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, 15 February 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. **Minutes** (Pages 3 - 16)

   To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 21 December 2009.

3. **Public Participation**

   At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Friday, 12 February 2010.**

4.   Audit & Governance Committee Forward Plan (Pages 17 - 22)

This report details the items expected to be presented to the Committee up to December 2010, including training/briefing events to support Members in their role on the Committee.

5.   Audit Commission Opinion Audit Plan 2009/10 (Pages 23 - 46)

This report presents the Audit Commission's Opinion Audit Plan for 2009/10.

6.   Grant Claims Certification Report 2008/09 (Audit Commission) (Pages 47 - 62)

The purpose of this report is to allow consideration of the Certificate of Claims and Returns Report 2008/09 produced by the Audit Commission (see Annex). The report reviews the council's arrangements for the preparation and administration of grant claims within the council.

7.   Key Risk Update (Pages 63 - 70)

The purpose of this report is to present to the Audit and Governance Committee the detailed risk paper in relation to the University Swimming Pool as requested by the Committee in December 2009 and also to update in relation to Member risk training.

8.   Petitions Report (Pages 71 - 74)

This report gives details of current definitions contained within the petitions guidance and updates 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.

9.   Draft Information Governance Policy and Strategy (Pages 75 - 104)

The purpose of this report is to consult with the Audit and Governance Committee on the proposed framework for improving Information Governance arrangements in the council as laid down in the draft policy and strategy documents attached at Annex A and Annex B to this report.

10. **Update on Counter Fraud Policies** (Pages 105 - 126)

The purpose of this report is to seek Members views on the content of the counter fraud and corruption policy and the counter fraud and prosecution policy.

11. **Internal Audit Plan Consultation** (Pages 127 - 142)

The purpose of this report is to seek Member's views on the priority of internal audit work for 2010/11 so as to inform the preparation of the annual audit plan. In addition, approval is sought for the adoption of a new internal audit strategy. The finalised audit plan will be presented to the next meeting of this Committee for approval.

12. **Summary of Audit Commission National Reports** (Pages 143 - 162)

This paper gives a brief overview of national reports produced by the Audit Commission between 17 June 2009 and 31 January 2010.

13. **Audit & Governance Committee's relationships with other Committees** (Pages 163 - 166)

Following the last meeting, his report summarises the key committee with which Audit and Governance Committee has a relationship and how key internal control issues could be communicated to Audit and Governance members.

14. **Urgent Business**

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

Democracy Officer:

Name: Laura Bootland
Contact details:
- Telephone – (01904) 552062
- E-mail – laura.bootland@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.

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Holding the Executive to Account

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

Scrutiny Committees

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

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

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Agenda Item 2

City of York Council	Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	21 DECEMBER 2009
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), JAMIESON-BALL, KIRK AND GUNNELL (SUBSTITUTE)
APOLOGIES	COUNCILLORS BOWGETT, SCOTT AND R WATSON
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) COUNCILLOR CRISP MIKE NEWBURY (AREA LEAD FOR CAA) ALISTAIR NEWALL (LOCAL AUDIT MANAGER)

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

38. DECLARATIONS OF INTEREST

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

39. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex B to agenda item 10 (Key Corporate Risk Monitor Quarter Three 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).

40. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 4 November 2009 be approved and signed by the Chair as a correct record.

41.   PUBLIC PARTICIPATION

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

42.   COMPREHENSIVE AREA ASSESSMENT 2009

Members considered a report which presented the Audit Commission's final reports for the 2009 Comprehensive Area Assessment (CAA) of the City of York. The Area Lead for the CAA and the Local Audit Manager were in attendance to introduce the report and answer any questions.

The CAA had been introduced in April 2009 as the new framework for the independent assessment of local public services in England. It included two main elements; an area assessment of the delivery of agreed priorities across the whole area and an organisational assessment of the council. On the area assessment, green flags indicated exceptional performance, while red flags represented significant concerns about outcomes or future prospects. York had been awarded a Green Flag (one of only seven awarded in the Yorkshire and Humber region), for its achievements and innovative working with disabled children, and no red flags. On the organisational assessment, the council had received a score of 3 for 'Managing Performance' within its services and a score of 2 for its 'Use of Resources'.

Members queried the definition of some of the indicators used in the assessment and the Area Lead agreed to provide more information on these if required. Concerns were also raised about the format of the CAA report, which had been designed for publication on the 'One Place' website. Some Members felt this had resulted in an overly simplistic presentation of complex information. It was also unclear where some of the data in the report had come from and which issues were for the Council to address and which for partners. Members commented that it would be helpful to have more information about this before the refresh of the CAA in summer 2010.[1]

RESOLVED: That the content of the report and the annexes be noted, in conjunction with the Council's response to the CAA at the next item on the agenda, and that Officers note Members' comments on the CAA.

REASON: So that Members are aware of inspection and audit outcomes and recognise the achievements and areas for improvement identified in the report, and to highlight additional information required to enable the Committee to carry out its role in relation to the CAA.

Action Required
1. Make arrangements to supply further information to   MN
members prior to receipt of the refresh report in July 2010

43. **RESPONSE TO COMPREHENSIVE AREA ASSESSMENT 2009 (INCLUDING IMPROVEMENT PLAN 2009/10 UPDATE)**

Members considered a report which provided an initial response to the findings highlighted in the 2009 Comprehensive Area Assessment (CAA) reports, as presented in the previous item.

The Council was delighted with the CAA reports, which had highlighted a number of areas of high and excellent performance and placed the City in a strong position nationally. However, statements made on pages 4 and 11 of the CAA report regarding the following matters had been raised with the Area Assessment Lead, as they presented an inaccurate picture of performance within the City:

- Lack of physical activity of adults, contributing to increased obesity
- Increasing binge drinking and alcohol-related hospital admissions
- Negative statements regarding the City's mental health services

Officers confirmed at the meeting that the Audit Commission had now amended their report in order to correct these inaccuracies.

With regard to Members' questions on the statistics for alcohol-related admissions to hospital, the Area Lead confirmed that the Audit Commission intended to examine more closely how this data was measured and make comparisons between authorities sharing similar characteristics with regard to population mix etc.

RESOLVED: That the response to the CAA reports, and the progress and planned improvements to date and related monitoring and reporting arrangements, be noted.

REASON: So that Members are aware of the Council's response to inspection and audit outcome and recognise the achievements and action taken and planned to address the areas for improvement identified in the report.

44. **ASSET MANAGEMENT REPORT 2008/09 - AUDIT COMMISSION**

Members considered a report which presented the Audit Commission's Asset Management Report (the Report), produced as part of the 2008/09 audit.

The Report reviewed the Council's arrangements for a strategic approach to asset management, the management of assets to deliver value for money and partnership and community involvement in asset management. It concluded that these arrangements met minimum requirements and noted that:

- a strategic approach had been developed but was not consistently applied throughout the organisation;
- the Council's ability to demonstrate value for money was undermined by limited financial resources and lack of understanding of how assets contributed to corporate priorities;

- the Council was developing a more strategic approach towards sharing assets with partners, building on examples already in place.

An action plan agreed with the Audit Commission as a result of discussions arising from the review was included as Appendix 1 to the Report.

In response to Members' questions on the report, Officers confirmed that the introduction of component accounting under CIPFA could potentially increase the workload for the management of assets, although the guidance on this was not due until January. They stressed the need for a corporate approach to asset management, which was one of the areas to be examined under the More for York efficiency review.

RESOLVED: That the content of the report, and the agreed action plan at Appendix 1 to the Audit Commission Report, be noted.

REASON: To confirm that Members have had the opportunity to comment on the proposed improvement arrangements.

45. ASSET MANAGEMENT - THE WAY FORWARD

Members considered a report which provided a response to the Audit Commission's Asset Management Report, as presented in the previous item, and their national report *'Room for Improvement – Strategic asset management in local government'*, issued in June 2008.

The summary and recommendations contained in *Room for Improvement* were outlined in paragraphs 14 and 15 of the report, together with details of how the City of York Council had previously responded, and was now planning to respond, to those issues. The report also outlined the objectives of the approved Property Blueprint included in the More for York programme, which addressed the way in which land and property assets were managed across the whole Council and the opportunities for working closely with partners and other public-private sector organisations.

It was considered that the Council's response to the Audit Commission report, though its action plan and the intentions outlined in the Property Blueprint, would contribute enormously to satisfying the recommendations outlined in *Room for Improvement.*

RESOLVED: That the Council's response to the Audit Commission's review of asset management and *'Room for Improvement'* and work planned as part of More for York, together with the associated monitoring arrangements, be noted.

REASON: To be assured of the effective management of the Council's property assets as part of the system of internal control.

46.   DATA QUALITY POLICY - PROGRESS REPORT

Members considered a report which outlined the progress made towards implementing and embedding a data quality policy across the Council and provided feedback from the Audit Commission on the Council's Data Quality Arrangements under Use of Resources Key Lines of Enquiry (KLOE) 2.2.

Feedback given as part of the 2008-09 Audit Commission Inspection under KLOE 2.2 was summarised in paragraph 5 of the report. A review of data quality arrangements carried out by Internal Audit (Veritau) had found that all of the 24 indicators had at least moderate assurance except one – Improved Local Diversity, which was given limited assurance. Action had since been taken to improve the system of collection for this indicator. The data quality policy had been expanded upon this year to build on the feedback given by the Audit Commission and Internal Audit. Nearly 90% of the national Indicator set had been reviewed against a self-assessment matrix and the resulting scores were provided in paragraph 8 of the report.

Key issues raised in the self assessments were summarised in paragraph 12 and some examples of actions identified to target future improvements were provided in paragraph 13. An action plan had been developed to move York's overall score from 'performing adequately' to 'performing well'. Benchmarking data would continue to be used to help identify where an indicator had been calculated incorrectly or where the Council was not performing as it should. It was considered that the appointment of a 'data quality champion' at Elected Member level, recognised as best practice in other authorities, would strengthen current arrangements.

Officers suggested that the Executive Member for Resources be appointed as data quality champion; however, Members felt that there should be a more 'independent' appointment, in accordance with the other champion roles within the Council.

RESOLVED: (i)   That the progress made to date on improving data quality, including positive audit results which show improvements having an impact, be noted.

(ii)   That Officers consult with Democratic Services on the options for nominating and appointing a data quality champion. [1]

REASON: To ensure that continual improvement is made to the Council's data quality arrangements, which will also help to improve the reported results in the Use of Resources Assessment as part of the Organisational Assessment within the CAA.

Action Required
1. Consult with Democratic Services re arrangements to   MN
appoint a data quality champion

47.   KEY CORPORATE RISK MONITOR QUARTER THREE 2009/10

Members considered a report which presented details of the revised risks associated with the refreshed Key Corporate Risks (KCRs), as at the third quarter of 2009/10.

This was the first set of risks associated with the revised KCRs to be brought to Audit & Governance Committee. Headline risks were set out in pargraph 4 of the report. Full descriptions of the risks, with details of the controls and actions currently identified to mitigate them, were provided in Annex A. The More for York KCR (no. 0017) was not included in the monitor as this area was continuing to be developed in line with the More for York blueprints. No additional High and Critical directorate risks had been raised by Directorate Management Teams this quarter. Members were invited to request more detailed information on individual risks at a future meeting, if required.

Officers confirmed at the meeting that the More for York risk was still in preparation and that some of the existing risks, such as the effects of the economic downturn, required more work. In response to Members' questions, they agreed to circulate further information with regard to the Safeguarding risk (KCR 0019), where information appeared to have been omitted under one of the risk headings.

RESOLVED: (i)   That the risks set out at Annex A to and paragraph 4 of the report be noted and agreed.

REASON: To be assured that risks to the Council are continuously reviewed and updated.

(ii)   That a further detailed risk report on the risk of failure to deliver the university pool under KCR 0016 (Capital Programme) be brought to the next meeting, on 15 February 2010. [1]

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

<u>Action Required</u>
1. Ensure that detailed information on the university pool risk   MN
is brought to the meeting on 15/2/09

48.   AUDIT AND COUNTER FRAUD MID-TERM MONITOR

Members considered a report which provided details of progress made towards delivering the internal audit and counter fraud work plan for 2009/10 and sought approval for a set of revised Terms of Reference for Internal Audit.

Two of the priorities for Veritau were to deliver at least 90% of the Audit Plan and to ensure that the service continued to operate to recognised professional standards. These were the minimum standards required for a good Use of Resources assessment score. Internal Audit had successfully delivered 94.2% of the 2008/09 Plan and 18% of the 2009/10 Plan had been completed. Based on the current work programme, it was anticipated that the 90% target would be achieved. Details of the audits completed and reports issued since the last progress report in June were provided in Annex 1. Details of variations to the Plan approved by the client manager to date were provided in Annex 2. Details of counter fraud work undertaken in accordance with the approved Plan were set out in Annex 3. As in previous years, most of this work related to suspected fraudulent Housing and Council Tax benefit claims.

Paragraphs 10-15 of the report summarised changes made to audit working practices to ensure consistency in service delivery to both City of York Council and North Yorkshire County Council, together with service developments in respect of counter fraud arrangements. A number of changes were required to the Internal Audit Terms of Reference (ToR), following transfer of audit and counter fraud services to Veritau Ltd. The proposed revised ToR were attached at Annex 5 to the report.

RESOLVED: (i)   That the results of the audit and fraud work undertaken to date in 2009/10 be noted.

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

(ii)   That the variations to the 2009/10 Audit Plan approved to date by the Internal Client Manager and set out in Annex 2 to the report, be noted.

REASON: To confirm that Members have considered the delivery of the Internal Audit Plan.

(iii)   That the updated Internal Audit Terms of Reference set out in Annex 5 be approved. [1]

REASON: To ensure that the Council complies with the CIPFA Code of Practice.

Action Required
1. Make arrangements to implement the updated Internal   MN
Audit Terms of Reference

49.   FOLLOW UP OF AUDIT RECOMMENDATIONS

Members considered a report which set out progress made by departments in implementing those agreed audit recommendations due to be implemented by 31 October 2009.

A total of 157 recommendations had been followed up. 11 (7%) of these had been superseded. Of the remainder, 133 (84.7%) had been satisfactorily implemented. In one case, the recommendation had not been fully implemented and this was being followed up as part of the current audit. In the remaining 12 cases, satisfactory reasons had been given for the delay in implementation and revised deadlines had been agreed.

The response of the Technical Finance Manager to the concerns raised by Members on 21 September regarding submission of the Sure Start grant claim was reproduced in paragraph 11 of the report. This indicated that the delay in submission had been due to a lack of clarity from government over the deadline dates and that the checklist and recommendations contained in Appendices 4 and 5 of the Audit Commission's report would be taken on board.

RESOLVED: (i)   That the progress made by management in implementing agreed internal audit recommendations, as set out in paragraphs 5-9 of the report, be noted.

(ii)   That the progress made by management in implementing recommendations arising from Audit Commission reports received in the period, as set out in paragraphs 10-12, be noted.

(iii)   That information on whether work on the Sure Start grant claim is on track to meet submission deadlines be included in the internal audit progress report which is due to be brought to the Committee in April 2010.[1]

REASON: To fulfil the Committee's role in assessing the adequacy of the Council's internal control environment.

Action Required
1. Take action to ensure information on the Sure Start grant   MN
is included in the report to the meeting on 26/4/10

50.   REVIEW OF THE AUDIT & GOVERNANCE COMMITTEE'S TERMS OF REFERENCE (ARTICLES & FUNCTIONS)

[See also under Part B Minutes]

Members considered a report which outlined proposed revisions to the Audit & Governance Committee's Terms of Reference (described as Articles and Functions in the Council's Constitution).

The changes proposed, as explained in paragraphs 5-10 and set out in the tracked changes document at Annex A to the report, would bring the Committee's operation in line with best practice as set down by CIPFA and the Audit Commission. They were mostly minor amendments, but included a significant change to the Committee's role and responsibilities regarding

amendments to the Council's Constitution. This would mean transferring to the Staffing Matters & Urgency Committee responsibility for recommending constitutional amendments to Council, but retaining responsibility for recommending amendments to Financial Regulations and Contract Procedure Rules and certain changes to the Policy Framework.

The document at Annex A incorporated the amendment already agreed regarding the appointment of an independent advisor to the Committee. A person specification for this role was in preparation and a recruitment plan would be discussed with the Chair before the start of the next municipal year.

RESOLVED: That a report be brought to the next meeting to enable Members to consider how the Committee can fulfil its role in relation to Standards Committee and Scrutiny committees.[1]

REASON: To ensure that the Committee is fulfilling its functions properly in respect of all the Council's activities.

Action Required
1. Make arrangements to bring a report re Standards /   MN
Scrutiny to meeting on 15/2/10

51. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE

Members considered a report which provided an update on progress towards implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

A report introducing the implementation of IFRS had been presented to Members on 21 September 2009. 'Significant' areas for change, as defined in that report, were currently being reviewed and progress on these areas was detailed in paragraphs 6 to 12 of this report. Priority had been given to Private Finance Initiatives, Leases, Assets Investment Properties, Employee Benefits and Group Accounts. The remaining three areas (First Time Adoption, Increased Disclosure requirements and Segmental Reporting) would not affect the initial reinstatement of the 1 April 2009 balance sheet and would be the subject of further guidance notes to be issued by CIPFA during December 2009.

Collaborative working with all departments across the authority was key to the preparation of IFRS. Corporate Finance were ensuring that all finance staff understood the change in accounting regulation. They were also participating in consultation and ongoing discussions with other local authorities.

In response to Members' questions, Officers confirmed that the work outlined in the report was being carried out in-house, using existing software, at no additional cost to the Council.

RESOLVED: That the positive progress contained in the report be noted and that the continuing work being undertaken for a smooth transition to IFRS be recognised.

REASON: In accordance with the requirement for those responsible for governance arrangements to be updated on a regular basis to ensure that the implementation of IFRS is proceeding in a timely manner for completion by 30 June 2011.

52. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

Members considered a report which sought their views on how best to undertake the annual review of the effectiveness of the Council's system of internal audit in 2009/10 and future years.

The 2008/09 review had been conducted by the Officer Governance Group and the results reported to the Committee on 29 June 2009. From 2009/10 onwards, internal audit and fraud services were being provided under a service agreement, following establishment of a joint service with North Yorkshire County Council and the transfer of service provision to Veritau Ltd. Delivery of the service would be monitored via a Shared Service Contract Board (SSCB).

To maintain independence, it was proposed that the SSCB should undertake the annual review, overseen by the chairs of the Audit Committees of the two councils. For this year, it was proposed that the review be undertaken in February and March 2010 and the results reported to the next meetings of the Audit Committees – in York's case, the meeting in April 2010.

RESOLVED: (i) That the process for conducting the annual review of the effectiveness of the system of internal audit be noted.

(ii) That future reviews be undertaken by the Shared Service Contract Board (SSCB), with the process overseen by the Chair of the Audit & Governance Committee and the results reported to the next meeting of the Committee.[1]

REASON: To enable Members to fulfil their role in assessing the adequacy of the Council's internal control environment.

Action Required
1 Make arrangements to implement the revised review   MN
process

53. **CHAIR'S BUSINESS - FORWARD PLAN**

The Chair raised the matter of the forward work plan for the Audit & Governance Committee. A draft plan of the items proposed for the Committee's meetings up to July 2010 had been circulated to Members before the meeting.

Members noted the proposed training / briefing events to be held during the year to support them in their role on the Committee and suggested that a further session on the CAA would be a useful addition to this programme. Officers confirmed that training on the CAA was likely to be included in the general training programme for all Members of Council.

In response to Members' comments on the large number of items on agendas for this Committee, Officers noted that the number of meetings had been increased from 4 to 6 per year in order to address this problem and agreed to keep the matter under review.

