal and external) 	100	
<p>F004 Other Counter Fraud Related Work</p> <p>Provision to provide other counter fraud and corruption work including:</p> <ul style="list-style-type: none"> • review of council counter fraud arrangements and policies • the provision of support and advice to directorates in relation to fraud issues • reporting on outcomes from counter fraud work. 	80	
<p>TOTAL – Counter Fraud & Corruption</p>	<table border="1" style="margin-left: auto;"> <tr> <td style="text-align: center;">1,533</td> </tr> </table>	1,533
1,533		



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

7. INFORMATION GOVERNANCE

<u>Project</u>	<u>Days</u>
17440 Data Protection Provision of time to provide advice and support to senior management and directorates to ensure compliance with all aspects of Data Protection legislation.	10
17460 Freedom of Information Provision of time to provide a coordinating role to the council in respect of the Freedom of Information Act. This work will include recording and monitoring FOI requests to ensure that responses are adequate and comply with legislation and that all requests are responded to within the 20 day deadline.	120
17470 Information Governance Framework A provision of time to lead on the development and implementation of appropriate Information Governance policies and strategies across the council and to implement associated communication and roll out plans designed to ensure that the arrangements in place to manage and protect personal and confidential data are effective. Attendance at Corporate Information Governance Group will be required. There will also be regular meetings with relevant officers to ensure that related HR and IT policies and strategies are co-ordinated and are consistent with each other.	95
New Information Governance – Compliance A provision of time for Veritau internal auditors to assess the council's compliance with its Information Governance Framework and with legislation. This provision of time will also allow for audit investigation into any suspected breaches of the Data Protection Act.	25
TOTAL – Information Governance	250



CITY OF YORK COUNCIL - INTERNAL AUDIT SERVICE

Annual Internal Audit and Counter Fraud Plan for 2010/11

8. OTHER CHARGEABLE AUDIT WORK

<u>Project</u>	<u>Days</u>
10110 Support, Advice & Liaison	65
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls and for the overall management of audit work in each department.	
17010 Strategic & Annual Audit Plans	20
Preparation and monitoring of strategic and annual audit plans.	
17030 External Audit Liaison	3
Provision for regular liaison and information sharing with the Audit Commission.	
19000 Contingency Assignments	90
Provision to undertake additional work in response to:	
<ul style="list-style-type: none"> • specific requests from the Chief Finance Officer (S151 Officer), Audit and Governance Committee, 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	40
Provision to follow up previously agreed audit recommendations.	
19240 Audit and Governance Committee	8
Provision to prepare reports for the Audit and Governance Committee and attend meetings.	
TOTAL – Other Chargeable Audit Work	226
TOTAL CHARGEABLE DAYS 2010/11	3,020



Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support (Customer Service & Governance)

Review of Overview & Scrutiny Work 2009/10

Summary

1. To provide members with information about the work and outcomes of the council's overview & scrutiny committees during 2009/10, which may impact on the Audit & Governance (A&G) Committee's opinion of the council's internal control framework.

Background

2. At its meeting on 21 December 2009 A&G members, as part of a review of the terms of reference of the committee, considered the following:

"Under the Comprehensive Area Assessment, in the Organisational Assessment (Use of Resources Key Lines of Enquiry), a 'performing well' local authority will have an audit committee which *ensures it is aware of the work undertaken by other committees, for example the scrutiny committee, so it can take account of any significant internal control issues.*"
3. Members agreed at the committee held on 15 February 2010 that:
'officers produce a six monthly or annual summary of scrutiny reports and outcomes which could prompt questions from and further reports for A&G. As a minimum a report should be received annually at the April meeting to inform discussion on the draft Annual Governance Statement.'
4. A brief overview of scrutiny activity in 2009/10 is given at Annex A.

Consultation

5. In consultation with Scrutiny officers, it is proposed to bring the Annual Scrutiny Report to the June meetings of this committee which can still inform the Annual Governance Statement, with an interim progress report in December of each year. If agreed this will be added to future Forward Plans.

Options

6. Not relevant for the purpose of this report.

Analysis

7. Not relevant for the purpose of this report.

Corporate Priorities

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation' and seeks to further improve the system of internal control in line with professional best practice.