RESOLVED: That the draft plan (annexed to these minutes) be approved, with the following additions already agreed at this meeting:

- Detailed information on the University Pool risk to be included in the Key Risk Update to the meeting on 15 February 2010.
- Report on the Committee's functions in relation to Standards and Scrutiny committees to be brought to the meeting on 15 February 2010.
- Progress information on submission of the Sure Start grant to be included in the follow up report on internal and external audit recommendations to be brought to the meeting on 26 April 2010.
- CAA update report to be brought to the meeting in July 2010.

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

PART B - MATTERS REFERRED TO COUNCIL

54. **REVIEW OF THE AUDIT & GOVERNANCE COMMITTEE'S TERMS OF REFERENCE (ARTICLES & FUNCTIONS)**

[See also under Part A Minutes]

Members considered a report which outlined proposed revisions to the Audit & Governance Committee's Terms of Reference (described as Articles and Functions in the Council's Constitution).

The changes proposed, as explained in paragraphs 5-10 and set out in the tracked changes document at Annex A to the report, would bring the

Committee's operation in line with best practice as set down by CIPFA and the Audit Commission. They were mostly minor amendments, but included a significant change to the Committee's role and responsibilities regarding amendments to the Council's Constitution. This would mean transferring to the Staffing Matters & Urgency Committee responsibility for recommending constitutional amendments to Council, but retaining responsibility for recommending amendments to Financial Regulations and Contract Procedure Rules and certain changes to the Policy Framework.

The document at Annex A incorporated the amendment already agreed regarding the appointment of an independent advisor to the Committee. A person specification for this role was in preparation and a recruitment plan would be discussed with the Chair before the start of the next municipal year.

RECOMMENDED: (i) That responsibility for amending the Constitution remain with the Audit & Governance Committee and not be transferred to the Staffing Matters & Urgency Committee.

REASON: In accordance with the role of Audit & Governance Committee to oversee governance arrangements within the Council.

(ii) That the following amendments be made to the relevant parts of the Constitution and that authority be delegated to the Interim Head of Civic, Democratic and Legal Services to make the necessary drafting changes, together with any minor changes to other parts of the Constitution consequential upon these amendments:

a) An amendment to paragraph 1.1 of Article 9 to remove the reference to the Shadow Executive, which no longer exists.

b) Amendments to paragraph 8 of Part 3C to reflect the fact that responsibility for producing the Annual Internal Audit Plans, Reports and related annual opinion is now delegated to the Head of Internal Audit, who manages the shared internal audit Provider, Veritau Ltd.

c) An amendment to paragraph 20 of Part 3C, the amended paragraph to read as follows:

'To consider proposals to change the Council's Constitution referred to it by the Executive and / or Officers and, where it agrees or disagrees that amendments to the Constitution are required, to make recommendations to Council as appropriate.'

REASON: To ensure that the Committee's Articles and Functions properly and accurately reflect its responsibilities and those specifically delegated by Council, and to remove the current ambiguity in the interpretation of paragraph 20 of Part 3C.

B Watson, Chair
[The meeting started at 5.40 pm and finished at 8.55 pm].

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YORK
CITY OF
COUNCIL

Audit and Governance Committee

15 February 2009

Report of the Director of Resources

Audit & Governance Committee Forward Plan to December 2010

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee to December 2010. 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 December 2010. 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.

3. Changes agreed with the Chair of the Committee are:

    - A 'taster training session' to inform more detailed training sessions was to be held immediately before this committee, however given the addition of four reports to the agenda, this has been deferred. Revised arrangements will be outlined by officers at the meeting.
    - The Internal Audit and Fraud Update will be deferred until April 2010, given the Committee had only recently received a report in December 2009 and they will need a comprehensive report in April to inform their view of the Draft Annual Governance Statement.

Consultation

4. 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

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 contributing to an 'Effective Organisation'.

Implications

8.

    (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

9.   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

10.

    (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:	**Chief Officer Responsible for the report:**
Pauline Stuchfield Assistant Director (Customer Service & Governance) Telephone: 01904 551706	Ian Floyd Director of Resources Telephone: 01904 551100

Report Approved | √ | **Date** | 1st December 2010

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 December 2010

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Annex

Audit & Governance Committee Draft Forward Plan to December 2010

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

- **16 March 2010** *Risk Management Training 12:00 - 13:00pm*

- <u>**Committee 26 April 2010**</u>

    Risk Management Quarterly Monitoring Report

    Review of Effectiveness of Internal Audit

    Follow up of Internal and External Audit Recommendations (including Sure Start Grant update)

    IFRS Update

    Treasury Management Strategy

    Draft Annual Governance Statement

    Internal Audit & Fraud Plan Progress Report

    Approval of Internal Audit Plan

    Audit Commission reports as per agreed Audit & Inspection plan

    Audit Commission national reports (if any)

    Changes to the Constitution (if any)

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

    Separate Statement of Accounts Briefing

- <u>**Committee 29 June 2010**</u>

    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

  Audit Commission national reports (if any)

  Audit Commission reports as per agreed Audit & Inspection plan

  Changes to the Constitution (if any)

- **29 September 2010**

  Annual Governance Report

  Corporate Governance Update

  Risk Management Quarterly Monitoring Report

  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)

- **6 December 2010**

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

  Data Quality Progress Report

  Risk Management Quarterly Monitoring Report

  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)

Audit and Governance Committee 15 February 2010

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

Audit Commission Opinion Audit Plan 2009/10

Summary

1.   This report presents the Audit Commission's Opinion Audit Plan for 2009/10 which is attached as the annex to this report.

Background

2.   The opinion audit plan sets out the detailed work to be conducted by the District Auditor in relation to the audit of financial statements 2009/10. In this Plan he has taken account of:
   o   national risks
   o   the inherent audit risks arising from previous audit work carried out at the council including Internal Audit work and previous inspection findings;
   o   the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit.

3.   The fees remain as notified to the Committee in June 2009.

Consultation

4.   The Plan has been consulted on with the relevant responsible officers within the Resources Directorate prior to it being reported to those members charged with governance at the council.

Options

5.   Not relevant for the purpose of the report.

Analysis

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

Corporate Priorities

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

Implications

8.

(a) **Financial** – The fees can be contained within the 2009/10 budget for external audit fees.

(b) **Human Resources (HR)** - There are no implications.

(c) **Equalities** - There are no implications.

(d) **Legal** - There are no implications.

(e) **Crime and Disorder** - There are no implications.

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

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

Risk Management

9.   The council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful, and its Use of Resources score in future CAA assessments could be adversely affected.

Recommendations

10.   Members are asked to:

a) consider the matters set out in the Opinion 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 they sufficiently reflect the audit needs and interests of the council.

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

Contact Details

Author:	Chief Officer Responsible for the report:
Pauline Stuchfield Assistant Director (Customer Service & Governance) Telephone: 01904 551706	Ian Floyd Director of Resources Telephone: 01904 551100

Report Approved | √ | **Date** 1 February 2010

Specialist Implications Officers

Wards Affected: Not applicable   **All** [   ]

For further information please contact the author of the report

Background Papers:
None

Annexes
Opinion Audit Plan 2009/10

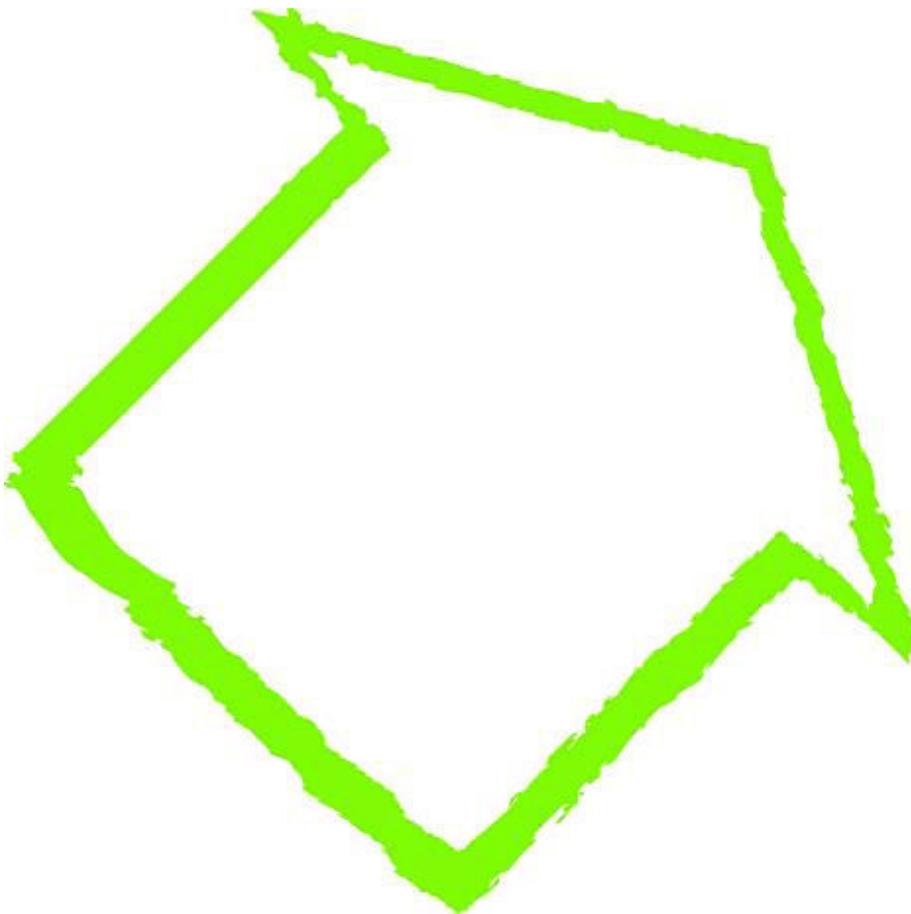This page is intentionally left blank

Opinion audit plan

City of York Council

Audit 2009-2010

February 2010

audit
commission

Contents

Status of our reports

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

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

Introduction

1   This plan sets out the audit work that I propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:

- audit work specified by the Audit Commission for 2009/10;
- current national risks relevant to your local circumstances; and
- your local risks.

2   The plan provides an update to the 2009/10 audit fee letter, issued to the Council in April 2009. It includes our assessment of the specific risks for our audit of the financial statements, which we had not identified when we issued the audit fee letter.

Responsibilities

3   The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.

4   The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and I undertake my audit work in the context of these responsibilities.

5   I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and

- the Code of Audit Practice.

Fee for the audit of financial statements

6   The fee for the audit of your financial statements is £150,848, within the overall fee for the 2009/10 audit of £248,400, as reported in John Prentice's letter of 29 April 2009.

7   In setting the fee, I have assumed that:

- the level of risk in relation to the audit of accounts is consistent with that for 2008/09;

- you supply good quality working papers to support the financial statements; and

- Internal Audit undertakes appropriate work on all material systems and this is available for our review by 30 April 2010.

8   Where these assumptions are not met, I will need to assess whether I need to undertake extra work, which would result in an increased audit fee. Where this is the case, I will discuss this with the Director of Resources and I will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

9   Appendix 1 sets out further information on the basis for the audit fee.

Specific actions the Council could take to reduce its audit fees

10   I produced a comprehensive action plan in our 2008/09 Annual Governance Report detailing the improvements the Council needs to make. I will continue to work with staff to identify any further specific actions the Council could take and to provide continuing audit support.

Auditors report on the financial statements

11   I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).

12   I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

Identifying opinion audit risks

13   As part of my audit risk identification work, I need to understand the Council to identify any risk of material misstatement (whether from fraud or error) in the financial statements. I do this by:

- identifying the Council's business risks, including assessing your own risk management arrangements;

- considering the Council's financial performance;

- assessing your internal controls - including reviewing the control environment, the IT control environment and Internal Audit; and

- assessing the risk of material misstatement arising from the Council's processes and controls in information systems.

Specific risks

14 I have considered the specific risks that apply to the 2009/10 opinion audit and have set these out below.

Table 1   Specific risks

Specific opinion risks identified

Risk area	Audit response
The Council is required to comply with IFRIC12 in its financial statements for 2009/10. This will require you to reassess the accounting treatment of the existing PFI schemes, and may require you to include the assets and associated liabilities in your financial statements this year.	Review the accounting treatment of PFI schemes in light of IFRIC12 and other guidance in the SORP 2009.
The Council has interests in companies that may require them to produce group accounts for the first time in 2009/10.	Review the rationale behind whether to produce group accounts. If the Council produces group accounts, then audit them in line with current auditing guidance.
The audit of the 2008/09 financial statements identified large errors in fixed asset accounting and related entries. Similar errors may recur in 2009/10.	Review the Council's asset register and associated working papers supporting the financial statements, in light of the requirements in the SORP and related FRSs.
The SORP 2009 sets out changes to the reporting and disclosure requirements in 2009/10. The Council may not fully and accurately implement these changes.	Review the financial statements to ensure the SORP changes have been fully and accurately complied with.

Testing strategy

15 Based on the risks identified in Table 1 I will produce a testing strategy which will consist of testing key controls and substantive tests of transaction streams and material account balances at the year end.

16 My testing can be carried out both before and after the draft financial statements have been produced.

17 Wherever possible, I will complete some substantive testing earlier in the year, before the financial statements are available for audit. I have identified the following areas where I intend to carry out early substantive testing:

- review of accounting policies;

- auditing the bank reconciliation;

- obtaining direct confirmation of loans and investments; and

- confirming ownership of Council assets.

18 Wherever possible, I seek to rely on the work of Internal Audit to help meet my responsibilities. For 2009/10, I expect to be able to use the results of their audit work on the Council's financial systems, in particular the new general ledger system and associated debtors and creditors systems.

Key milestones and deadlines

19 The Council is required to prepare the financial statements by 30 June 2010. I am required to complete my audit and issue my opinion by 30 September 2010. Table 2 shows the key stages in producing and auditing the financial statements.

20 Appendix 4 includes my schedule of working papers that I require to carry out the audit. These working papers should be available with the draft financial statements on 30 June 2010.

21 Every week, my staff will meet with the key finance staff and review the status of all queries. If needed, they will meet at a different frequency depending on the need and the number of issues arising.

Table 2   Proposed timetable

Task	Deadline
Control and early substantive testing	30 April 2010
Receipt of accounts	30 June 2010
Sending audit working papers to the auditor	30 June 2010
Start of detailed testing	5 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit & Governance Committee	29 September 2010
Issue opinion	By 30 September 2010

The audit team

22 Table 3 shows the key members of the audit team for the 2009/10 audit.

Table 3   Audit team

Name	Contact details	Responsibilities
Steve Nicklin District Auditor	s-nicklin@audit-commission.gov.uk 0844 798 1621	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Lynn Hunt Audit Manager	l-hunt@audit-commission.gov.uk 0844 798 1675	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Resources.
Keith Illingworth Principal Auditor	k-illingworth@audit-commission.gov.uk 0844 798 7141	Responsible for leading the audit staff carrying out the audit work, and liaises closely with the Corporate Finance Manager.

Independence and objectivity

23 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which the auditing and ethical standards require me to communicate to you.

24 I comply with the ethical standards issued by the APB and with the Commission's requirements for independence and objectivity as summarised in Appendix 2.

Meetings

25 My audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Appendix 3 sets out my proposals.

The audit team

Quality of service

26 I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how I can improve our service, please contact me. Alternatively, you may wish to contact the North East, Yorkshire and Humberside Head of Operations, Dave Allsop.

27 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

Planned outputs

28 We will discuss and agree reports with officers before issuing them to the Audit & Governance Committee.

Table 4   Planned outputs

Planned output	Indicative date
Opinion audit plan	January 2010
Annual governance report	29 September 2010
Auditor's report giving an opinion on the financial statements	30 September 2010
Final accounts memorandum	30 November 2010

Steve Nicklin

District Auditor

January 2010

Appendix 1 – Basis for fee

1   The Audit Commission is committed to targeting its work where it will have the greatest effect, based on assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.

2   The risk assessment process starts with identifying the Council's significant financial and operational risks by considering:

- our cumulative knowledge of the Council;
- planning guidance issued by the Audit Commission;
- the specific results of previous and current audit work;
- interviews with Council officers; and
- liaison with Internal Audit.

Assumptions

3   In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
- you will tell us of significant developments impacting on the audit;
- Internal Audit meets the appropriate professional standards;
- Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements so we can place reliance on this for our audit;
- good quality working papers and records will be provided to support the financial statements by 30 June 2010;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports; and
- extra work will not be required to address questions or objections raised by local government electors.

4   Where these assumptions are not met, I may be required to undertake extra work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

1   Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

2   The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

3   International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total fee the auditor has charged the client; and

- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised

4   The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit & Governance Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.

5   The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6   The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

   • Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.

   • Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.

   • The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.

   • The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.

7   The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 3 – Working together

Meetings

1   The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.

2   Our proposal for the meetings is as follows.

Table 5   Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Assistant Director of Resources (Finance)	Audit Manager (AM) and Team Leader (TL)	At least monthly before 30 June 2010. Weekly between July and September 2010	General update. Specific audit issues and queries from July to September.
Corporate Finance Manager	AM & TL	At least monthly before 30 June 2010. Weekly between July and September 2010	Specific audit issues and queries from July to September.
Audit & Governance Committee	District Auditor and AM	As determined by the Committee meetings	Formal reporting of: Opinion Audit Plan Annual governance report Other issues as appropriate

Sustainability

3   The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:

- reducing paper flow by encouraging you to submit documentation and working papers electronically;

- use of video and telephone conferencing for meetings as appropriate; and

- reducing travel.

Appendix 4 – Working paper requirements

1   While working papers should support every entry in the financial statements, there are some key working papers that we will require as part of the 2009/10 audit. These are detailed below, and are grouped into relevant headings for ease of reference.

Table 6   Key Working Papers

General	
Analytical Review	The financial statements should be subject to an analytical review before submission for audit, highlighting all significant variances from the previous year. Explanations for the variances should be given, supported by evidence.
Budget comparison	Compare actual income and expenditure to budgets for the year, highlighting reasons for any significant variations, and providing evidence that Members have approved material changes.
Audit trail to ledger	Provide a working paper linking the figures in the financial statements to the general ledger, proving that all entries have come from the ledger, and that all ledger balances/ transactions have been included in the financial statements.
Opening Balances	A spreadsheet highlighting any changes to prior year figures, with explanations for the changes.
Year-end journals	A list of all year-end journals of more than £5m.
Related Party Transactions	Evidence to show the Council has undertaken steps to identify all relevant related party transactions with Members and senior Officers, in line with FRS8.
Cut-off Testing	A report showing all payments made in the last two weeks of March, and the first 4 weeks of April, and another showing all receipts during the same period.
Accounting Policies	Details of any changes to accounting policies, with reasons for the changes, and details of impact on prior year figures, where appropriate.

Appendix 4 – Working paper requirements

Income and Expenditure Account	
Trading Operations	Details of all significant trading operations undertaken by the Council in the financial year (whether disclosed separately in the financial statements or consolidated within service net expenditure). Items NOT reapportioned to service revenue financial statements and provide explanation for accounting treatment.
Government Grants	Government confirmation of grant allocations for all significant grants for example NNDR payments from pool, DSG, and RSG.
Feeder systems	A control schedule showing that all feeder systems and control accounts have been reconciled and reviewed as at 31 March 2010.
Pension costs	A copy of the actuary's report showing the figures used in calculating the Net Pension Costs.
Housing Benefit claim reconciliation	A reconciliation to show the figures in the financial statements for housing benefits link to the Housing Benefits system, and that income reconciles to the Housing Benefit claim BEN01.
Statement of Movement on the General Fund Balance	
SMGFB audit trail	A working paper showing where the balances in the SMGFB have originated from, with clear links to the other statements.
Statement of Total Recognised Gains and Losses	
STRGL audit trail	A working paper showing where the figures in the STRGL have originated from, with clear links to the other statements.
Balance Sheet	
Tangible Fixed Assets	An audit trail between the figures in the financial statements and the Fixed Asset Register, which should include all assets, and details of any movements in year against individual assets.
	A list of all additions to the Fixed Assets, with evidence to support the additions.
	A list of all disposals with evidence to support the disposals.
	Valuers' reports for all revaluations of fixed assets.
	A list of all assets under construction, including details of the schemes involved, and expected completion dates.
	The Council should be prepared to produce deeds/ ownership papers for any asset to prove that it belongs to the Council.

Investments	A list of all year-end investments with details of the dates, amounts, and location of the investments, supported by documentary evidence from the bank/ broker.
Debtors	Debtors control account reconciliations.
	Supporting schedules listing all debtors within the account balances.
	Bad debt provision calculations, including percentages used for different ages of debt, and evidence to support why those percentages are appropriate, for example collection rates against previous years' bad debt provisions, and levels of write off.
Cash and Bank	Bank reconciliations reconciling the bank statement balances to the ledger, supported by listings of unpresented cheques, lodgements outstanding, cashiers' balances at the year-end, and any other reconciling items.
Loans outstanding	Confirmation from lenders about any changes to balances outstanding for example repayments made during the year, any new loans taken out.
Creditors	Creditors control account reconciliations.
	Supporting schedules listing all creditors within the ledger codes.
Provisions	Details of any material provisions.
Revaluation Reserve	Working paper showing transactions on the Revaluation reserve.
Cash Flow Statement	
General	Where there are significant debtors or creditors against individual lines, the entries should be reconciled to the ledger via the debtor/ creditor adjustments.
Housing Benefits Paid Out	A summary report from the Housing Benefit system showing totals paid out during the year.
NNDR payment to Pool	Evidence of amount paid to NNDR pool.
Precepts Paid	Precept notifications from all precepting authorities.
Rent (after rebates)	A reconciliation to the Rents system.
Council Tax Income	A reconciliation to the Council Tax system.

NDR income	A reconciliation to the NDR system.
Dividends/ interest paid and received	Reconciliation of figures in the I&E account and those in the Cash Flow Statement, clearly identifying the debtors/ creditors involved, and where they are in the debtors/ creditors listings.
Fixed asset sales/ purchases	Reconciliation of figures in the notes to the Balance Sheet and those in the Cash Flow Statement, clearly identifying the debtors/ creditors involved, and where they are in the debtors/ creditors listings.
Collection Fund	
Council Tax income	Reconciliation to Council Tax system.
NDR income	Reconciliation to NDR system.
Precepts	Precept notifications from all precepting authorities.
NDR payment to pool	Reconciliation to NDR3 claim.
Housing Revenue Account	
Gross dwelling rents	Reconciliation to rents system.
HRA subsidy	Reconciliation to HOU01 claim.
Whole of Government Accounts	
Audit trail	A full audit trail of all changes/ different figures used from those in the financial statements, with explanations for different approach.

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.

Audit and Governance Committee   15 February 2010

Report of the Assistant Director of Resources (Finance)

Certification of Claims and Returns 2008/09 – Audit Commission

Summary

1. The purpose of this report is to allow consideration of the Certificate of Claims and Returns Report 2008/09 produced by the Audit Commission (see Annex). The report reviews the council's arrangements for the preparation and administration of grant claims within the council.

Background

2. The report identifies 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.

3. The overall conclusion from the Audit Commission's findings was that the council has improved its grant claim arrangements from 2007/08. Although similar proportions of grant claims have been amended or qualified, more submission deadlines have been met and fewer delays occurred in those were the deadline was not met.

4. The 2008/09 reports does note that a number of improvements have been made in relation to working papers; the standard is more consistent, there is evidence that reviews are being undertaken and referencing is clearer.

5. The report also recognises specific improvements that can still be made:

   a) Delays in the submission of Grant claims should be notified to the Audit Commission;
   b) Claims should be reviewed for inconsistencies;
   c) The requirements of certification instructions should be met more closely, along with supporting working papers;
   d) Consideration should be given to issues raised in previous years.

6. The Audit Commission report on Grant Claim Certification 2007/08 was presented to this committee on 21 September 2009. A follow up response to the report was given to members on 21 December 2009 which explained that due to the timing of the 2007/08 audit commission report, 8 out of 10 claims for 2008/09 had already been received by the Audit Commission before the 2007/08 report was available. Therefore work continues in 2009/10 relating to the comments raised by the Audit Commission from the 2007/08 report.

7. As a result of the discussions resulting from this review, the Action Plan at Appendix 3 has been agreed with the Audit Commission. Although responsibility for some of these actions lies with Finance Managers within Directorates, Corporate Finance continue to play a supporting role in implementing these actions.

Consultation

8. Corporate Officers have contributed to this report where appropriate.

Options

9. Not relevant for the purpose of the report.

Analysis

10. Not relevant for the purpose of the report.

Corporate Priorities

11. This report contributes to the overall 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

12. There are no financial implications other than those outlined in the report. There are no HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

13. Failure to provide adequate arrangements for the administration and preparation of grant claims result in both financial and reputation risks to the Council.

Recommendations

14. Members are asked to:

   (a) consider the content of the Certification of Claims and Returns report 2008/09;

   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.

   (b) note the agreed Action Plan presented as Appendix 3 to the Audit Commission Report.

Reason
To enable members to comment on the proposed improvement arrangements.

Contact Details

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Report Approved | √ | **Date** 29/01/10

Specialist Implications Officers

Not applicable

Wards Affected: **All** | √

For further information please contact the author of the report

Background Papers:

Audit and Governance Committee 21 September 2009: Grant Claim Certification Report 2007/08 – Audit Commission
Audit and Governance Committee 21 December 2009: Follow Up Audit Recommendations

Annex

Certification of Claims and Returns 2008/09 – Audit Commission
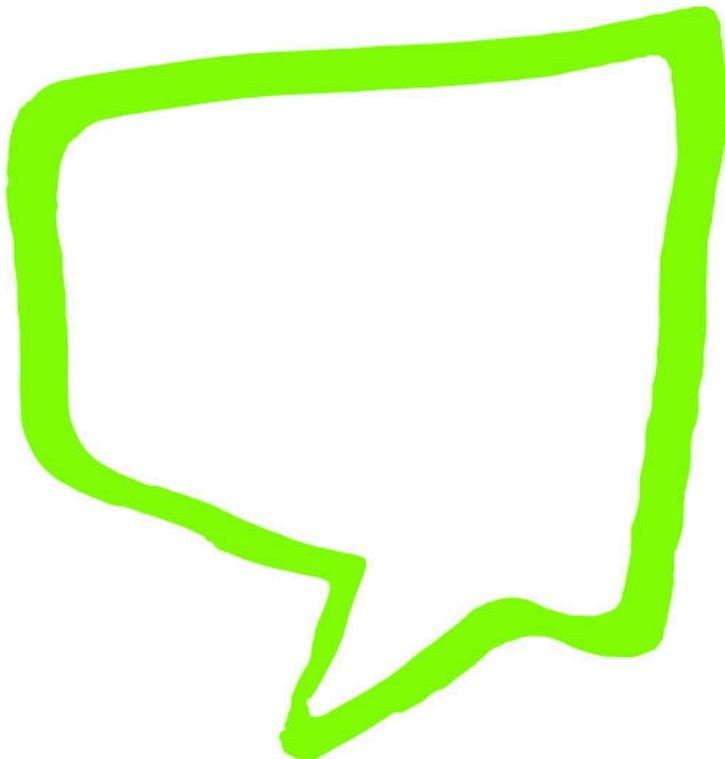
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Certification of Claims and Returns

Annual Report

City of York Council

Audit 2008/09

February 2010

audit commission

Contents

Status of our reports

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

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

- any third party.

Introduction

1 Under section 28 of the Audit Commission Act 1998, the Audit Commission makes arrangements for certifying claims and returns in respect of grants or subsidies received by the Council. The Commission, rather than the appointed auditor, has the responsibility for making certification arrangements, and the auditor acts as an agent of the Commission in this respect. This is a different relationship than for the Code of Audit Practice work.

2 Good practice in the preparation of grant claims and returns is set out in the *'Statement of Responsibilities of grant paying bodies, authorities, the Audit Commission and auditors in relation to grant claims and returns'*, as published by the Audit Commission. This document summarises the framework under which the Audit Commission makes certification arrangements and to assist authorities by summarising the extent of their responsibilities.

3 The grant claims we certify range from highly complex multi-million pound schemes, to more straightforward reimbursements of pre-approved expenditure.

4 Certification work is designed to provide assurance to the grant paying body that a grant claim is fairly stated and in accordance with specified terms and conditions. We reach a 'conclusion' on each grant claim or return and set out any matters to report to the grant paying body within a qualification letter.

5 The certification regime is outside our Code of Audit Practice responsibilities and as such the work we do is charged on an hourly basis. In order to minimise the cost of certification, all authorities should implement the following actions.

- Provide comprehensive working papers that fully support the grant claim or return.

- Demonstrate that there is an effective control environment in place to ensure the grant claim or return was prepared in line with the relevant terms and conditions.

- Implement a robust quality assurance regime to ensure timely submission of well supported grant claims and returns.

Audit approach

6   The Audit Commission takes a risk based approach to the grant claim certification work.

7   The key features are as follows.

- For claims and returns below £100,000 the Commission does not make certification arrangements.

- For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.

- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.

- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Main conclusions

8   Overall the Council has improved its grant claim arrangements from 2007/08. Although similar proportions of grant claims have been amended or qualified, more submission deadlines were met by the council and there were fewer delays in those that were not met.

9   The fee charged for our certification work in 2008/09 is shown in Table 1

Table 1

	£
Budgeted grant fee	50,000
Actual grant fee	54,806
Fee variance	+ 4,806

10 The variance in fee from the budgeted amount was primarily due to a 23 per cent increase in the Audit Commission's hourly grant rates, although the certification did take four days longer in 2008/09 due to complications in the certification of the housing benefit claim.

11 In total, 10 grant claims and returns with a total value of £140.3m were subject to audit certification in 2008/09. A summary of the claims and returns certified in 2008/09 is shown in Appendix 1.

Control Environment

12 For the claims and returns with a value over £500,000, where an assessment of the control environment is required, we were able to rely on it in three out of seven cases (43 per cent). In general, the main reasons why we usually cannot place reliance on the control environment are:

- previous record of amendment and/or qualification on the grant claim/return;

- significant difficulties encountered with the audit of the claim in the previous year (eg delays in submission, inadequate working papers);

- new or unexpected entries on the grant claim/return; and

- the inherent complexity of the grant claim/return.

13 Specifically, for the four claims where we could not place reliance on the control environment in 2008/09, the reasons are shown in Table 2.

Table 2   Reasons why the control environment was not relied upon

CI ref	Claim Title	Reason(s)
EYC02	General Sure Start Grant	Qualification in prior year due to the inclusion of ineligible items, late submission of claim in 2007/08 and 2008/09, and difficulties in obtaining adequate responses to queries from officers in 2007/08.
HOU01	Housing subsidies and grants	Claim is high value, complex, and requires input from multiple departments. An error was identified in 2007/08, although it did not result in an amendment to the claim.
HOU02	HRA Subsidy base data 2010/11	New and unexpected entries on the claim form for a transfer from the HRA to the GF and proceeds from a qualifying housing transfer.
LA01	National non-domestic rates return	High value and complicated claim which was qualified in the previous year.

Submission of Claims and Returns

14   The Council submitted two out of 10 grant claims late in 2008/09 (20 per cent) compared to three out of 15 in 2007/08 (20 per cent). The two claims submitted late were also submitted late in 2007/08, although the delays were reduced as shown in Table 3.

Table 3   Grant claims and returns submitted late

CI Ref	Claim Title	Required submission date	Actual Submission date	Number of days late in 2008/09	Number of days late in 2007/08
EYC02	General sure start grant	30 May 2009	6 July 2009	37	112
LA01	National non-domestic rates return	26 June 2009	2 July 2009	6	20

15   This is the third consecutive year in which the General Sure Start claim has been submitted late, and such delays inevitably have a knock on effect on our work as we are unable to accurately plan and resource the work. Smaller delays, such as the one on the NNDR return are more easily absorbed, but in all cases it is important that the relevant officer makes us aware of any delay at the earliest possible time so that we can build it into our work programme.

Recommendation	
R1	Officers should make us aware of any potential delays in the submission of grant claims and returns as soon as possible.

Qualifications and Amendments

16   The number and proportion of grant claims qualified or amended has remained in line with the 2007/08 levels. Whilst the Housing and Council Tax Benefit claim is more likely to be amended and qualified each year due to the complex nature and volume of individual transactions involved, some of the other qualifications and amendments could be more easily avoided by:

- applying quality control processes more robustly - for example an amendment of £101,000 was made on the General Sure Start grant due to capital spend being incorrectly coded to children's centre rather than early years childcare, and an amendment was made to the Teachers Pension return due to a typographical error; and

- reviewing the requirements of the AC Certification Instruction - whenever we cannot conclude on a certification test and an amendment cannot be made, we are required to qualify the claim. In some cases, this could be anticipated and corrected in advance of submission of the claim form. For example, the NNDR return was qualified because the claim showed an earlier date for the latest information used than that actually used due to the officers' interpretation of their guidance.

Table 4   Amended or qualified grant claims over the last three years

	2006/07	2007/08	2008/09
% of claims amended	44	40	40
% of claims qualified	44	27	30

17   A summary of the specific reasons for amendments and qualifications is shown in Appendix 2.

18   Despite the issues outlined above, it was pleasing to note that a number of improvements had been made since the previous year in relation to:

- better consistency across the Council in the standard of the working papers provided with the claims by the departments;

- clear evidence of reviews being undertaken on the working paper files in advance of the claim being submitted; and

- better referencing of working papers to the relevant parts of the claim.

19 In particular, although there are still some issues to resolve as outlined above, the officers responsible for the General Sure Start Grant worked hard to significantly improve:

- the standard of the supporting working papers provided;

- evidence and explanations for the issues we raised; and

- the timeliness of such evidence and explanations during the audit process.

Recommendations
R2 Claims should be checked for any inconsistencies with working papers and expected entries/budgeted outcomes prior to submission.
R3 The requirements of the Certification Instruction should be considered by the responsible officer to ensure that: • all the requirements of the specified tests have been met; and • sufficient working papers can be provided to support these requirements.
R4 The Council should carefully consider the issues in previous years that led to amendments and qualifications being made on grant claims and returns, and whether any improvements can be made to arrangements and the associated control environment

Appendix 1 – Summary of 2008/09 Certified Claims

CI Ref	Claim	Value, £	Adequate control environment	Amended	Qualified
LA01	National non-domestic rates return	79,674,113	No	No	Yes
BEN01	Housing and Council Tax Benefit	40,172,693	N/A - CE assessment not applied to this claim	Yes	Yes
PEN05	Teachers Pensions return	9,882,548	Yes	Yes	No
HOU01	Housing subsidies and grants	5,320,005	No	Yes	Yes
EYC02	General sure start grant	3,603,023	No	Yes	No
RG33	Yorkshire Forward - Science City	667,284	Yes	No	No
HOU21	Disabled Facilities Grant	400,000	N/A - below £500k	No	No
RG33	Yorkshire Forward - Area Tourism Partnership	295,000	Yes - total for project life is over £500k	No	No
CFB06	Pooling of Housing Capital Receipts	292,774	N/A - below £500k	No	No
HOU02	HRA Subsidy base data 2010/11	N/A - info return only	No	No	No

Appendix 2 – Summary of Qualifications and Amendments

Claim Ref.	Claim Title	Reason for amendment (A) and/or qualification (Q)
BEN01	Housing and Council Tax Benefits Scheme	(A): Amendments to various cells in the return due to a mix of system and Council errors. (Q): Qualified due to the extent of errors found, and the DWP requirement to qualify where anything less than 100 per cent of cases in a cell have been tested.
HOU01	Housing Subsidies and Grants	(A): Amendment to cell F002ci in the grant as the working paper for the accrual in the calculation of the average amount of borrowing outstanding contained an error. (Q): Qualified as an error in the Statement of Accounts meant that the figure for the capital financing requirement did not agree to that shown in the grant claim and the requirements of the certification instruction could not be met
LA01	National Non-Domestic Rates Return	(Q): Qualified as there was insufficient evidence that the full amount of debt shown as being written off had been properly authorised by the Council, and the date of the latest information used for the claim did not agree to the date of the latest VO direction included in the claim data.
PEN05	Teachers Pension Return	(A): Amended due to a typo on line 1 meaning that it was overstated when compared to the supporting records for pensionable earnings.
EYC02	General Sure Start Grant	(A): Amended as capital spend had been incorrectly coded to children's centre rather than early years childcare, quality and access, and for an invoice which had been overstated by the service provider.

Appendix 3 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Officers should make us aware of any potential delays in the submission of grant claims and returns as soon as possible.	3	Finance Managers	Yes	Confirmed with Finance Managers that potential delays of grant claim submissions will be reported to the Audit Commission as soon as they are aware.	02 February 2010 and ongoing
8	R2 Claims should be checked for any inconsistencies with working papers and expected entries/budgeted outcomes prior to submission.	2	Finance Managers	Yes	Finance Managers will check inconsistency of claims with working papers and expected outcomes prior to submission or delegate as appropriate.	02 February 2010 and ongoing
8	R3 The requirements of the Certification Instruction should be considered by the responsible officer to ensure that: • all the requirements of the specified tests have been met; and • sufficient working papers can be provided to support these requirements.	2	Finance Managers	Yes	Finance Managers will ensure that all specified tests held in the grant claim are correct and working papers are available.	02 February 2010 and ongoing
8	R4 The Council should carefully consider the issues in previous years that led to amendments and qualifications being made on grant claims and returns, and whether any improvements can be made to arrangements and the associated control environment	2	Finance Managers and Technical Finance Manager	Yes	Technical Finance Manager to raise awareness of Department Accountants at year end closedown meetings to previous grant claim audit suggestions and Finance Managers to review their control environments.	02 February 2010 and ongoing

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.

CITY OF YORK COUNCIL

Agenda Item

Audit & Governance Committee

15 February 2010

Report of the Assistant Director (Customer Service & Governance)

Risk Report – University of York Swimming Pool

Summary

1.   The purpose of this paper is to present to Audit & Governance Committee (A&G) the detailed risk paper in relation to the University Swimming Pool as requested by A&G in December 2009 and also update A&G in relation to member risk management training.

Background

2.   A&G regularly request reports on specific areas of risk as part of the committee's governance remit. This paper has been brought specifically in respect of this role following the presentation of the Quarter 3 Risk Monitor to A&G in December 2009.

Risk Associated with the University Pool

3.   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 detailed report provided by the Assistant Director - Learning Culture & Children's Services (Lifelong Learning) which outlines some of the key issues and challenges in relation to this project is set out at Annex A of this report.

Training Update

4.   The member risk management training session arranged for the evening of 20 February 2010 was cancelled after 3 of the 4 members who had expressed an interest in attending had to withdraw at the last minute. The next member training session is planned for the 16 March 2010 at the Guildhall between12pm –1pm and all A&G members who have not so far attended a risk management training session are welcome to attend. This training will assist A&G members in understanding the council's risk management system and risk reports, thus enabling them to identify opportunities for effective challenge, which will enhance the council's system of internal control.

Options

5.   Not applicable.

Corporate Strategy

6.   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

(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 except as included in Annex A in terms of risks to the capital project.