Implications

9.
 - (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

10. Failure to improve awareness of the work of scrutiny committees may lead to a view that the A&G Committee is failing to follow best practice requirements in exploring all available information on internal control arrangements (risks, controls and improvements in controls), and as a result its Use of Resources score in future CAA assessments could be adversely affected.

Recommendations

11. Members are asked to:
 - (a) comment on the report's content and identify any areas in which they feel has an impact on the work of the A&G Committee and/or the Annual Governance Statement 2009/10 and, if necessary, where further more detailed reports are required;
 - (b) agree the revised timetable for receiving summary reports on the work of overview & scrutiny committees.

Reason

To improve members' awareness of activity and outcomes from other committees' work where it could influence the work and opinion of the A&G Committee.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services
Telephone: 01904 551100

Report Approved



Date 15/4/10

Specialist Implications Officers

Interim Head of Civic, Legal & Democratic Services

Wards Affected:

All



For further information please contact the author of the report

Background Papers:

All Overview & Scrutiny Agenda Papers 2009/10
All Council Agendas 2009/10

Annexes

Summary of Scrutiny work 2009/10

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Summary of Scrutiny work 2009/10

Review	Request from Executive	Reported	Outcome
Health Overview & Scrutiny Committee			
	Overspends in Adult Social Services	Yes	No change in policy
Childhood obesity		No	Expected in May 2010
Effective Organisation Overview & Scrutiny Committee			
Executive Forward Plan		No	Expected by May 2010
Apprenticeships & Other Work Based Learning Opportunities		No	Expected by May 2010
Economic & City Development Overview & Scrutiny Committee			
Newgate Market		No	Commenced
Water End Councillor Call for Action		No	Expected by May 2010
Broadway Shops Councillor Call for Action		No	Commenced
Learning & Culture Overview & Scrutiny Committee			
Casual Play Opportunities		No	Ongoing
Community Safety Overview & Scrutiny Committee			
Council's Winter Maintenance Policy		No	Ongoing. Expected by July 2010
Other Scrutiny Committees			
Traffic Congestion Ad Hoc Scrutiny Committee			
Traffic congestion		No	Expected April 2010. Survey outcomes will be later
Cross cutting Scrutiny Committee			
Safer routes to school and school travel plans			To be commenced in 2010/11
Previous Education Scrutiny Committee			
Extended Schools Agenda		Yes	Executive approved recommended changes in working practices
Previous Hungate Ad Hoc Scrutiny Committee			
Hungate		Yes	Executive approved recommended changes in working practices
Planning Enforcement Scrutiny Ad-hoc Sub-Committee			
Planning Enforcement		Yes	Executive approved recommended changes in working practices



Audit and Governance Committee

26 April 2010

Report of the Assistant Director of Customer & Business Support Services
(Customer Service & Governance0)

Protecting the Public Purse – Self Assessment Checklist

Summary

- 1 The purpose of this report is to provide members with the results of a self assessment of the council's counter fraud arrangements following the publication of the Audit Commission's national report '*Protecting the Public Purse – local government fighting fraud*' in September 2009.

Background

- 2 The Audit Commission's report '*Protecting the Public Purse*' considered the key fraud risks and pressures facing councils. The report acknowledged that local councils have, since the 1990s, put in place a range of strategies to minimise the risk of fraud, including:
 - (a) developing a zero tolerance approach towards fraud
 - (b) adopting good practice in managing the risk of fraud, and
 - (c) creating strong counter-fraud cultures and implementing counter fraud policies and procedures.
- 3 The report describes in detail some of the current and emerging fraud risks that councils face, such as benefit fraud and housing tenancy fraud. The report also outlines the actions that all organisations should take to minimise the risk of fraud and improve detection. Specific recommendations include councils reviewing their involvement in counter-fraud partnerships; improving staff awareness of money laundering regulations and setting clear targets and expected outcomes for the work of counter-fraud teams. The report also included a checklist to help those responsible for governance in each council assess their organisation's counter fraud arrangements against the good practice highlighted by the Audit Commission.
- 4 Details of the report were presented to this committee in February. Members requested that the self assessment checklist should be completed and the resulted reported back to this meeting.