Risk Management

7.   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

8.   Audit & Governance Committee are asked to consider, comment on the risks set out in the report attached at Annex A.
.

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

Contact Details

Author:	**Chief Officer Responsible for the report:**
David Walker Head of Financial Procedures Phone No. 01904 552261	Pauline Stuchfield Assistant Director of Customer Service & Governance

Report Approved ☑ **Date** 29 January 2010

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable **All** ☐

For further information please contact the author of the report

Background Papers

Quarter 3 Risk Monitor 2009/10

Annex

Annex A – University Pool Risks

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CITY OF
YORK
COUNCIL

Audit & Governance Committee   15 February, 2010

Report of the Assistant Director (Lifelong Learning & Culture)

University of York Swimming Pool

Background

1. The information contained within this paper was presented to Executive on 6 October 2009 as part of a wider report on Swimming Facilities in York. In 2006 the Council entered into a partnership with the University of York to deliver a competition standard pool together with associated sports facilities by 2011. The Council would contribute £2m in return for public access to the facility.

2. The context for this project is the Council's agreed vision for swimming facilities. To inform its strategy the Council previously carried out an analysis of supply and demand for swimming facilities using Sport England's model. This shows that we have a current demand for an additional twelve, 25m lanes of swimming space in the city. By 2015 this is likely to have increased in line with the projected population increase such that there will be demand for a further pool. When the results are broken down geographically it is clear that the demand is greatest in the South and East of the city.

The Current Strategy

3. In the light of the current swimming facilities strategy members agreed to:

- Reconfirm the Council's commitment to delivering the required county standard pool through partnership with the University of York

Key Risks and Issues

4. The University of York's Section 106 agreement requires:

- The construction of a competition standard swimming pool

- Provision of indoor sports provision equivalent to 12 badminton courts and 3 tennis courts together

- Outdoor sports facilities

with a scheme for the provision of public access.

5. It was originally envisaged that the pool would be completed in 2011. However, alongside the first phases of developing the new campus the University has had to expand its capital programme to take on additional projects related to statutory compliance on legacy buildings. This has caused it to draw more heavily upon capital borrowing than had been expected. This has happened in the context of the economic downturn and a reduction in the grant funding available.

6.   In these circumstances the University has been forced to reprioritise its capital planning. It has also had to emphasise the importance of the business case providing a break-even in order for the project to be brought forward. A completion date in 2011 is contingent upon the business plan delivering financial balance.

7.   The University allocated £5m within their Capital plans to which the Council has agreed to add £2m. The FaulknerBrowns study estimates base line costs at £11m. The scheme also includes sporting facilities which would deliver revenue support for the pool development. The £4m funding gap remains, however.

8.   The University and the Council have commenced a review to evaluate the opportunities that may be presented by different funding arrangements for example through a joint venture company. This could prove more cost effective in terms of borrowing, particularly in the context of the University's current expansion investment at Heslington East.

9.   The University is also working closely with the Council to investigate additional funding sources. (This is problematic, however, at a time when the run up to the 2012 games is dominating the priorities for sports funding). The potential to attract private sector finance is also being investigated.

10.   The S106 legal agreement requires the provision of the sports facilities (including swimming pool) on the Heslington East campus, as outlined in paragraph 4. Implementation would be in accordance with an agreed programme of works. At this time there is no agreed programme relating to the implementation of these facilities. Planning permission would be required for the proposed new swimming pool.

Corporate Priorities

11.   Swimming facilities are relevant to the following aims in the Council's Corporate Strategy:

- Inspire residents and visitors to free their creative talents and make York the most active city in the country. We will achieve this by providing high quality sporting and cultural activities for all
- We want to be a city where residents enjoy long, healthy and independent lives. For this to happen we will make sure that people are supported to make healthier lifestyle choices

Implications

12.   **Financial:** See paragraphs 4 to 10.

13.   **Legal:** The Council has agreed a "statement of intent" with the University of York for the development of the pool and sports facilities but has not entered into any binding legal agreement.

14.   **Property:** Property implications are as contained in the report.

15.   There are no **Human Resources, Crime and Disorder,** or **Information Technology** implications.

   ## Recommendations

16.   The committee is recommended to note this report.

Contact Details

Author & Chief Officer responsible for the report:

| Charlie Croft | **Report Approved** |
| Assistant Director (Lifelong Learning & Culture) | **Date** |

Charlie Croft
Assistant Director (Lifelong Learning & Culture)
LCCS
Tel. 01904 553371

Report Approved ☐
Date

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable   **All** ☐

For further information please contact the author of the report

document/reports/misc/university pool.doc

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CITY OF YORK COUNCIL

Audit & Governance Committee   **15 February 2010**

Report of the Head of Civic Democratic & Legal Services

Petitions Report

Summary

1. Further to a report to Audit & Governance Committee in September 2009, this report gives details of current definitions contained within the petitions guidance and updates 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.

Background

2. Councillor Scott requested further information regarding the 'definition' of residents able to submit petitions under the new legislation (whether electronic or otherwise). This information was emailed to all Members of this Committee but was subsequently requested for formal report to Members at this meeting.

3. Since this information was requested, however, two further issues have come to light:

    *   There may be a requirement to set a minimum number of signatories necessary to submit an 'official' petition
    *   A consultation document was published in December 2009 by the Department of Communities & Local Government, giving further draft statutory guidance on the duty to respond to petitions. It is understood that further information on this duty will be received until after 24 February 2010.

Consultation

4. At this stage, no element of this report requires specific consultation. It is proposed, however, to consult other local authorities on any minimum number of signatories they may require for submitted petitions and to consult Directorates internally on an appropriate figure. It would be prudent, however, to await the outcome of any further guidance or information from the Department of Communities & Local Government before making any decisions on this or other details relating to this duty to respond to petitions.

Options

5.   At this stage, this report is a further update to Members containing the information previously requested by Councillor Scott and giving notice of further draft guidance on the duty to respond to petitions. No decisions are required, therefore, as a result of this particular report.

Analysis

6.   **Draft Statutory Guidance on Petitions (including the Definition of a 'Petitioner')**

In the Local Democracy, Economic Development & Construction Act 2009 (Chapter 2 Petitions), petitioners are defined as 'anyone who lives, works or studies in the local authority area, including under 18s'.

The initial guidance on responding to and dealing with petitions produced by the Department of Communities and Local Government, as reported to Members previously stated, in summary, that:

- A local authority scheme must set out its requirements for petitions in order for them to be dealt with, including the number of signatures required. In York, the requirements of our scheme are set out broadly in the report to Audit & Governance Committee on 21 September 2009. As part of the work agreed by this Committee to introduce a corporate scheme to address how we coordinate and respond to petitions, Democratic Services will be drafting some guidelines for internal and public use;
- Petitions in excess of an agreed number of signatures should automatically be guaranteed a debate at full Council;
- Local authorities should introduce an e-petitions facility by 1 April 2010

As a result of that initial guidance, Full Council has already agreed that:

- petitions signed by a 1,000 or more petitioners will automatically generate a debate at full Council on the issue in hand;

- an e-petition facility will be introduced by the Council enabling those petitioners who so want to put together an e-petition

7.   **Further Consultation on Draft Statutory Guidance on the Duty to Respond to Petitions**

Since Members last considered a report on petitions, the Department of Communities & Local Government has published, in December 2009, its consultation on draft statutory guidance on the duty to respond to petitions, which sets out in further detail the key requirements of any local authority scheme on petitions. It is understood that no further progress on the

implementation of local authority duties surrounding petitions will be available until after 24 February 2010. In the light of this position, it is suggested that further details be awaited before implementing the agreed Corporate Petitions Register for York in case any finer details need changing. It would be sensible to report back to Audit & Governance in due course when the position on implementation dates etc becomes clearer. At that time, details of an appropriate minimum number of petitioners to be set could be reported back.

8. In the meantime, pending further news on implementation from the Department of Communities & Local Government, Democratic Services will continue with progress to ensure an e petitions facility can go live at the appropriate time and that it can be appropriately administered by the authority.

Corporate Strategy

9. The duty to respond to petitions and provide an electronic means for petitions contribute positively to the Council being both inclusive, by making sure all citizens feel included in the life of York, and effectively organised, through modernising its working practices.

Implications

9. There are no known financial, human resource or other implications associated with this report. The legal implications with the current progress of introducing this duty are set out in paragraphs 6 and 7 above and Members will be kept up to date on further legislative progress, after 24 February 2010.

10. The information technology implications of introducing an e-petitions facility which this duty envisages were set out in the earlier report to this Committee on 21 September 2009.

12. As and when a corporate scheme for handling and responding to petitions emerges from this duty, the staffing implications of supporting and administering this scheme may need to be re-addressed by Democratic Services when the outcome of the budget setting process for 2010/11 is known.

Risk Management

13. There are no known risks associated with the recommendations in this report. At this stage, care needs to be taken to ensure the Council responds to this duty with an appropriate scheme for handling petitions. That is why this report suggests awaiting further details from the next stage in its legislative development before a York scheme is finally implemented.   In the meantime, work will continue with honing the Council's response and likely scheme, to ensure the Council can respond quickly if an implementation date is released.

Recommendations

14. Members are asked to note:

    - the guidance relating to petitioners and who can be one (set out in paragraph 6 above);

    - 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 properly with the legal requirements for introducing this duty

Contact Details

Author:	**Chief Officer Responsible for the report:**
Dawn Steel	Alison Lowton
Democratic Services Manager	Interim Head of Civic, Democratic & Legal Services

01904 - 551030   **Report Approved** ☑   **Date** 1 February 2010

Specialist Implications Officer(s)
Finance: N/A   **Legal:** Alison Lowton

Wards Affected: **All**   ☑

For further information please contact the author of the report

Background Papers: None

Annexes:
None

CITY OF YORK COUNCIL

Audit and Governance Committee   15 February 2010

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

Draft Information Governance Policy & Strategy

Summary

1. To consult with the Audit & Governance Committee on the proposed framework for improving Information Governance arrangements in the council as laid down in the draft policy and strategy documents attached at Annex A and Annex B to this report.

Background

2. A comprehensive policy and strategy has been developed covering all aspects of Information Governance in the council (IG Framework). The draft IG Framework has been developed to incorporate the core measures identified in the Government's Data Handling review and the HMG Security Framework. Certain serious data loss incidents in the last two years have led to the Cabinet Office and the Local Government Association to provide detailed advice on data security and information management arrangements. Government has also prepared its "Code of Connection" governing the exchange of data between public authorities, obliging the council to make particular improvements in respect of data handling.

3. It is intended that, within the IG Framework, all the council's policies, protocols and guidance notes relating to IG can be developed in a way that is both comprehensive and complementary to each other. It will address the overall management and development of IG arrangements at a corporate, managerial and operational level across the council. The objective of the Framework will be to set out how the council will improve its information security by establishing:

    • core measures to protect personal data and other information across the council;

    • a culture that properly values, protects and uses information;

    • stronger accountability mechanisms within the council; and

    • stronger scrutiny of performance.

4.   Information Governance can be categorised into four main strands as follows:

(a) **Information Security**
This considers the adequacy of the council's arrangements for protecting personal and sensitive data in accordance with the principles of the Data Protection Act 1998 and guidance issued by the Information Commissioner's Office (ICO).

(b) **Compliance with Legislation**
This considers the legal framework, "constitutional" arrangements and operational standards that need to be established to ensure that data and information management throughout the council is conducted within the relevant legislative parameters (e.g. Data Protection, FOI). Once the overall IG Framework has been approved, feedback will be obtained from baselining work, to be undertaken by Veritau auditors, to assess the degree to which the directorates, and their service areas, are complying with the principles detailed within the IG Framework.

(c) **Information Quality**
This set of requirements covers the need to ensure the quality, accuracy, currency and other characteristics of information, which is held, used or issued.

(d) **Records Management**
This is the process of creating, describing, using, storing, archiving and disposing of records according to a pre-defined set of standards.

Consultation

5.   Consultation on these draft documents is currently in progress, wide-ranging and includes key officers with a specialist interest in the subject areas covered by the Policy and Strategy, together with all Directorate Management Teams. All feedback will be considered in revising the documents for review and approval by the Executive.

Options

6.   Not relevant for the purpose of the report.

Analysis

7.   Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

9.

(a) **Financial** – See paragraph 9 below.

(b) **Human Resources (HR)** - There are no implications.

(c) **Equalities** - There are no implications.

(d) **Legal** – See paragraph 9 below.

(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.   The council will fail to properly comply with legislative and best practice requirements to provide for the proper management of its information. There are new fines and audit powers to help organisations focus on data protection law. The Information Commissioner's Office's powers have previously been modest but, from April 2010, it will have the power to fine organisations up to a max of £500,000 for serious breaches of the Data Protection Act. This means that information security is now a financial and reputational risk.

Recommendations

11.   Members are asked to consider and comment on 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.

Contact Details

Author:	**Chief Officer Responsible for the report:**
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Report Approved √ **Date** 2 February 2010

Specialist Implications Officers

Wards Affected: Not applicable   **All** ☐

For further information please contact the author of the report

Background Papers:
HMG Security Policy Framework (SPF) Security Policy No.2 Protective Marking and Asset Control Cabinet Office, undated
http://www.cabinetoffice.gov.uk/spf/sp2_pmac.aspx

Local Government data handling guidelines Local Government Association (LGA) November 2008 http://www.idea.gov.uk/idk/aio/9048091

Code Of Practice on The Management of Records by Public Authorities Ministry of Justice, revised 2009 (the "S46 code") http://www.justice.gov.uk/guidance/foi-guidance-codes-practice.htm

The Re-Use of Public Sector Information Regulations ("ROPSI") (Statutory Instrument 2005 No. 1515) Office of Public Sector Information, 2005
http://www.opsi.gov.uk/si/si2005/20051515

Public Sector Data Sharing: guidance on the law Dept for Constitutional Affairs November 2003 http://www.dca.gov.uk/foi/sharing/toolkit/lawguide.htm

Annexes
Annex A Draft Information Governance Policy
Annex B Draft Information Governance Strategy

CITY OF
YORK
COUNCIL

INFORMATION GOVERNANCE POLICY

Author: **Robert Beane (Veritau Ltd)**

Date: **March 2010**

Approval: **CMT**

Audience: **Council Officers**

Contents

Introduction

1. Information is a resource, like money, equipment, or staff skills, and like them needs to be managed and protected. It must be kept secure, especially when it is of personal, commercial, or political sensitivity. Information storage costs money and must be efficient. And there is a series of legal and other obligations on the council, as a public authority, with which it must comply.

2. The Information Governance strategy describes how this policy will be put into effect through applying information assurance and information risk management.

Statement of Management Intent

3. The governance arrangements set out in this policy are intended to ensure business efficiency, effective service delivery, and compliance with the individual and social obligations the council has in respect of all the information it holds.

Policy Aims

Continuous improvement

4. It is the policy of the Council to use risk management and quality assurance as management tools to achieving good governance. The policy aims for continuous improvement in the following:

   - operational management and strategic planning
   - performance management
   - service delivery
   - customer care
   - efficient administration

5. It is proposed that Information Governance for the Council is separated into four key themes:

   - Compliance with legislation

   - Data security

   - Data quality

   - Records management

   The Information Assurance and Maturity Model as published by the Cabinet and CESG will be adapted for the Council and will be used to assess the Council's level of Information Governance maturity in securing the above themes.

Compliance

6. Compliance with the legal and other obligations in this area is to be seen not as a bureaucratic burden, but an opportunity to improve the council's relationships with citizens, clients and communities.

7. Compliance will be guided by providing more detailed policies and procedures covering special aspects of Information governance. Where appropriate they will include corporate standards and may include their own implementation strategies. The principal policies will be:

    - Data protection
    - Freedom of Information
    - Data quality
    - Data security
    - Records management

8. These are likely to give rise to a further tier of policy in their turn.

Policy Management

9. Service managers are responsible for devising systems and practices for the delivery of their service that also comply with this and other information governance policies.

10. An understanding of this policy and its related policies is a basic competence for all managers. To support this, the Information Governance Officer will provide training and education, and ensure that the Intranet carries up-to-date versions of all relevant policy and advice.

11. The internal audit service (Veritau) will review compliance with information governance policies at both service level and corporate level in order to provide assurance on the objectives above. It will also review the achievement of the Information Governance Strategy associated with this policy.

12. Consultation on policy choices and the implementation of related strategies will be through the Corporate Information Governance Group (CIGG) representing internal stakeholders and chaired by the Council's Senior Information Risk Owner (SIRO)[1].

13. This policy will be reviewed by the Information Governance Officer on an annual basis. Any proposed changes to the Policy will be considered by the Council's SIRO. Any variations to the Policy will require the approval of the Council's Management Team and the Audit and Governance Committee.

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[1] See IG Strategy: probably the Director of Resources

14. As the Council's internal audit, counter fraud and information governance service, Veritau Limited has responsibility for reviewing adherence to this policy and associated procedures.

Policy Awareness

15. Managers must familiarise themselves with this policy and all relevant Information Governance policies and procedures associated with their service area. They must also ensure that their staff are aware of the policy and appropriately trained in the relevant procedures.

16. All employees have an important part to play in the Information Governance policy. The Council's disciplinary procedures may be applicable, subject to HR policy. This policy requires all employees to:

- take reasonable care of the information they access
- familiarise themselves and comply with information governance procedures
- act in accordance with any training they have received, or any verbal instructions issued to them
- report any information security incident, either to their manager or via an applicable security incident reporting procedure

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CITY OF
YORK
COUNCIL

DRAFT INFORMATION GOVERNANCE STRATEGY

Author: **Robert Beane (Veritau Ltd)**

Date: **March 2010**

Approval: **CMT**

Audience: **Council officers**

Contents

Introduction

1. This objective of this strategy is to fulfil the objectives of the Information Governance Policy, including ensuring business efficiency, effective service delivery, and compliance with the individual and social obligations the council has in respect of all the information it holds. Information Assurance and Information Risk Management (IRM) are the means by which this will be done.

2. The Council recognises the importance of reliable information to support the provision of good quality services. Information governance (IG) and assurance play a key part in ensuring the reliability of this information as service delivery relies on the right information being available to the right people at the right time, whilst maintaining individual privacy.

3. IG offers assurance to the Council, its customers and other stakeholders that all information, including confidential and personal information, is dealt with in accordance with legislation and regulations, and its confidentiality, integrity and availability is appropriately protected.

4. This Information Governance Strategy provides a mechanism for ensuring that the Council meets its responsibilities in the following areas:

    - the growing need for it to share information means that it must apply the common standards mandated by the Code of Connection and Connecting for Health.

    - The LGA's "Data Handling Guidelines" apply the government's Security Policy Framework to local authorities and set out standards to be applied by the Council to ensure security of data, and be seen to do so

    - The mandatory Records Management Code of Practice

    - However, in addition to these standards there is a body of best practice measures, which if applied will assist the Council in discharging its obligations to enact effective IRM.

5. The Data Protection Act and Human Rights Act provide the legal framework to safeguard privacy. The Council is responsible for managing the personal information it controls, and also for responding to requests for information in accordance with the legislation.

6. Technical and managerial security measures must be taken to minimise the scope for error or malicious action. Technology and external threats both continue to change quickly whilst the use of information in the Council is likely to increase as services are improved through More for York. The Council must embed risk management in the use of

information, both when planning business and operating it. Clear accountability is vital, particularly at senior levels, to ensure that risks to information are considered from the outset. Because no information handling system provides total protection, performance needs to be monitored and lessons learned on an ongoing basis.

7. The move to the new Council Headquarters is not a strategic information governance objective – but it is certainly a test of the council's ability to manage its records under time pressure. It is actually a once-in-a-lifetime opportunity to put records management in good order and the principal tool to do so, the Documentum EDRMS, is already in place. With sound policy guidance the full benefits of that investment can be realised within the new building.

Strategy Objective

8. To assist the Senior Information Risk Owner (SIRO; see reference 1 for explanation) to put in place an effective change programme to improve IG and IRM, it is proposed that the Cabinet's Information Assurance Maturity Model (IAMM) will be adopted and adapted by the Information Governance Officer, Veritau (IGO). This Model will incorporate the requirements of the government's Security Policy Framework and its 2008 Data Handling Review and is aligned with the ISO27001 Standard and the broader outcomes sought by the National Information Assurance Strategy.

9. The IAAM is designed to help SIROs establish a comprehensive programme of work to achieve progress through clearly identifiable milestones towards the achievement of three main information assurance goals:

(A)   Embedding IRM Culture within the Organisation:

10. The need to assure information as a key business asset is embedded within the culture of the Council, its delivery partners and its arm's length bodies

11. Procedures are in place so that CMT is able to understand and manage the information risk to which the Council is exposed

12. The agreement of external stakeholders is reached on the treatment of information risks, particularly when they will impact on the delivery of Shared Services and Transformational Government objectives

(B)   Implementing Best Practice Information Assurance Measures:

13. Through-life measures are implemented to assure all information within the Council, its delivery partners and its arm's length bodies, so that

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changes can be made to processes and systems to match the tempo of the business without introducing undue vulnerabilities

14. Systematic monitoring of networks, systems and boundary points is undertaken so that the Council can effectively detect and respond to vulnerabilities, threats and incidents in a timely manner, thus reducing potential adverse impacts to its business to an acceptable level

(C)   Effective Compliance:

15. An effective compliance regime is implemented across the Council, its delivery partners and its arm's length bodies, to ensure its compliance with legislation and the proper management of information risks in accordance with national policy & standards

16. Internal and external review provides independent assurance to the SIRO that the compliance processes are working effectively

17. Achieving maturity towards these goals assisted by the Model will enable the Council to generate greater trust in its information systems and processes, both internally and between trusted partners. This will be particularly important in the context of shared services, and the issues surrounding shared versus individual risks to information; whether it belongs to the Council or to the member of public.

18. Each level of the Model will aim to build on the achievement of the preceding levels; as such the measures are cumulative. The levels below summarise how the Council will know when it has achieved compliance:

Level 1 – Initial. At this level CMT will be aware of the criticality of IG to the business and of its legal requirements. Consequently it will have initiated activity to address areas of immediate weakness and have policy in place to guide the improvement process. It also has applied this policy to all new Information Systems (IS). The Government's Data Handling Report measures are built into Level 1 of the Model and hence putting in place measures to deliver this level of maturity will result in delivering Data Handling Report compliance.

Level 2 – Established. At this level IG processes will be institutionalised within the Council, its delivery partners and its arm's length bodies. A programme of targeted IG education and training will have been initiated and work to inculcate an appropriate IRM culture started. Discovery work will have been undertaken and the IG status of the entire Council's IS and related processes determined. A definitive list of business critical IS will have been endorsed by the SIRO. Based on this list and the discovery work, a fundamental requirement at this level, is for the SIRO to have personally made the business case to CMT for a targeted programme of work to improve understanding and control of information

risk, and gained approval for the programme. Within most organisations, progress to Level 2 will require extensive work to be undertaken.

Level 3 – Business Enabling. At level 3 IG awareness across the Council has increased leading to a measured improvement in IRM behaviours at all levels within the organisation, its delivery partners and its arm's length bodies. Building on the framework of IG processes rolled out at Level 2, Level 3 will be achieved when all critical areas of the business are subject to a robust IG regime.

Level 4 – Quantitatively Managed. At level 4 there will be evidence to show that staff attitudes and behaviours towards assuring information are aligned to the needs of the business. The regime established at level 3 for critical areas of the business is extended to embrace the whole business. As a consequence the SIRO will have the IG metrics available to take an informed approach to managing the risk to the information used by the business.

Level 5 – Optimised. Level 5 is achieved when IG is fully integrated as an aspect of normal business and the culture of the business is such that at all levels of management, IG is judged to be a business enabler.

19. The Council's IAMM will be a living document which will be updated in line with changes in the threat, changes in national standards, and as a result of lessons learned from applying them to the Council.

20. The top level statements contained in each box of the Model are by necessity very brief. To gain a full understanding of what is required to satisfy a particular Level refer to the IA Assessment Framework (IAAF).

Information Assurance Assessment Framework

21. The IAAF provides specific details of the measures which are expected to be in place within the Council and is seeking to meet the top level statements of maturity contained within the Maturity Model. This enables the Maturity Model and the IAAF to be used as an integral part of an IG Review Process.

22. The contents of both the IAMM and IAAF have been drawn from a variety of sources and are compliant with the requirements of the Information Security Management System (ISMS) embodied in ISO 27001.

Using the Information Assurance Maturity Model and Information Assurance Assessment Framework

23. Included within the main body of the Model is a range of internal reporting and compliance mechanisms, which are aimed at establishing and maintaining clear management responsibility and accountability for

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IRM within the Council. These arrangements should facilitate the collection of the information required annually for potential inclusion in the Annual Governance Statement.

24. The Council along with other local authorities is encouraged to adapt and use the IAMM and IAAF to establish the programmes of work needed to achieve IG maturity and also to conduct self assessment reviews.

25. By adopting the model, the Council will have to address a number of action plans and to allocate the appropriate roles and responsibilities. **Appendix 1** provides a summary overview of the proposed different IG roles and responsibilities for the Council. **Appendix 2** is a diagrammatic presentation of the "tree" of policies, strategies and tools which might feed into the Council's overall IG framework; this picture will evolve to reflect new standards and legislation, and the outcomes of More for York and the EDRMS Project.

26. Adopting and applying the IAMM to the Council will be an extensive and long term exercise requiring resources to be identified for delivery and a considerable cultural change. An action plan for Level 1 compliance is in progress and will eventually form part of this Strategy. To assist the SIRO in establishing immediate priorities, an initial high level action plan is included at **Appendix 3**. Attainment of these key actions will ultimately assist in meeting the requirements of the more detailed Level 1 action plan to be developed.

IG roles and responsibilities

References are to the table at Appendix 1

27. The Chief Executive takes overall responsibility for the Council's information governance performance and in particular is required to ensure that:
    - decision-making is in line with Council policy and procedures for information governance and any statutory provisions set out in legislation
    - that information risks are assessed and mitigated to an acceptable level.
    - information governance performance is continually reviewed
    - suitable action plans for improving information governance are developed and implemented
    - the staff appraisal framework is used to measure the performance of Corporate Directors against information governance targets and objectives

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28. To satisfy the above responsibilities, the Chief Executive will nominate a Senior Information Risk Owner who will be accountable for the Council's overall information governance arrangements.

Ref 1 Senior Information Risk Owner (SIRO)

29. The Chief Executive/Council must appoint a manager of an appropriate seniority as its SIRO. The Director of Resources is a member of CMT, and is already accountable to Audit & Governance Committee on information governance matters, and is therefore an appropriate SIRO.

30. Responsibilities of the SIRO include:

   - owning the information risk policy and risk assessment,
   - acting as an advocate for information governance and assurance at CMT and in internal discussions,
   - chairing the Corporate Information Governance Group (CIGG) (formerly IGWG) and
   - providing written advice to the Audit and Governance Committee relating to information risk;
   - managing information governance and assurance

Ref 2 Corporate Directors

31. Each corporate director is responsible for the information within their directorate and must therefore take overall responsibility for information governance matters. In particular corporate directors are required to:

   - ensure that adequate resources are available to successfully manage information governance within their directorate
   - use the staff appraisal framework to measure the performance of senior managers against information governance targets and objectives
   - assign a senior manager as the Directorate's Information Governance Champion
   - ensure implementation of corporate information governance associated policies and procedures
   - identify their information assets (in all formats)
   - categorise these information assets in a way that is meaningful to the directorate and identify for each information asset an "Information Asset Owner"
   - establish a Directorate Information Governance Group

32. Each Directorate is also responsible for:

   - managing its own information risks,
   - ensuring proper management of information risks,
   - meeting the mandatory corporate information governance requirements and

- meeting the requirements of the Information Charter.

33. Directorates must have and execute plans to lead and foster a culture that values, protects, uses information for service delivery, and monitors progress when conducting a service user (including employees) survey or equivalent. Directorates must also reflect performance in managing information risk into HR processes in particular making clear that failure to apply directorate and corporate procedure is a serious matter, and in some situations non compliance may amount to gross misconduct.

Ref 3 Directorate Information Governance Champions

34. Each Directorate's Information Governance Champion (DIGC) adopts a strategic role for Information Governance and will co-ordinate Information Governance across the directorate and will lead in Information Governance planning, reporting and review. DIGCs are required to meet on a regular basis with their Corporate Directors and Information Asset Owners and to chair the Directorate Information Governance Groups to ensure that Information Governance plans and performance are continually reviewed.

Ref 4 Information Asset Owners

35. Information Asset Owners (IAOs) must be senior officers involved in running the relevant business area. Their role is to understand what information is held, what is added and what is removed, how information is moved, and who has accessed it and why. All information should be categorised in accordance with the Document Security Marking Policy and stored in line with the Council's eDRMS arrangements.

36. This will facilitate an understanding of the risks to the information and how those risks need to be managed to ensure compliance with legislation. IAOs will be expected to support the audit process and produce an annual written judgement of their information asset to include the use and security of their asset.

37. IAOs have the most work to do since they will be applying all the policies in table 2 to their services and all the information they use. They must identify and maintain a record of those members of staff, contractors and others with access to or involved in handling individual records containing personal data. IAOs should:

- ensure that information is used correctly and protected
- review each records series in the light of each of the above policies to ensure that (for instance) security marking, legal admissibility and access controls are all properly applied.
- consider whether and how better use could be made of their information assets and to information held by other services.

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eDRMS being a part of More for York provides a mechanism for this, as does the new Intranet, Colin

Ref 5 Audit & Information Assurance Manager (AIAM)

38.   The role of the AIAM (Veritau) is to provide assurance that the Council's Information Governance and Assurance Framework is operating according to its structure of policies, strategies and action plans. Based on an audit risk assessment, Veritau's Internal Audit Service will undertake a programme of compliance testing to ensure that the Council is meeting its obligations. The AIAM will be a member of the Council's new Corporate Information Governance Group when the terms of reference and membership of the current Information Governance Working Group have been revised.

Ref 6 Information Governance Officer (IGO)

39.   The IGO is responsible for the development and communication of information governance policy, strategy and action plans and for ensuring that the Council adopts information governance best practice and standards. The IGO is the first point of contact on information governance matters for all officers and elected members, members of the public and the Information Commissioner. The IGO reports to the Audit and Information Assurance Manager and will also be a member of the Corporate Information Governance Group.

Ref 7 Information Governance Team (IGT)

40.   The IGT supports the IGO by contributing to the development of information governance policy and strategy. The Team will also be the central co-ordination point for all responses to requests for information made under the Data Protection, Freedom of Information and Environmental Information legislation. The IGT maintains a record of all such information requests received and responded to and ensures that statutory deadlines are met.

Ref 8 Corporate Information Governance Group (CIGG)

The terms of reference and membership of the Council's current Information Governance Working Group will be revised to reflect the IG Framework. The new Group will be referred to as CIGG and will have the following roles and responsibilities:

41.   Approval of corporate policies and procedures which ensure:

- compliance with legislation
- data quality
- information security (compliance with ISO 27000)
- records management (compliance with ISO 15489)

42. Co-ordination and approval of corporate standards for the mitigation of risk

43. Monitoring and co-ordination of the work of the Directorate Information Governance Groups

44. Monitoring compliance with the Information Governance Assurance Framework

45. Establishing a policy for reporting, managing and recovering from information risk incidents, including losses of protected personal data and ICT incidents, defining responsibilities and making staff aware of the policy and reporting to Councillors if appropriate.

46. Providing and maintaining mechanisms that command the confidence of individuals through which they may raise concerns about information risk to senior management or the Audit and Governance Committee, anonymously if necessary, and recording concerns expressed and action taken in response.

Ref 9 Directorate Information Governance Groups (DIGG)

47. Each directorate will be expected to establish its own DIGG, which will be chaired by its Directorate Information Governance Champion and attended by the directorate's Information Asset Owners. The purpose of the DIGGs is to ensure that Information Governance plans, risks and performance are continually reviewed and managed. Each DIGG will report on IG matters to the CIGG.

Ref 10   Internal Audit (Veritau)

48. Based on an audit risk assessment, Veritau's auditors will undertake a programme of compliance testing to ensure that the Council is meeting its obligations.

Ref 11   Audit & Governance Committee

49. The SIRO will report to Audit & Governance Committee twice a year on information governance matters. The SIRO will highlight changes in framework and policy and detail the progress made in embedding the framework across the Council. The results of compliance testing will also be reported where applicable.

Ref 12   eDRMS

50. The Electronic Document Records Management System (eDRMS) Project will have a significant positive impact on many areas of the Council's operations as it will enable improved management of, and access to, the documents and records held within the organisation, as

well as providing a secure, single data repository. The IGO will work with the eDRMS Project Manager.

Ref 13   Information Security

51.   Information Security considers the provision of ICT services to the Council in a secure environment in accordance with the ISO 27000 series of standards including:

- development and management of the Council's information security policy
- investigation of technical security incidents and breaches
- periodic verification of compliance with policies via information security reviews
- provision of awareness and compliance programmes for the Authority
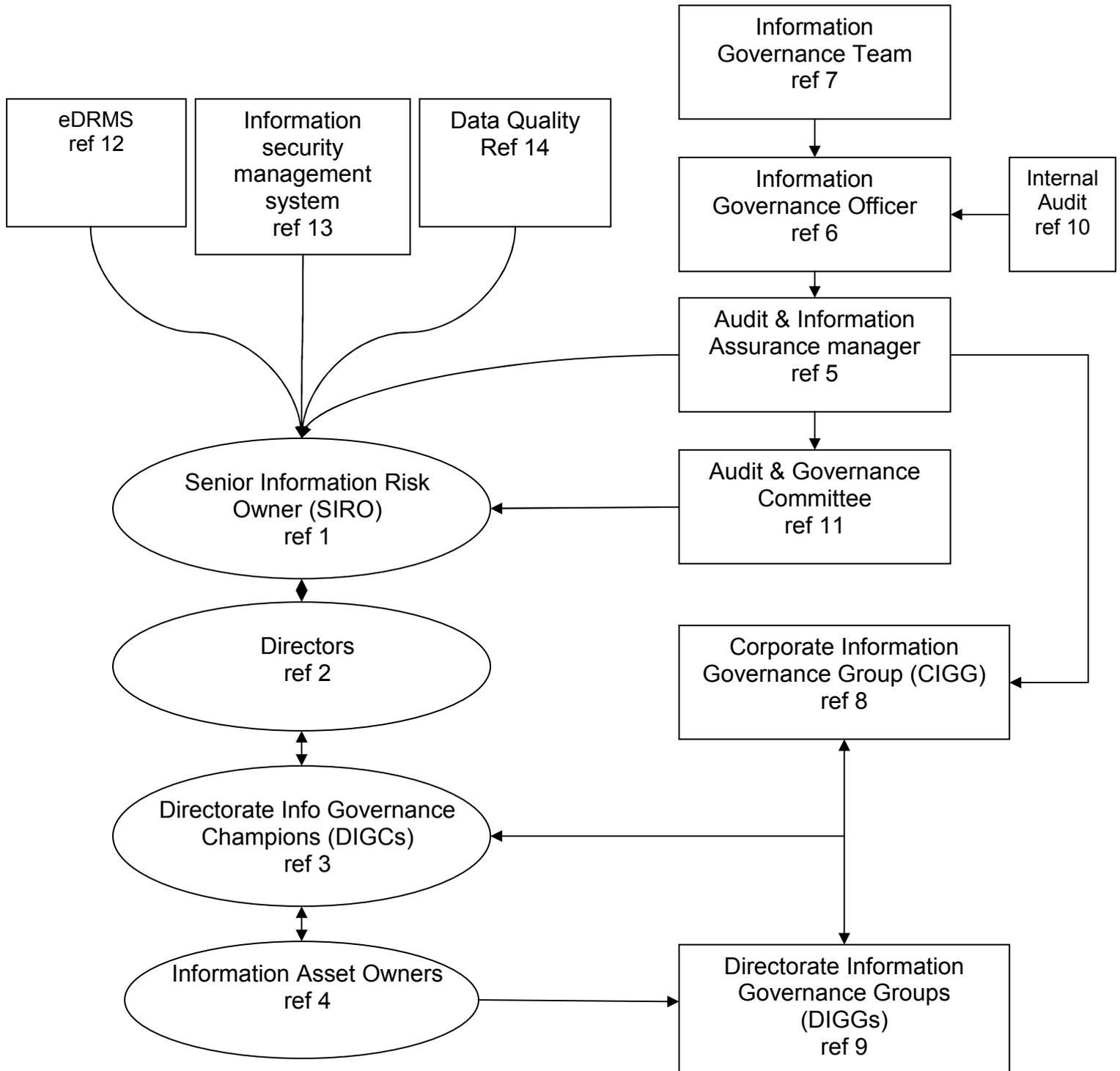
Ref 14   Data Quality

52.   The Council will put in place appropriate policies and procedures to secure the quality of data it records and uses. The approach will ensure:

- a formal data quality policy and associated operational procedures and guidance for staff are in place, covering data collection, recording, analysis and reporting
- all data quality policies and procedures meet the requirements of any relevant national standards, rules, definitions and guidance, and define local practices and monitoring arrangements
- periodic review of all data quality policies and procedures
- data quality policies and procedures are appropriately accessible to staff
- consistent application of data quality policies, procedures and guidance

First Steps

53.   In implementing the Information Governance Policy the Council will seek to undertake a number of key initial actions. The Council will have to set the foundations for creating the right culture and for ensuring that the correct policies and procedures are in place to provide accountability and scrutiny. Therefore, **Appendix 3** represents the first steps that the City Council will have to take.