Counter Fraud Checklist

- 5 Annex 1 shows the results of the completed self assessment. The council's overall arrangements are judged to comply with best practice guidance in most areas. However, a few areas require further action to improve the existing control framework so as to ensure that potential fraud risks are minimised.

Consultation

- 6 Not relevant for the purpose of the report.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

- 10 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

- 11 The council will fail to comply with best practice guidance in respect of its counter fraud arrangements and hence its Use of Resources score in the CAA assessments could be adversely affected.

Recommendation

- 12 Members are asked to note the results of the completed self assessment and the actions being taken to further improve the council's counter fraud arrangements.

Reason

To ensure that the council maintains effective counter fraud arrangements and complies with relevant best practice to minimise risk.

Contact Details

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Report Approved



Date 13 April 2010

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 – Audit Commission counter fraud checklist for those responsible for governance

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Protecting the Public Purse – Self Assessment Checklist

	YES	NO	ACTION
GENERAL			
1. Have we committed ourselves to zero tolerance against fraud?	✓		See the Council's Counter Fraud and Corruption Policy which was updated in February 2010.
2. Do we have appropriate strategies, policies and plans?	✓		
3. Do we have dedicated counter-fraud resources?	✓		Counter fraud services provided by Veritau
4. Do the resources cover all of the activities of our organisation?	✓		
5. Do we receive regular reports on fraud risks, plans and outcomes?	✓		Some scope for improvement – for example, a formal fraud risk assessment could be completed each year and the results reported to A&G.
6. Have we assessed our management of counter-fraud resources against good practice?	✓		Covered by CAA UoR assessment (KLOE 2.4). No issues raised by the external auditor.
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New staff (including agency staff)? • Existing staff? • Members? 	✓		The risk of fraud is communicated to staff via training courses, newsletters and the intranet but it is recognised that there is further scope to raise awareness. A detailed action plan will be considered by the Officer Governance Group.
8. Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current affairs and issues?	✓		Attend NYFIG, CIAG and members of CIPFA BGF



9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?	✓		See above – also work closely with the DWP, the police and other local public sector bodies
10. Do we identify areas where internal controls may not be performing as intended?	✓		Internal Audit work will identify any weaknesses in control through their routine work.
11. Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes?	✓		
FIGHTING FRAUD IN THE RECESSION			
12. Have we reassessed our fraud risks because of the recession?		✓	No specific assessment undertaken although the counter fraud team is aware of the potential increase in fraud risk.
13. Have we amended our counter-fraud action plan as a result?		✓	
14. Have we reallocated staffing as a result?		✓	
15. Do we take effective action to ensure that social housing is allocated only to those in need?	✓		Housing Fraud counter project launched April 2010.
16. Do we take effective action to ensure that social housing is occupied by those to whom it is allocated?	✓		
17. Are we satisfied that payment controls are working as intended?	✓		No weaknesses in control identified



18. Have we reviewed our contract letting procedures against the good practice guidance issued by the Office of Fair Trading to reduce the risk of illegal practices such as cartels?		✓	A response will be considered by the Officer Governance Group.
19. Are we satisfied that our recruitment procedures are: <ul style="list-style-type: none"> • Preventing employment of people working under false identities? • Validating employment references effectively? • Ensuring applicants are eligible to work in the UK? 	✓		Regular internal audit reviews are completed in this area – see 2010/11 Audit Plan
20. Where we are moving to direct payments (for example, social care) have we introduced suitable and proportionate control arrangements in line with recommended practice?		✓	The council is currently developing its processes in this area. Veritau will provide support to the individualised budgets project as part of the 2010/11 Audit Plan.
21. Are we effectively controlling the discounts and allowances we give to council taxpayers?	✓		
22. Are we satisfied that we are doing all that we can to tackle housing and council tax benefit fraud?	✓		
23. Do we have a reporting mechanism that encourages our staff to raise their concerns of money laundering?	✓		There is scope to improve the communication of the council's money launder system to staff

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