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Appendix 1: Roles and responsibilities

Appendix 2: Policy Tree

The tree diagram consists of the following structure:

Information Governance Policy (top level), branching into four categories:

- **DP/FoI Policy**
- **Data Security**
- **Data Quality**
- **Records Management**

Sub-policies shown connecting to the categories:

- data processing
- confidentiality policy / mobile working / access control policy
- call recording
- disaster recovery / business continuity
- data sharing / encryption / incident reporting / incident reporting technical / incident reporting non-technical
- document security marking / antivirus policy
- archive collection / retention & deletion
- e-mail use
- internet use / use of IT equipment / acceptable use / IT asset policy / third party & contractors / networking monitoring / risk assessment
- e-mail archiving

Appendix 3 - Immediate Action Plan

Ref	Requirement	Current position	Actions required	Target Date	Action Taken
P1 People					
P1a	*Appoint a Senior Information Risk Owner (SIRO) to ensure there is accountability*	• SIRO not yet formally appointed • Currently IGWG	• Recommend that SIRO should be Director of Resources. • Corporate Directors to nominate at least one Information Governance Champion (DIGC) within each of their directorates. • Create a new Corporate Information Governance Group comprising key representatives and clear ToR with SIRO as Chair.	April 2010 April – May 2010-01-11 April 2010	
P1b	*Each Information Asset should have an Information Asset Owner*	2004 records survey and eDRMS project plan have identified services and records series. The difference between an IAO and a DIGC is that IAOs already exist but are not known by that title.	• Commence compilation of Register of Information Assets. • IAOs to be formally identified by Directorates with assistance from IGO together with explanation of roles and responsibilities.	Summer 2010 Summer 2010	
P1c	*Identify Users and their access rights*	No clear evidence / consistent process for access controls for different types of data	• Consider how best to undertake an audit of access rights. • Review any current procedures.	2010/11 Audit Plan Summer 2010	Nb - impact of eDRMS project

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Ref	Requirement	Current position	Actions required	Target Date	Action Taken
			Concentrate on confidential / sensitive information access control.		
			• Develop Impact Labelling mechanism.	June 2010	
P1d	*Foster a culture that properly values, protects and uses information*	Awareness of privacy and confidentiality is good Principal policies and guidelines exist although will have to be amended to be incorporated into the overall IG Framework.	• Assess training and promotion requirements across the council and significant partners	May – June 2010	
			• Establish appropriate and targeted training / awareness courses/briefings	Summer 2010	
			• Deliver training and collect evidence of completion as appropriate	Ongoing	
			• Assess effectiveness of training		
			• Establish review process / programme using appropriate methods of communication	Ongoing	
			• Links to induction and appraisal procedures	Ongoing	
				2010/11	
P1e	*Maintain mechanisms for reporting and managing information risk incidents*	Information security incident reporting and management procedures need devising	• Devise procedures and raise awareness (can be part of the revised employees guide roll-out)	May 2010	

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Ref	Requirement	Current position	Actions required	Target Date	Action Taken
			• Assess benefits of joining a regional WARP (Warning, Advice and Reporting Point for information security threats and incidents) Review what is currently in place.	May 2010	
P1f	*Maximising public benefit*	Information management review/audit is currently being considered.	Determine if an audit is appropriate if so agree the scope, objectives and timing of information audit to be undertaken by Veritau.	2010/11 Audit Plan	
P1g	*Publish an information charter*	An Information Charter has been drafted but will require CMT approval.	Approve draft corporate information charter.	April 2010	
P2 Places					
P2a	*Undertake regular risk assessments*	An Information Security Management programme is yet to be established.	Agree a corporate information security risk assessment approach / programme and compile a Corporate Information Risk Register.	May – June 2010	
P2b	*Ensure buildings and premises are secure*	Establish an Information Security Management programme	Conduct an audit of compliance with the following controls: • ID badges for staff. • Visitor management. • Clear desk / screen policy. • Security of personal paper -based information.	Audit Plan 2010/11	
P2c	*Wherever possible avoid*	IT has a programme for	• Review current arrangements and	See IT devt	

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Ref	Requirement	Current position	Actions required	Target Date	Action Taken
	the use of removable media	encryption and control of removable media	implement additional controls of removable media where necessary. • Incorporate into encryption policy.	plan	
P3 Processes					
P3a	*Work towards a policy of least privilege*	No specific policy at present.	• Consider whether specific policy is required as may be covered under P1c and via Impact labelling arrangements. • If required - incorporate appropriate least privilege 'tests' into information security audit programme.	Summer 2010 Audit Plan 2010/11	
P3b	*Personal information should be kept within secure premises and systems*	Compliant for the most part with appropriate policies, procedures and guidelines in place.	• Raise awareness in conjunction with the release of the revised Employees Guide to Information Security. • Sign up to the Information Commissioner's Office 'Personal Information Promise'.	Summer 2010 April 2010	
P3c	*Wherever possible the bulk transfer of information should be carried out via a secure network*	Government Connect achieved Secure Email including encryption available now for external emails	Develop a strategy to limit the movement of confidential / sensitive information in favour of providing appropriately controlled access.	Summer 2010	
P3d	*Engage independent experts to carry out penetration testing*	Consult IT for current position	Establish a regular schedule of penetration testing.	Refer IT	

Ref	Requirement	Current position	Actions required	Target Date	Action Taken
P3e	*Conduct Privacy Impact Assessments*		Develop PIA toolkit from ICO guidance.	April/May 2010	
P3f	*New ICT systems should be accredited to Government standards*	Consult IT for current position	Agree whether accreditation to Government standards will be pursued.	Refer IT	
P3g	*Ensure that suppliers and contractors adopt appropriate equivalent standards*		Liaise with Corporate Procurement to develop model contract clauses where necessary.	2010/11	
P4 Procedures					
P4a	*Produce a Corporate Information Risk Policy*	No formal document entitled 'Corporate Information Risk Policy' but IG policy specifies IRM as policy therefore separate document not required.	Ensure IRM incorporated into training & guidance.	April 2010	
P4b	*Complete Corporate Information Risk Plans (review and forward looking)*	No formal plans/risk register specific to IG in place.	Review Corporate Risk register on an annual basis.	Ongoing	
P4c	*Produce a Risk Recovery Policy*	No specific policy in place.	A separate policy is not required as the overall IG Policy will cover. Response to data security incidents will be detailed in the Data Security Incident Procedure to be drafted and approved by Summer 2010 – this will deal with recovery from incidents.	Summer 2010	

Ref	Requirement	Current position	Actions required	Target Date	Action Taken
P4d	Risk reporting mechanisms	Corporate risk reporting currently in place.	Information Security Incident Procedure to be drafted and approved by CMT. This will detail how information security incidents both technical and non technical will be investigated and reported.	Summer 2010	
P4e	Regularly test your policies and procedures	Not possible until policies and procedures are formally implemented	Include in Audit Plan for 2010/11 onwards.	2010/11 onwards	

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CITY OF
YORK
COUNCIL

Audit and Governance Committee   15 February 2010

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

Update on Counter Fraud Policies

Summary

1   The purpose of the report is to seek members' views on the content of the counter fraud and corruption policy and the counter fraud and corruption prosecution policy.

Background

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

3   The policies were last updated in April 2008. Minor changes are now required to update them, and to take into account changes to service arrangements for example the transfer of counter fraud services to Veritau Ltd.

Counter Fraud Policies

4   The counter fraud and corruption policy and fraud and corruption prosecution policy are included at Annex 1 and 2. Proposed changes to the policies are shown in the annexes. The changes are minor, and reflect changes to service arrangements, job titles and updates to other information and policies. The committee's view about the proposed changes and overall content of the policies is sought, prior to them being referred to the Executive Member for Corporate Services for approval.

Consultation

5   Not relevant for the purpose of the report.

Options

6   Not relevant for the purpose of the report.

Analysis

7   Not relevant for the purpose of the report.

Corporate Priorities

8   This report contributes to the 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

9   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

10   The council will fail to comply with proper practice if it fails to maintain up to date counter fraud and corruption policies and procedures.

Recommendations

11   Members are asked to:

-       comment on the proposed changes to the council's counter fraud and corruption policy and fraud and corruption prosecution policy.

        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.

Contact Details

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Assistant Director (Customer Service and Governance)
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Report Approved | ✔ | **Date** 2 February 2010

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All | ☐

For further information please contact the author of the report

Background Papers

None

Annexes

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

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CITY OF YORK COUNCIL

COUNTER FRAUD AND CORRUPTION POLICY

1   Introduction

1.1   All organisations are at increasing risk of fraud and corruption. It is estimated that total fraud in the UK amounts to approximately £30.5 billion per annum, of which £17.6 billion relates to the public sector. It is therefore a risk that the council cannot and should not ignore.

1.2   Any fraud committed against the council effectively constitutes a theft of taxpayers money. It is unlawful and deprives the council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the council can reduce losses which impact on service delivery as a contribution to the achievement of overall council priorities.

1.3   This document sets out the council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It forms part of the council's overall policy framework for combating fraud and corruption and should be read in conjunction with the constitution, the financial regulations, contract procedure rules, the fraud and corruption prosecution policy, the whistleblowing policy, disciplinary procedures, and the anti-money laundering guidance.

2   Definitions and Scope

2.1   For the purpose of this policy, the term fraud is used broadly to encompass:

- acts which would fall under the definition in the Fraud Act 2006
- anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
- any act of corruption (ie the giving or receipt of gifts with a view to the giver receiving a more favourable treatment than they would otherwise be entitled to)
- acts of theft
- any other irregularity which is to the detriment of the council whether financially or otherwise, or by which someone gains benefit they are not entitled to.

2.2   This policy does not cover fraud or corruption against third parties, even where the council takes part in its investigation or prosecution. In addition, it does not cover other acts – for example offences involving violence -

which may affect the council, and which should be to be reported directly to the police.

3   Principles

3.1   The council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that members and all staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the constitution, the council's policy framework, and all relevant professional and other codes of practice.

3.2   The council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.

3.3   The council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. Due to its nature, the investigation of housing and council tax benefit fraud will be subject to prioritisation using formal risk assessment criteria. The council may refer any incident of suspected fraud to the police or other agency for investigation, if appropriate.

3.4   To act as a deterrent, the council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the fraud and corruption prosecution policy.

3.5   As a further deterrent, and to minimise losses, the council will attempt to recover any losses incurred through civil or legal action. In addition, the council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

4   Responsibilities

4.1   Overall responsibility for the approval of this policy rests with the Executive Member for Corporate Services on behalf of the council in accordance with the council's constitution.

4.2 The Audit and Governance Committee has a responsibility to provide advice to the council on issues arising out of fraud investigations and to report any remedial or preventative action that has or which ought to be taken by the council in relation to such matters. It also monitors council policies on whistle-blowing and counter fraud & corruption and can consider any matter referred to it in accordance with the council's whistle-blowing policy and procedures.

4.3 The officer governance group has a responsibility for ensuring that the council has effective fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.

4.4 Veritau (who provide internal audit, counter fraud and information governance services to the council) is responsible for reviewing the council's counter fraud and corruption policies on a regular basis and for recommending any required changes to those policies. In addition, Veritau leads on fraud prevention and detection issues for the council and is responsible for investigating any suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Head of Internal Audit is required to report his/her professional opinion on the council's control environment to members of the Audit & Governance Committee on an annual basis in accordance with proper practice.

4.5 The Director of Resources as chief financial officer is required to ensure the council has appropriate systems of control in place to prevent and detect fraud. All directors have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of internal audit or by other means are addressed promptly.

4.6 The Head of Civic, Democratic and Legal Services is the council's nominated money laundering reporting officer for the purposes of the Money Laundering Regulations (2003), and has a statutory responsibility for reporting any issues referred in this capacity.

4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to Veritau. Where appropriate, staff may use the whistleblowing policy to raise concerns anonymously.

4.8 Officers within human resources have a responsibility to support service departments in undertaking any necessary disciplinary process after consultation and initial investigation, where appropriate, by Veritau.

5 Overall Counter Fraud Arrangements

Introduction

5.1 The purpose of this section is to set out the council's overall framework for countering the risk of fraud and corruption. While the council aims to follow best practice in relation to counter fraud activity[1], it recognises that there are areas for further development. This section therefore also sets out those areas of practice it wishes to develop further.

Measurement

5.2 The council will further develop systems for assessing the potential risks and losses due to fraud and corruption (for example through its risk management arrangements), and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud[2] and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will be reported to the Audit and Governance Committee on an annual basis as part of the audit and fraud planning cycle.

Culture

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

- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, council members, partners, stakeholders, contractors or members of the public;

- investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the financial regulations, contractprocedure rules, fraud and corruption prosecution policy,

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[1] For example the CIPFA Better Governance Forum *publication "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption (the Red Book 2)"*
[2] All suspected fraud should be reported to Veritau. A record of all such information will be maintained on a confidential basis.

disciplinary procedures, members code of conduct, or any relevant legislation or guidance;

- ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

Prevention and Detection

Controls

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

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

Proactive Work

5.6   The council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local councils.

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

Relationships

5.8   The council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new

ones to further the prevention and detection of fraud. Organisations which the council will work with include:

- the police
- the Audit Commission
- the courts
- the Department for Works and Pensions
- other councils
- the Office of Fair Trading
- community groups

5.9 Veritau will work with council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust. Where appropriate, formal protocols will be developed setting out departments responsibilities (for example between Veritau and human resources).

Fraud Awareness Training

5.10 As part of its annual workplan, Veritau will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

Investigation

5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. Veritau will act as a first port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the police). Veritau will determine the extent of the investigation to be carried out in consultation with service departments and human resources[3]. Where necessary, Veritau may refer cases directly to other agencies without consultation (for example the police or the Audit Commission) at the discretion of the Head of Internal Audit.

5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, and the Criminal Procedures Investigations Act. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary

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[3] For suspected housing benefit or council tax benefit fraud Veritau will determine the extent of investigation required based on a risk scoring system.

to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).

5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.

5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

Publicity

5.15 The council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.

5.16 In addition, a targeted campaign of publicity will be undertaken each year to raise the awareness of fraud to staff, members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:

- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud
- inform all stakeholders of the procedures to be followed if they have suspicions of fraud
- ensure that all stakeholders are aware that the council will not tolerate fraud and the consequences of committing fraud against it.

Recovery of Monies

5.17 Where any loss has been incurred by the council or additional costs have been incurred as a result of fraud or corruption, the council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the council is minimised and act as a deterrent. As a further deterrent, the council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.

5.18 Methods of recovery may include:

- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation)
- bankruptcy where appropriate
- recovery from future salary payments if an individual remains an employee of the council

- recovery of pension contributions from employees or members who are members of the North Yorkshire Pension Fund.

6   Monitoring & Review Arrangements

6.1   The arrangements set out in this policy document will be reviewed on an annual basis as part of the audit and fraud planning cycle and will include the fraud and corruption prosecution policy, and other related guidance. Veritau will work with other departments to ensure that other related guidance and policy (such as the whistleblowing policy) are reviewed on a regular basis and any amendments or necessary changes are reported to members for approval.

LAST UPDATED: JANUARY 2010

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CITY OF YORK COUNCIL

FRAUD AND CORRUPTION PROSECUTION POLICY

1   Scope and Purpose

1.1   The fraud and corruption prosecution policy forms part of the council's overall counter-fraud and corruption strategy. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or members of the council, or committed by members of the public, or other organisations or their employees, against the council.

1.2   The policy sets out the circumstances in which the council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The policy does not cover internal disciplinary procedures which are the subject of the council's separate disciplinary policy and procedures.

1.3   This policy should be read in conjunction with the council's constitution, financial regulations, contract procedure rules, the counter fraud and corruption policy, the whistleblowing policy and the council's disciplinary policy and procedures.

1.4   Housing and council tax benefit fraud is the most common type of fraudulent act committed against the council. The policy contains specific guidelines for determining the most appropriate course of action when fraud of this kind has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations and/or the collection of taxes) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.

1.5

Where fraud or corruption is proven, decisions about whether to prosecute will be made in accordance with this policy by officers or agents of the council as set out below.

Housing and Council Tax Benefit Cases:
   a) **Routine Cases:** Decisions about prosecution will be made by appropriate staff within Veritau, in consultation with the council's legal services department (who are responsible for undertaking prosecutions). Decisions about alternative sanctions (see below) will be made by Veritau.
   b) **Other Cases[1]:** Decisions about prosecution will be made by the Assistant Director (Customer Services and Governance) or the Director of Resources following a recommendation by Veritau.

Non Benefit Cases:
A recommendation about prosecution, or other action that may be

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[1] For example where a case is complex, where the costs of prosecution could be significant, or where there are other risks associated with a case.

appropriate will be made by Veritau. Decisions will be made by the Assistant Director (Customer Service and Governance) or the Director of Resources in consultation with legal services, and the relevant service director(s).

2 Principles

2.1 The council is committed to an effective anti-fraud and corruption strategy. The strategy is designed to encourage the prevention and detection of fraud and corruption. As part of the strategy the council is also committed to taking appropriate action against anyone believed to have attempted and/or committed a fraudulent or corrupt act against it. The council considers that those guilty of fraud or corruption must take responsibility for their actions before the courts.

2.2 The policy is designed to ensure that the council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.

2.3 Staff and members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the council may decide to take, including disciplinary proceedings in the case of staff and referral to the council's Standards Committee and/or the Standards Board for England in the case of Members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude remedial action being taken by the relevant director(s) in accordance with the council's disciplinary procedures or other policies.

2.4 This Policy is also designed to be consistent with council policies on equalities. The council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.

2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.

2.6 Any decision taken by an authorised officer to prosecute an individual or to offer a formal sanction (HB/CTB cases only) will be recorded in writing. The reason for the decision being taken will also be recorded.

2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3 Prosecution

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

3.2   To consider a case for prosecution the council must be satisfied that two tests have been passed.   Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **evidential test**. Secondly, it must be in the public interest to proceed – the **public interest test.**

3.3   To pass the evidential test, the authorised officer must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).

3.4   To pass the public interest test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;

- the likely sentence (if convicted);

- any previous convictions and the conduct of the defendant;

- whether there are grounds for believing the offence is likely to be repeated;

- the prevalence of the offence in the area;

- whether the offence was committed as a result of a genuine mistake or misunderstanding;

- any undue delay between the offence taking place and/or being detected and the date of the trial;

- the likely effect that a prosecution will have on the defendant;

- whether the defendant has put right the loss or harm caused.

3.5   It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;

- the actual or potential loss to the council was substantial (and for benefit related fraud exceeds the thresholds set out in the financial guidelines which form part of this policy);

- the fraud has continued over a long period of time;

- the fraud was calculated and deliberate;

- the person has previously committed fraud against the council (even if prosecution did not result) and/or there has

been a history of fraudulent activity;

- the person was in a position of trust (for example, a member of staff);

- there has been an abuse of position or privilege;

- the person has declined the offer of a caution or administrative penalty, or has withdrawn the offer to pay an administrative penalty (HB/CTB cases only);

- the case has arisen from a collusive employer or landlord investigation (HB/CTB cases only);

- the case has involved the use of false identities and/or false or forged documents (HB/CTB cases only);

4   Mitigating Factors

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

Voluntary Disclosure

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

- admission is not a complete disclosure of the fraud;

- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the council is already undertaking an investigation in this area and/or other counter fraud activity);

- offender only admits the facts when challenged or questioned;

- offender supplies the correct facts when making a claim to Legal Aid;

- disclosure comes to light in some other way, for example, by the issue of a Housing Benefits review form (HB/CTB cases only).

Ill Health or Disability

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

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

Social Factors

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

Exceptional Circumstances

4.5   In certain exceptional circumstances the council may decide not to prosecute an offender. Such circumstances include;

- the lack of sufficient resources to complete the investigation within a reasonable period of time (even after requesting assistance from the police and the DWP);
- the prosecution would not be in the interests of the council.

5   Alternatives to Prosecution (HB/CTB cases only)

5.1   If a housing or council tax benefits case is considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the council may consider the offer of a sanction instead. The two sanctions available are;

- formal cautions, or;
- administrative penalties.

Formal Cautions

5.2   A formal caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. A formal caution is a serious matter and all cautions are recorded by the DWP. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.

5.3   Subject to the thresholds set out in the financial guidelines below, a formal caution will normally be offered where all of the following apply;

- there is sufficient evidence to justify instituting criminal proceedings;
- the person has admitted the offence;

- it was a first offence, and;

- an administrative penalty is not considered to be appropriate.

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

5.4   Cautions will be administered by the Head of Internal Audit, Audit and Fraud Manager, Fraud Team Leader, or a senior fraud investigator. If a caution is offered but not accepted then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

Administrative Penalties

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

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

- the council believes that there is sufficient evidence to prosecute;

- it was a first offence or a previous offence was dealt with by way of a caution, and;

- in the opinion of the council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;

- the claimant has the means to repay both the overpayment and the penalty, and;

- there is a strong likelihood that both the overpayment and the penalty will be repaid.

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

6   Financial Guidelines (HB/CTB cases only)

6.1   Where the authorised officer considers that justice can be best served

with a caution or administrative penalty where the overpayment is higher than the figures shown below then discretion may be applied. Equally, discretion may be applied where it is considered reasonable to prosecute but the overpayment is lower than the limit prescribed.

6.2 The following guidelines apply in helping to determine the appropriate action to take;

- A formal caution or an Administrative Penalty may be offered where the overpayment is under £2,000. The decision on which to offer will depend on the circumstances of the case and whether the offence has been admitted or not by the accused.

- If the overpayment is over £2,000 and it is considered to be in the public interest then prosecution proceedings will generally be instigated.

- The council will not normally consider prosecution or a formal sanction in cases where the total overpayment is less than £100 (unless there are particular circumstances which make this desirable) although the overpayment will still be recovered from the claimant.

6.3 Where the size of the overpayment is such that the council would normally prosecute but there are mitigating factors which make such a prosecution undesirable then a formal sanction may be offered instead.

6.4 Serious attempted fraud which is discovered before benefits have been put into payment (and where there is no overpayment of benefit as a result) will also be considered for prosecution or sanction. The criteria for determining whether a prosecution is appropriate will be the potential seriousness of the fraud as opposed to the value of the overpayment. Each case will be considered on its own merits and action will be taken as appropriate.

7 Proceeds of Crime Act 2002 (POCA)

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

8 Implementation Date

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

Agenda Item 11

CITY OF YORK COUNCIL

Audit and Governance Committee   15 February 2010

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

Internal Audit Plan Consultation

Summary

1   The purpose of the report is to seek members' views on the priority of internal audit work for 2010/11 so as to inform the preparation of the annual audit plan. In addition, approval is sought for the adoption of a new internal audit strategy. The finalised audit plan will be presented to the next meeting of this Committee for approval.

Background

2   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 and objectives.

3   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.

2010/11 Audit Plan

4   Annex 1 shows the current internal audit risk assessment for each area subject to audit. These are listed in descending order from high to low risk. Members views are sought about whether:

a)   the risk assessment is a reasonable reflection of the relative risks of the different areas, and in particular whether the areas listed as high risk are those where internal audit resources should be targeted

b)   there are any areas not listed as a high risk, which should be considered for review in 2010/11.

Audit Strategy

5   The Code of Practice requires that the Head of Internal Audit should produce an audit strategy setting out (at a high level) how internal audit services will be delivered and developed. The Code requires that the strategy be approved (but not directed) by the organisation's audit committee.

6   Historically at York, this information has been included as part of other departmental business and service plans. However, this approach is no longer appropriate following the transfer of internal audit services to Veritau and a new strategy has therefore been developed. The content of the strategy (included at Annex 2) has been prepared in accordance with the requirements of the Code of Practice.

Consultation

7   This report is part of the ongoing consultation with stakeholders on priorities for internal audit work.

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 we do. In doing so it contributes to the corporate objective of making the Council an Effective Organisation.

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 comply with proper practice if audit plans are not based on an appropriate assessment of the likely risks, or if the internal audit strategy is not approved by the committee.

Recommendations

13   Members are asked to;

- Comment on the relative risks of the audits set out in Annex 1 and identify any specific areas which should be considered a priority for audit in 2010/11.

  Reason

  To ensure that scarce audit resources are used effectively.

- Approve the audit strategy included at Annex 2.

  Reason

  To ensure compliance with proper practice.

Contact Details

Author:	**Chief Officer Responsible for the report:**
Richard Smith Audit and Fraud Manager Telephone: 01904 552936	Pauline Stuchfield Assistant Director (Customer Service and Governance) Telephone: 01904 551706

Report Approved ✔ **Date** 2 February 2010

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable   **All** ☐

For further information please contact the author of the report

Background Papers

None

Annexes

Annex 1 – Internal Audit Risk Assessment 2010/11
Annex 2 – Internal Audit Strategy

Consultation on 2010/11 Internal Audit Plan
Audit Risk Assessment

Annex 1

Ref	Audit Area	Risk Rating
19091	Financial Planning and Budget Setting	High
19090	Budgetary Control	High
19020	Administration and Accommodation Review	High
11060	Business Continuity	High
10200	Payroll	High
19520	Equalities	High
10120	Main Accounting System (Financial Ledger)	High
10320	Council Tax Benefits & Housing Benefits	High
10400	Asset Management	High
10310	Council Tax & NNDR	High
11710	Housing Rents	High
19095	More 4 York / Efficiency and Value for Money	High
11050	Performance Management	High
19080	Procurement and Contract Management	High
19160	Sickness Management	High
10790	Partnership Arrangements Including LAA	High
19519	Health & Safety	High
11040	Performance Indicators and Data Quality	High
10150	Treasury Management & Prudential Code	High
10330	Cashiers and Income Management	High
11030	Recruitment	High
11140	Nursery Education Grants	High
10430	Risk Management	High
19040	Replacement FMS System	High
19100	Staff Registers of Interests and Gifts and Hospitality	High
10180	Ordering and Creditor Payments	High
10190	Debtors	High
10260	Information Security	High
10140	VAT Accounting	High
10530	Environment and Sustainability	High
19120	Project Management	High
19515	Waste PFI	High
15699	School Audits	High
New	ContactPoint	High
New	Post 16 Funding	High
19130	Workforce Planning	High
10610	On street Parking & Car Parks	Medium
11340	Education Contracts	Medium
10650	Public Transport	Medium
10870	Fleet Services & Fleet Maintenance	Medium
10940	Stores and Purchasing	Medium
11470	Homecare (Expenditure & Charging)	Medium
11280	Transport (Home to School, Social Services etc)	Medium
11630	Supporting People	Medium
11740	Tenants Choice	Medium
10690	Crematoria and Cemeteries	Medium
10860	Commercial Waste	Medium
10910	Neighbourhood Services Job Costing	Medium
11730	Housing Repairs and Maintenance	Medium
10270	IT Asset Management	Medium
10670	Concessionary Travel	Medium
11100	Youth Services, Training and Development	Medium
10590	City Strategy Capital Programme (including Local Transport Plan)	Medium
11300	LCCS Capital programme	Medium
11480	Direct Payments & Personalisation	Medium

Consultation on 2010/11 Internal Audit Plan
Audit Risk Assessment

Ref	Audit Area	Risk Rating
11570	EPH's, Special Sheltered Housing and Sheltered Housing.	Medium
10730	Waste Operations - Disposal	Medium
10930	Building Repairs and Maintenance	Medium
11110	Behaviour Support (including Exclusions)	Medium
11250	Individual School Budgets	Medium
11390	Out of City Placements	Medium
11510	Residential and Nursing Home Costs	Medium
11670	Housing Revenue Account	Medium
10985	Members Allowances	Medium
11210	Leisure Facilities	Medium
19180	Travel and Subsistence	Medium
19525	Handling Complaints	Medium
10580	Highways Regulation	Medium
10880	Waste Operations - Refuse Collection & Recyling	Medium
19517	Records Management	Medium
11590	Mental Health Services	Medium
10280	Electronic Communications	Medium
10700	Licensing	Medium
11130	Early Years and Childcare Service	Medium
19140	Agency Staff	Medium
10210	Construction Industry Scheme	Medium
10510	Section 106 Agreements	Medium
10680	Food Safety, Environmental Health and Trading Standards	Medium
10815	Future Prospects	Medium
11360	Children Leaving Care	Medium
11660	HASS Capital Programme	Medium
10540	Engineering Consultancy	Medium
10710	Neighbourhood Pride Service	Medium
11610	Adults Respite, Employment & Day Services	Medium
11700	Housing Allocations	Medium
19511	Disciplinary Procedures	Medium
10250	IT Business Continuity	Medium
10390	Freedom of Information	Medium
11260	Standards Fund	Medium
11600	Referrals and Care Assessments (Adults)	Medium
11601	Referrals and Assessments (Children's Services)	Medium
10435	Insurance	Medium
10460	Development Control	Medium
10470	Building Control	Medium
10920	Civil Engineering	Medium
10420	Facilities Management	Medium
11760	Blue Badge Scheme	Medium
11150	Sure Start York	Medium
11240	Music Tuition Fees	Medium
11420	Foster Carers and Adoption Allowances	Medium
11690	Right to Buy	Medium
10850	Cleaning (Buildings, Schools, Voids)	Medium
11620	Community Equipment and Loans Store	Medium
11120	Special Educational Needs	Medium
11430	Children's Residential and Respite Accommodation	Medium
11380	Family Support	Medium
11650	Commissioning & Bought in Services	Medium
10410	Property Income and Lease Management	Medium
11190	Libraries	Medium
19170	Telecommunications	Medium

**Consultation on 2010/11 Internal Audit Plan
Audit Risk Assessment**

Annex 1

Ref	Audit Area	Risk Rating
10550	City Development (LDF-Strategic Development)	Medium
10970	Legal Services and Coroner	Medium
11170	Adult and Community Education	Medium
19518	Education Access Service	Medium
10380	Data Protection and FOI	Medium
10760	Economic Development Unit	Medium
11320	Education Development Service	Medium
10480	National Land and Property Gazetteer	Medium
10220	IS-IT Strategy	Medium
10640	Staff Park and Ride and Staff Parking	Low
11350	Children's Services Administration Sites	Low
10170	Venture Fund	Low
10600	Emergency Planning	Low
11200	Open Spaces, Park and Play Areas	Low
11230	Performance Arts	Low
11270	Recoupment	Low
11410	Children with Disabilities	Low
10490	Local Land Charges	Low
11220	Arts and Entertainment	Low
11720	Grants & Adaptations (Private Sector Housing Renewal & DFGs)	Low
10800	York Training Centre	Low
10360	Registrars	Low
10980	Electoral Services, Member Support and Democracy Support	Low
11000	Marketing & Communications	Low
10160	Car Loans	Low
10840	External Trading	Low
11180	Discretionary Rate Relief	Low
10900	Street Environment Service	Low
11530	Homelessness - Travellers	Low
10130	Mortgages	Low
10520	Heritage Properties	Low
10990	Lord Mayoralty	Low
11330	LCCS Planning and Management Information	Low
10740	Pool Cars	Low
11500	Delayed Discharges	Low
11540	Pooled Budgets	Low

Note

In addition to any of the areas above selected for audit, the annual plan will also contain allocations to cover a number of mandatory and contingency areas including support and advice, special investigations, the Financial Management Standard in Schools, follow up audits, and the National Fraud Initiative.

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Internal Audit Strategy

Updated December 2009

Purpose

This strategy has been prepared in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. It sets out how internal audit services will be delivered and developed in accordance with the terms of reference of client organisations, and how the service links to organisational objectives and priorities.

Objectives of Service

The overall objective of internal audit services provided by Veritau is to contribute to the effective operation of its client organisations by providing an independent and objective opinion on their control environment. In fulfilling this, its responsibilities include:

- providing assurance on the effectiveness of governance arrangements and the control environment

- reporting on the probity, legality and value for money of arrangements for service delivery

- reviewing systems of control and recommending improvements where necessary

- advising on counter fraud arrangements, and actively investigating allegations of fraud.

Opinion on the Control Environment

On an annual basis a formal report setting out the Head of Internal Audit's opinion on the control environment will be presented to the relevant committee of each client organisation. The opinion will be based on audit work undertaken, and it is therefore essential that this work forms a sound basis from which to draw conclusions. To ensure this, the company will:

- prepare and deliver a risk based audit plan that includes all aspects of risk facing the organisation (ie not just financial risk)

- plan, manage and carry out audits in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the

United Kingdom and the company's own internal operating procedures, to ensure that work is undertaken with due professional care

- maintain good relationships with managers, partners, external audit and other review agencies

- ensure staff are competent, provided with appropriate training and professional development

- ensure an effective and efficient internal audit service is provided through performance management, monitoring and benchmarking

In developing audit plans and in forming an opinion, the Head of Internal Audit will determine the extent to which reliance can be placed on the work of other auditors (for example within partner organisations) or the results of work undertaken by external inspectors, and what work is required to be undertaken by Veritau.

Consideration of Risk

Audit plans will be risk based. The basis for the assessment of risk may be the client organisation's own risk registers, a separate audit risk assessment or a combination of both. Where a review of risk management arrangements within a client organisation identifies a high level of risk maturity, reliance will be placed on the risk management systems and risk registers. Where the level of risk maturity is lower, audit work will be based on a separate audit risk assessment which will make reference to risks identified in organisational risk registers, as appropriate. In the longer term the service will seek to place greater reliance on client risk management systems and risk registers.

Where it is necessary to complete an audit risk assessment this will take account of the following criteria:

- materiality

- complexity

- fraud and corruption

- stability

- management arrangements

- control environment

- inspection regime outcomes

- reputation

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Further details of the risk assessment criteria are provided at appendix 1.

Risk assessment and planning will be undertaken on a continuous basis. This means that priorities for audit may change during the course of each year, as risks are constantly changing. However, indicative audit plans for clients will be drawn up at the start of each year and these will be varied as required to take account of emerging issues and changes in risk (in consultation with the client).

Consultation with senior managers within client organisations, review of local risk registers, and ongoing monitoring of internal management and committee reports will form part of the risk assessment and planning process to ensure that significant national and local risks are taken into account. Other resources such as audit networks, professional bodies guidance, and subscription to information services will also be used to identify emerging issues to be considered as part of the risk assessment.

Model of Service Delivery

Veritau will provide the majority of audit and related work directly. External parties may be employed by the company to provide support in specialist areas, for example the provision of IT audit expertise. However, in the longer term, Veritau aims to develop in-house expertise to enable specialist work to be provided internally (subject to demand) to provide best value for money for the company and its clients.

Resources and Skills

Previous experience of risks, consideration of the control environment, and other relevant factors will be used to calculate initial assessments of resource requirements. As part of the continuous risk assessment and planning process, a calculation of required resources will be undertaken. If resources are insufficient to enable review of areas considered to be a priority then this will be reported as required within client organisations. Resource requirements will be monitored as risks/priorities change.

On an ongoing basis the company reviews the skills and experience of staff to ensure these meet the needs of services to be provided to client organisations. Systems to regularly appraise staff, identify training and development needs, and deliver training are in place to ensure that required competencies are developed and in order to deliver audit work in line with client expectations and the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom. Where necessary, specialist skills may be procured by the company to meet current requirements.

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5 is high 1 is low	Weight	Criteria	SCORE				
			5	**4**	**3**	**2**	**1**
Materiality	3	• Financial transactions	Annual income/ expenditure over £2M	▨	Annual income/expenditure over £500k but less than £2m	▨	Annual income /expenditure less than £500k
		• Volume of transactions	Volume of transactions over 10,000 per annum	▨	Volume of transactions between 1,000 and 9,999	▨	Volume of transactions less than 1,000 per annum
		• Quality of budgetary control arrangements	Very poor. Non-existent or inadequate budget monitoring systems and arrangements. Little or no regular monitoring and frequent material budget variances.	Poor. Budget monitoring systems exist but often ineffective. Limited budget monitoring and performance often outside acceptable limits.	Satisfactory. Budget monitoring systems exist but not always effective. Actual performance often within acceptable limits	Good. Budget monitoring systems exist and generally effective. Actual performance normally within acceptable limits	Excellent. Fully developed and effective budget monitoring systems and arrangements. Actual performance always within acceptable limits.
		• Pupil Numbers	500+	250-500	200-250	150-200	0-150
		• Turnover (Income plus expenditure)	£2M+	£1.5M-£2M	£1m-£1.5M	£500k-£1M	£0-£500K
Complexity	3	• Processing Routines	Highly complex and requiring detailed technical knowledge to operate. Likely to involve more than one IT application and many staff. Significant scope for error.	Complex. Likely to involve one or more IT applications. Detailed technical knowledge required to operate. Errors likely to occur.	Some complexity. Likely to be based on one IT application. Some detailed technical knowledge required to operate. Errors may occur but unlikely to be significant.	Relatively simple. Likely to be based on manual process or one IT application. Limited knowledge required to operate. Errors may occur but unlikely to be significant.	Simple. Manual process requiring only a limited number of staff. No detailed knowledge required to operate.

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5 is high 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
		• Number of staff employed	Over 200	Between 100 and 200	Between 50 and 100	Between 10 and 50	Less than 10
		• Type of establishment	Secondary		Primary Special		Adult Learning
Fraud and Corruption	1	• Significant cash handling operation, • Previous history of problems (fraud investigations, and/or thefts) • Existence of valuable assets • Poor asset security • High staff turnover • Low staff morale • Close relationships between officers and contractors • Poor regard to standards and regulations	High inherent risk. Fraud investigation conducted and/or financial irregularities found within the last five years. High staff turnover and/or low morale.		Medium inherent risk. Some minor financial irregularities discovered or suspected. Normal levels of staff turnover.		Low inherent risk. No actual or suspected fraud or financial irregularity.

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5 is high 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
Stability	2	• System stability • New service area • Changes in key staff	Major system change and / or new service area. Changed management arrangements or service reorganisation. Very high staff turnover.	Changes to systems and / or service responsibilities. High staff turnover.	Some changes to systems and / or service responsibilities. Normal levels of staff turnover.	Some limited changes to systems and / or service responsibilities. Lower than normal levels of staff turnover.	Highly stable. No changes to systems or management arrangements.
		• Reserves/Deficit	Reserves £150+ or Deficit £100k+	Reserves £100k -£150k or Deficit £50k-£100k	Reserves £50k-£100k or Deficit £0-£50k	Reserves £20k-£50k	Reserves £0-£20K
Management Arrangements	1	• Reporting arrangements • Local systems	Very poor. Non-existent or inadequate management, service planning and performance monitoring systems and arrangements. Performance targets not set.	Poor. Management arrangements considered to be ineffective. Performance targets set but generally not achieved.	Satisfactory. Service planning and performance management arrangements exist but not always effective. Actual performance often within acceptable limits	Good. Service planning and performance management arrangements exist and generally effective. Actual performance normally within acceptable limits	Excellent. Fully developed and effective service planning and performance monitoring systems in place. Actual performance always within acceptable limits.
		• External bodies control assessment	No opinion available or Unsatisfactory	Poor	Satisfactory	Good	Very Good

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5 is high 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
Control Environment	3	• Recent audit findings • Senior Manager opinion • Existence of adequate strategies, policies and procedures • Quality of direct supervision and management • History of under/over spends • Existence and adequacy of written procedures	Very poor. Non-existent or inadequate control framework. No written procedures and history of significant errors, under performance and/or system failures.	Poor. Control framework ineffective. Written procedures may exist but inadequate. Errors, under performance and/or system failures often occur.	Satisfactory. Control framework exists but not always effective. Actual performance often within acceptable limits.	Good. Control framework exists and generally effective. Actual performance normally within acceptable limits	Excellent. Fully developed and effective control framework. Actual performance always within acceptable limits.
		• Audit Opinion	No assurance	Limited assurance	Moderate assurance	Substantial assurance	High assurance
		• Time Since Last Audit	36+ mths	30-36 mths	18-30 mths	12-18 mths	0-12 mths

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Assurance Services for
the Public Sector

5 is high 1 is low	Weight	Criteria	SCORE				
			5	4	3	2	1
Risk Management Assessment (Magique)	3	• Assessment of risks identified, quality of control framework and/or action plan	See Magique				
Inspection Regime	2	• Views of Audit Commission (and, or other review agencies)	No opinion available or Unsatisfactory	Poor	Satisfactory	Good	Very Good
		• Time since last OFSTED visit	36+ mths	30-36 mths	18-30 mths	12-18 mths	0-12 mths
Reputation	2	• Vulnerable adults/children • Potential press interest • Environmental • Health & safety • Member and officer conduct	Highly sensitive area where there has been recent negative press interest and/or involves care of the vulnerable (children, elderly, disabled)	Sensitive area involving topical issues (environment, waste disposal) and/or care of the vulnerable with potential for negative press interest.	Some scope for interest but any damage to reputation likely to be limited in duration and / or impact.	Area of moderate sensitivity. Some limited issues but unlikely to result in significant interest and / or damage to reputation.	Very low risk. No history of member / public / press interest or damage to reputation.

Agenda Item 12

CITY OF
YORK
COUNCIL

Audit and Governance Committee

15 February 2010

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

Summary of Audit Commission National Reports

Summary

1.   This paper gives a brief overview of national reports produced by the Audit Commission (AC). The last summary, presented to the Audit & Governance Committee in June 2009, covered reports up to 17 June, and the current summary continues from that point up to 31 January 2010.   Whilst this report is for information only, it may prompt a request for a more detailed response from council officers, where the content of a specific report may impact on the governance or internal control arrangements of the council.

Background

Report Summaries

2.   **Financial Management in a Glacial Age**
        (Published 27 November 2009)

        This document identifies common themes and trends in financial management, in particular possible causes of financial failure and steps that leadership can take to improve financial health. There is an accompanying Powerpoint presentation that gives the background to current financial pressures on local government.   This can be downloaded from the Audit Commission website at http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/financialmanagementinaglacialage.aspx.

3.   **Nothing but the Truth**
        (Published 5 November 2009)

        This is a discussion paper on the methods of ensuring that data on local public services is fit for purpose, and examines the causes and consequences of poor data quality.

4. **Means to an end: Joint financing across health and social care (Published 29 October 2009)**

   The report examines how councils and NHS bodies jointly fund services for people who need both health and social care provision, as well as looking at the impact such partnerships have on service users.

5. **Lofty ambitions: the role of councils in reducing CO2 emissions (Published 21 October 2009)**

   This report examines English local authorities' opportunities in responding to climate change, in particular the need to reduce domestic emissions of carbon dioxide (CO2). Councils can take a lead in this area, for example by improving the efficiency of their own housing stock, as well as by setting high standards for new houses via the planning process.

6. **Protecting the public purse – Local government fighting fraud (Published 15 September 2009)**

   The report considers the key fraud risks and pressures facing councils. The report acknowledges that local councils, have since the 1990s put in place a range of strategies to minimise this risk. The main body of 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 outlines the actions that all organisations should take to minimize 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. *As this report is directly relevant to the work of this committee, a copy of the summary report is attached at the annex to this report.*

7. **Building better lives – Getting the best from strategic housing (Published 9 September 2009)**

   The report examines the strategic role that local authorities play in terms of the nation's housing stock, and highlights that few local authorities are performing well. The report also considers the impact of the recession on meeting housing targets, and places an emphasis on improving the condition of existing properties.

8. **When it comes to the crunch: how councils are responding to the recession (Published 12 August 2009)**

   This report discusses the recession and the actions that councils have taken to attempt to counter its effects. While different local authorities have been affected in different ways, all councils will need to continue to prepare for rising levels of unemployment, as the role of councils will become

increasingly important as the recession spreads from businesses into communities.

9. **Is there something I should know? Making the most of information (Published 30 July 2009)**

   This paper sets out a basis for discussion on how to ensure data about local public services is fit for purpose. It asks if citizens, along with frontline staff, managers, politicians, central government and local public service regulators, can have confidence in the data they rely on.

10. **Valuable Lessons – Improving economy and efficiency in schools (Published 30 June 2009)**

    This report covers the way money has been spent on schools in the past, and the need for schools to improve their economy and efficiency. Schools could save large amounts through the use of better procurement processes and more efficient deployment of workforce.

Consultation

10. The council's corporate Policy Officer has been consulted on the list of reports in this paper.

Options

11. Not relevant for the purpose of the report.

Analysis

12. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

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

Risk Management

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

Recommendations

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

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

Contact Details

Author:	**Chief Officer Responsible for the report:**
Pauline Stuchfield	Ian Floyd
Assistant Director (Customer Service & Governance)	Director of Resources
Telephone: 01904 551706	**Report Approved** [√] **Date** 1st February 2010

Report Approved √ **Date** 1st February 2010

Specialist Implications Officers
Not applicable

Wards Affected: Not applicable   **All** [ ]

For further information please contact the author of the report

Background Papers:

Audit Commission Reports as follows:

- Financial Management in a Glacial Age – handout and presentation, published 27 November 2009
- Nothing But the Truth, Published 5 November 2009
- Means to an end, published 29 October 2009
- Lofty ambitions, published 21 October 2009
- Protecting the public purse, published 15 September 2009
- Building better lives, published 9 September 2009
- When it comes to the crunch, published 12 August 2009
- Is there something I should know?, published 30 July 2009
- Valuable lessons, published 30 June 2009

Annex
Protecting the public purse, published 15 September 2009

None

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In the public sector, every pound lost through fraud directly affects citizens by increasing national and local taxation levels or threatening essential services such as social care, housing and education.

Protecting the
public purse

Local government fighting fraud

This summary report is an overview of our full national report published on 15 September 2009

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.

For the purpose of the report we define fraud as any intentional false representation, including failure to declare information, or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where civil, criminal or management action such as disciplinary action has been taken.

The financial cost of fraud does not fully reflect the personal impact it can have on victims. Councils in England spend £154 billion yearly on providing public services. Every pound that is lost through fraud directly affects citizens by increasing national and local taxation levels or threatening essential services such as social care, housing and education. There has been a growing recognition of the damaging impact that fraud has on the UK economy and on citizens. This recognition has been matched by some important initiatives to combat fraud.

Councils have done much in recent years to combat fraud and many are managing the risk well by:
- developing a zero-tolerance approach towards fraud;
- adopting good practice in managing the risk of fraud; and
- creating a strong counter-fraud culture and implementing counter-fraud policies and procedures.

Every pound lost through fraud affects citizens by increasing taxation and threatening essential services

Councils can do more

However, there is more that could be done to reduce the risk and incidence of fraud. We have identified three areas of fraud risk that are often not adequately addressed at a local level:

Housing tenancy fraud is conservatively estimated to have reduced available social housing for allocation in England by nearly 50,000 properties, worth over £2 billion.

False claims for single person discount (SPD) on council tax could be costing honest taxpayers almost £2 million a week.

Recruitment fraud can have severe outcomes and which fraudsters often exploit to commit other types of fraud.

Housing tenancy fraud

There is great demand across the country for social housing (both council and housing association homes), and there has been a significant increase in the housing waiting list in the last six years.

In the London area alone there are around 746,000 social housing properties – almost 20 per cent of England's total social housing stock. Housing tenancy fraud is a particular problem in London.

over 50% increase in housing waiting lists in the last six years

We identified three London boroughs which had reclaimed 274 homes in a year through targeting fraudulent tenancies. In the worst cases, some properties are being sub-let for personal profit.

> **A council housed a family,** who were escaping civil war in their home country. When the war ended, the family moved back to their home country where the tenant became the director of a medical centre. However, the tenant sub-let, for profit, the property the family had previously occupied. After an investigation and legal action, the court granted the council a possession order for the property.

Case study

Almost 50,000 properties (with an asset value of more than £2 billion) could potentially be brought back into social use. This figure assumes a conservative estimate for tenancy fraud levels of 2.5 per cent in London and 1 per cent elsewhere, and that unlawful occupation of social housing is comprehensively tackled. More research is needed but this is undoubtedly a problem that affects those in need of social housing and the taxpayer.

Council tax single person discount fraud

Local council taxpayers meet the cost of the 25 per cent discounts payable to individuals who are the only adult over 18 living at an address. False claims for SPD are estimated at £90 million each year.

Our research found one council which used data matching and other IT checks to identify 657 SPD claimants in one year who were not entitled to claim the discount. The amount wrongly claimed totalled £235,000, most of which has already been repaid to the council. In one case, a resident had been wrongly claiming the discount since 2003 and has had to repay £2,460.

Recruitment fraud

It is fraudulent for job applicants to fail to declare a criminal record or make false statements about their qualifications, experience or their entitlement to work in the UK

Councils employ around two million permanent staff and many thousands of temporary and contract staff at any one time.

The importance of verifying the identity, qualifications, employment history and criminal record of those employed in, or applying for, posts is a key defence against fraud and other abuses.

Almost 50,000 properties (with an asset value of more than £2 billion) could potentially be brought back into social use

> **Suspicions about the activities** of a cleaner were raised by a council employee, who noticed that the cleaner's birth certificate stated that he was born in 1977 at a hospital that was not actually built until 1986. A search warrant was executed at the cleaner's home and forged identity documents were recovered, as well as numerous items of council property. These included computers, hand-held devices, mobile phones, sim cards, memory sticks and software. The court sentenced the cleaner to three months' imprisonment.

Case study

Other risks

Our *Protecting the Public Purse* report highlights other significant fraud risks the Commission considers still need attention:

- **Housing and council tax benefit**
  Of the £18.5 billion spent every year, fraudulently obtained overpayments are estimated to exceed £200 million.
- **Procurement**
  Councils need to ensure that their procurement arrangements reduce the risk of fraud and are working as intended.
- **Social care direct payments**
  The move towards personalising social care involves important cultural and operational changes. It is important that councils implement appropriate and proportionate checks that balance the operational benefits of improved choice against the potential risk that fraudsters may attempt to misuse public funds.
- **Disabled parking concessions (blue badges)**
  Fraudsters use these badges to avoid parking charges.
- **Insurance claims**
  The UK insurance industry estimates losses of more than £1.9 billion a year, due to bogus or inflated claims, including those made against councils.
- **Abuse of position frauds**
  Although few in number, some frauds occur where weak internal controls allow individuals to abuse the trust placed in them.

£80 billion
annual spend by councils on capital projects and buying goods and services

Partnership working

The full report contains various case studies that highlight councils' successes in partnership working.

In one example, the London Borough of Croydon and anti-fraud colleagues from several public bodies in the area formed the Croydon Fraud and Enforcement Forum. This initiative arose out of a realisation that many of

the frauds and fraudsters the council encountered were common to other public sector organisations based in the same area.

> **Following a tip-off from a social worker**, Croydon's corporate anti-fraud team discovered that a fraudster who had no right to work in the UK had claimed more than £135,000 in benefits from the council by using someone else's identity. A joint investigation with the UK Border Agency and the NHS Local Counter Fraud Specialist showed the fraudster was also working at a care home and receiving a £17,650 bursary from the NHS while studying to be a nurse. The investigation further found out the fraudster's sister was using the alternative identity to work illegally in a hospital. A police raid on the fraudster's home found prescription drugs worth around £12,000, and forged documents.

Case study

Data matching and whistleblowing

The London Public Sector Counter Fraud Partnership Annual Survey 2007/08 showed that, across London, the key sources of information leading to the discovery of frauds were data matching and whistleblowing.

Data matching includes exercises such as the National Fraud Initiative (NFI), the Department for Work and Pensions' Housing Benefits Matching Service and other local initiatives. The Commission has run the NFI data matching exercise once every two years since 1996 to compare sets of data in order to identify inconsistencies or circumstances that might suggest fraud or error. Since its launch it has helped identify an estimated £500 million of fraud and overpayments.

Fraud surveys also regularly identify whistleblowers as one of the principal sources of information by which public bodies identify and stop frauds. The Public Interest Disclosure Act 1998 set up protection for employees victimised or dismissed after raising a concern about wrongdoing or malpractice.

We urge councils to ensure that their whistleblowing arrangements are sound, embedded in their everyday procedures and are communicated to and understood by staff. They should also ensure that they engage local citizens properly in the fight against fraud.

Reporting suspicions

In recent years, money laundering legislation has significantly increased the ability of UK law enforcement agencies to tackle organised crime by requiring certain regulated bodies to report any known or suspected money laundering.

In recent years, money laundering legislation has significantly increased the ability of UK law enforcement agencies to tackle organised crime

To support the collection of information on known or suspected money laundering, the Serious and Organised Crime Agency runs a national reporting system, which received around 220,000 suspicious activity reports in 2008.

However, for much of the public sector including local government there is no statutory requirement to comply with these reporting arrangements. In 2008, councils only submitted 55 suspicious activity reports.

We recommend that councils comply with the spirit and principles of the legislation, and do more to improve staff awareness of how to report any suspicions of money laundering and criminal activities.

Planning ahead

The best councils have counter-fraud plans based on a robust fraud risk assessment, regular reporting to those charged with governance, and qualified fraud investigators focused on both proactive and reactive work. We advise councils to set clear targets and expected outcomes for the work of counter-fraud teams and suggest that teams report regularly to management on their performance.

Culture is key

A strong counter-fraud culture is fundamental to reducing the harm caused by fraud and in ensuring that public confidence is not undermined.

This means the right tone from the top in an organisation is vital, as is a zero-tolerance approach towards fraud. Councils should be seen by their staff to have made a clear commitment to the fight against fraud.

We have developed the Changing Organisational Cultures toolkit to help public organisations improve their counter-fraud culture, compare themselves with others and chart their progress over time.

Our analysis of the use of the toolkit at public bodies so far shows that although many organisations have made a strong commitment to fight fraud, they still need to do more to ensure that:
- their commitment translates into action;
- staff at all levels are aware of and understand the organisation's values and what the council expects of them;
- everyone in the organisation is confident that whistleblowing arrangements are effective and preserve confidentiality; and
- controls are not being overridden.

£500 million seized since the Proceeds of Crime Act 2002 came into force

The organisations that are most at risk are those where awareness is low

What councils can do

Tackling fraud effectively needs a collaborative response. Councils can maximise their counter-fraud activities and contribute to preventing and detecting fraud when they work with other public, private and voluntary organisations.

How the Commission can help

Our report highlights the significant benefits to both councils and taxpayers that can be achieved where councils adopt good practice and focus counter-fraud activities and resources on those areas of greatest financial risk or and social harm. At the end of this document we attach a checklist which councils can use to assess their organisation's fraud defences against the good practice we have identified.

We are launching an annual survey to monitor the levels of fraud in local Government. We will also help track frauds and emerging risks through our fraud reporting system and our work with the National Fraud Authority.

Since the Audit Commission launched the NFI, it has led to the identification of an estimated £500 million of fraud and overpayment

In addition, data matching capabilities such as the Audit Commission's NFI will continue to be used to help councils prioritise counter-fraud activities and highlight risk areas that have previously not been given enough attention.

As Steve Bundred, Chief Executive of the Audit Commission, concludes,

'It has never been more important that councils fight fraud because every pound lost to cheats is a pound that can't be used for people in real need. This report is a comprehensive look at existing and developing threats facing town halls which calls on councils to urgently reassess their counter-fraud plans.'

The full version of the *Protecting the Public Purse: Local Government Fighting Fraud* report can be downloaded from the Audit Commission's website at www.audit-commission.gov.uk/publicpurse

Checklist for those responsible for governance

General		Yes	No	Action
1	Have we committed ourselves to zero tolerance against fraud?	◯	◯	
2	Do we have appropriate strategies, policies and plans?	◯	◯	
3	Do we have dedicated counter-fraud resources?	◯	◯	
4	Do the resources cover all of the activities of our organisation?	◯	◯	
5	Do we receive regular reports on fraud risks, plans and outcomes?	◯	◯	
6	Have we assessed our management of counter-fraud resources against good practice?	◯	◯	
7	Do we raise awareness of fraud risks: • New staff (including agency staff)? • Existing staff? • Members?	◯	◯	
8	Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues?	◯	◯	
9	Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?	◯	◯	
10	Do we identify areas where internal controls may not be performing as intended?	◯	◯	
11	Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes?	◯	◯	

Fighting fraud in the recession	Yes	No	Action
12 Have we reassessed our fraud risks because of the recession?	○	○	
13 Have we amended our counter-fraud action plan as a result?	○	○	
14 Have we reallocated staffing as a result?	○	○	

Some current risks and issues	Yes	No	Action
15 Do we take effective action to ensure that social housing is allocated only to those in need?	○	○	
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?	○	○	
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?	○	○	
19 Are we satisfied that our recruitment procedures are: • preventing employment of people working under false identities? • validating employment references effectively? • ensuring applicants are eligible to work in the UK?	○	○	
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?	○	○	
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?	○	○	

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We welcome your feedback. If you have any comments on this report,
are intending to implement any of the recommendations, or are
planning to follow up any of the case studies, please email:
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09_0248

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CITY OF
YORK
COUNCIL

Audit and Governance Committee   15 February 2010

Report of the Assistant Director of Resources (Finance)

Audit & Governance Committee Relationships with Other Committees

Summary

1. At its meeting on 21 December 2009 Audit & Governance (A&G) Committee 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.*"

2. Members requested a follow up report which considered how an approach to this might be developed in City of York Council. This report summarises the key committees with which A&G has a relationship and how key internal control issues could be communicated to A&G members.

Background/Analysis

Council /Executive

3. The current relationship with Council/Executive is outlined below:

    -   Draft documents relevant to the terms of reference of A&G are brought to the committee usually for consultation prior to being presented to Executive, then full Council if appropriate;
    -   Changes to the Constitution now go direct to Council.

    No further changes are suggested.

Standards Committee

4. There is no existing form of regular liaison with Standards Committee. although both committees play a key role in ensuring high standards of conduct and probity are maintained in the organisation. Occasionally the same reports are presented to both committees, such as the Local Government Ombudsman's Annual Report, where they relate to both committees' roles.

5. At its meeting on 22 January 2010, Standards Committee members considered a report on 'Raising the Profile of Standards Committee' and the following paragraph:

> *"14. The role of the Standards Committee includes liaison as appropriate with the Audit and Governance Committee on 'any matter that may be of common concern to both, principally in relation to any matter arising in relation to corporate governance'. Some thought could be given about how to take this forward in a proactive way. Other councils have established occasional joint meetings of both committees and/or developed joint programmes of work between similar committees which include publicising internally codes of conduct at officer and member level; whistleblowing and so on."*

6. The Assistant Director of Resources (Customer service & Governance) through the Head of Civic, Legal & Democratic Services has already made contact with the Chair of the Standards Committee, and if agreed, will meet with Chairs of both committees to discuss a way forward to bring back to the next A&G Committee.

Overview & Scrutiny Committees

7. An effective scrutiny structure and process is core to a sound corporate governance framework. It is possible that all Overview & Scrutiny Committees could produce reports from their work programmes that A&G need to be aware of in their review of the system of internal control to inform the Annual Governance Statement. In addition there will be a naturally close relationship between A&G and the Effective Organisation Overview & Scrutiny Committee which has responsibility for the scrutiny of all corporate services including finance, audit and risk management.

8. The following proposals are suggested for future interaction with Overview & Scrutiny Committees:

- forward plans of all Overview & Scrutiny Committees are reported to A&G Committee to highlight areas of possible interest to A&G where there are internal control implications; and /or
- 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.

Consultation

9. Not relevant for the purpose of this report.

Options

10. The proposals in paragraphs 3 to 8 can either be accepted wholly or individually or members may propose alternative solutions.

Analysis

11. See paragraphs 3 to 8.

Corporate Priorities

12. 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

13. (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

14. Failure to improve liaison between those committees described in this report 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

15. Members are asked to:

 (a) agree that existing relationships with Executive and Council should continue as laid down in the council's Constitution;

 (b) agree 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;

(c) agree future arrangements for reporting the internal control-related outcomes of Overview & Scrutiny Committee work by selecting both or either option(s) in paragraph 8 above .

<u>Reason</u>
To improve committee 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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Report Approved | √ | **Date** 3/2/10

Specialist Implications Officers

Not applicable

Wards Affected: **All** | √ |

For further information please contact the author of the report

Background Papers:

Review of the Audit & Governance Committee's Terms of Reference (Articles & Functions) – Audit & Governance Committee, 21 December 2009

Raising the Profile of Standards Committee'–Standards Committee, 22 January 2010

Annexes
None