

Notice of meeting of

Audit & Governance Committee

To:	Councillors Jeffries (Chair), Barnes, Brooks (Vice-Chair), Burton, Cuthbertson, Watson and Steward
Date:	Tuesday, 28 June 2011
Time:	5.00 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 4.30 pm to provide a private briefing for Members, if required.

1. Declarations of Interest

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

2. Minutes (Pages 3 - 10)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 19th April 2011.

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 Monday 27 June 2011.**

4. Forward Plan. (Pages 11 - 14)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2012.

5. Review of the Effectiveness of Internal Audit. (Pages 15 - 30)

This report advises members of the process and the outcomes of the 2010/11 review of the effectiveness of the council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2010/11 draft Annual Governance Statement (AGS).

6. Annual Report of the Head of Internal Audit. (Pages 31 - 50)

This report summarises the outcome of audit and fraud work undertaken in 2010/11 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

7. Alterations to the Substitutes arrangements for Committee meetings. (Pages 51 - 54)

This report asks Members for their views on constitutional changes in relation to the use of substitutes for Committee meetings.

8. Media Protocol (Pages 55 - 70)

This report proposes a change to the existing Media Protocol to ensure that communication of Council policies and activities is open and transparent and that there is clear accountability for all Council decision making. The report has been considered at Cabinet on 21 June 2011 and will be recommended to Council on 30 June for agreement.

9. Urgent Business

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

Democracy Officer:

Name: Laura Bootland

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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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Holding the Executive to Account

The majority of councillors are not appointed to the Executive (40 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Decision Session) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

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

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

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

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	19 APRIL 2011
PRESENT	COUNCILLORS WATSON (CHAIR), BROOKS (VICE-CHAIR), FIRTH, HYMAN, SCOTT AND GUNNELL
APOLOGIES	COUNCILLORS VASSIE

69. DECLARATIONS OF INTEREST

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

Councillor Hyman and Scott declared a personal non prejudicial interest as their wives work for City of York Council and could be subject to fraud investigations if the need arose.

70. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex C to agenda item 6 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). Also Annex 1 to agenda item 13. This information is classed as exempt under paragraphs 4 and 7 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information) (Variation) Order 2006

71. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 14 February 2011 be approved and signed by the Chair as a correct record.

72. PUBLIC PARTICIPATION

It was reported that there were no registrations to speak at the meeting under the council's Public Participation Scheme.

73. FORWARD PLAN.

Members received a report that presented the future plan of reports expected to be presented to the committee during the forthcoming year to February 2012.

Members were asked to identify any further items they would wish to add to the Forward Plan.

RESOLVED: That the Committees forward plan to February 2012 be approved.

REASONS: (i)To ensure the committee receives regular reports in accordance with the functions of an effective audit committee.

(ii)To ensure the committee can seek assurances on any aspect of the councils internal control environment in accordance with its roles and responsibilities.

74. KEY CORPORATE RISK MONITOR 4.

Members considered a report that presented the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of February 2011.

Consideration was given to the risks set out at Annex B, confidential Annex C and in the report.

Further to discussions that had taken place at the previous meeting, Officers outlined paragraph 11 of the report in reference to the work undertaken regarding the bullying and harassment policy in schools.

Certain Members queried the target and revised dates, in particular for risk references 1796, 1798 and 1799 on pages 30 and 31 of the agenda. It was requested that the Director of Communities and Neighbourhoods attends the next meeting to provide an update on whether the actions associated with these risks have been completed.

The Director of City Strategy was in attendance at the meeting to present the Risk Register for the Community Stadium project. He provided an update to Members who queried the current status of the planning application, access issues to the proposed site and the level of involvement of local sports clubs.

RESOLVED: (i)That Members considered the risks set out at Annex B and C and paragraph 8 of the report.

(ii)That the following risks be reviewed in more detail at the next meeting, particularly in relation to target dates:

- Risk Ref 1796, 1798 and 1799.¹

(ii) That Members noted the risks reports presented in respect of Bullying and Harassment, York Community Stadium, Administrative Accommodation Project and iTrent Payroll System.

- REASON:
- (i) To provide assurance that risks to the council are continuously monitored.
 - (ii) To provide assurance that risks to the council are continuously monitored
 - (iii) To provide assurance that key risks to the council are being properly managed.

Action Required

1. Information be provided to Members re revised date for risk reference 1799. SB

75. AUDIT COMMISSION 2010/11 AUDIT PLAN PROGRESS REPORT.

Members received a report that presented the progress made by the Audit Commission in achieving their 2010/11 Audit Plan. The progress report was attached at Annex A.

Members noted the progress on the Audit Commissions external audit work to the end of March 2011, in particular the audit of financial statements, the value for money conclusion and the work of the national Advisory Services team.

Members queried the reference to the increase in home working options on page 3 of the Progress Report, in particular how great the risk would be to the Council. Officers advised the risk can be managed if the Council is fully aware of all the risks associated with home working.

RESOLVED: That Members considered the content of the progress report and noted its findings and matters arising.

REASON: To ensure the Audit and Governance Committee is fully aware of the current activity of the external auditors and any issues that could affect the council's system of internal control.

76. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT.

Members received a report which advised them on the process for the 2010/11 review of the effectiveness of the council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2010/11 draft Annual Governance Statement (AGS).

Officers reported that in line with previous years processes, it is proposed that the annual review of the effectiveness of the system of internal audit for 2010/11 should be undertaken by the Shared Service Contract Board (SSCB) with the process overseen by the chair of the Audit Committee.

Members queried the Council's contract with Veritau and sought assurance that the Council were getting value for money.

RESOLVED: That Members agreed to a review of the effectiveness of the internal audit to be undertaken by the Shared Services Contract Board.

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

77. IFRS UPDATE.

Members considered a report which updated them on the progress made to implement the statutory changes required in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

Officers outlined the report, in particular paragraph 7 which advised Members that in line with the revised Accounts and Audit Regulations 2011, the requirement for the draft Accounts to be approved by the Audit and Governance Committee before the 30th June had been removed. Instead the Director of Customer and Business Support Services (CBSS) will sign them off.

Certain Members queried whether the draft accounts should continue to come before the Audit and Governance Committee prior to approval by the Director of CBSS in order for Members to consider them and make any comments before they are approved. Members felt that the accounts not being considered by the Audit and Governance Committee first would be a significant change to the objectives of the Committee.

Officers advised that the Audit and Governance Committee would still be approving the Statement of Accounts and the Annual Governance Statement prior to the 30th September, in line with the functions of the Committee as set out in the Constitution.

Councillor Scott objected to the change as he considered it to be outside of the constitutional remit of the Audit and Governance Committee.

Members agreed to accept the change with their concerns noted, and on the understanding that the situation could be reviewed at the July meeting if necessary.

RESOLVED: (i) That Members noted the progress to convert the Accounts to IFRS contained in this report and recognise the continuing work being undertaken for a smooth transition to IFRS.

(ii) That Members noted the change in the revised Accounts and Audit Regulations 2011.

(iii) That the new arrangements for the approval of the draft accounts be revisited at the July meeting if necessary.

REASON: That those responsible for governance arrangements are updated on a regular basis with all current available information and to ensure that the implementation of IFRS is proceeding in a timely manner for 30th June 2011 implementation.

78. INTERNAL AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE PLAN 2011/12.

Members considered a report which sought approval for the programme of audit, counter fraud and information governance work to be undertaken.

Annex 1 contained details of the proposed audit, counter fraud and information governance work for 2011/12. In response to Members questions, Officers advised that the plan is set by the head of Internal Audit in conjunction with the Assistant Director of Financial Services.

RESOLVED: That Members approved the 2011/12 internal audit, counter fraud and information governance plan.

REASON: In accordance with the committees responsibility

79. AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE MONITORING REPORT.

Members considered a report which provides an update on progress made in delivering the internal audit workplan for 2010/11 and on current counter fraud and information governance activity.

Officers referred to paragraph 3 of the report and advised that it had been necessary to make a number of variations to the audit plan. Details of the changes were outlined in Annex 2 of the report for Members information.

RESOLVED: That Members noted the progress made in delivering the 2010/11 internal audit work programme, and current counter fraud and information governance activity.

REASON: To enable members to consider the implications of audit and fraud findings.

RESOLVED: That Members noted the variations to the 2010/11 audit plan set out in annex 2.

REASON: To enable Members to consider the delivery of the internal audit plan.

80. FOLLOW UP OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS.

Members considered a six monthly update report which set out the progress made by council departments in implementing actions agreed as part of internal audit work and recommendations made by the Audit Commission.

A summary of findings is presented to the Audit and Governance Committee twice a year. This report covered agreed actions with target dates up to 28 February 2011.

Members queried paragraph 10 of the report which advised that in six cases it had not been possible to assess whether appropriate action had been taken due to a lack of response from responsible officers. These had now been escalated to senior managers and an update was already planned for a future Audit and Governance meeting.

RESOLVED: That Members considered the progress made in implementing internal audit agreed actions as reported in paragraphs 6 to 11 of the report.

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

81. AUDIT COMMISSION NATIONAL REPORTS SUMMARY.

Members considered a report which provided a brief overview of national reports produced by the Audit Commission (AC), which are all available to view on the Audit Commission website. The summary provided an overview for reports between 31 October 2010 to 30 April 2011.

Officers advised that since the last report to the Committee no new national studies had been published by the Audit Commission. However, summaries of two briefing papers published on the implementation of International Financial Reporting Standards (IFRS) were provided in the report and elsewhere on the agenda.

RESOLVED: That Members noted the report.

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

Councillor B Watson, Chair

[The meeting started at 5.30 pm and finished at 8.00 pm].

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Audit and Governance Committee**28 June 2011**

Report of the Assistant Director of CBSS (Financial Services)

Audit & Governance Committee Forward Plan to April 2012**Summary**

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2012.

Background

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 meetings to April 2012. 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.

There are no amendments to the forward plan since the previous version was presented to this Committee in April 2011.

Consultation

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

Not relevant for the purpose of the report.

Analysis

Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

Financial - There are no implications

Human Resources (HR) - There are no implications

Equalities - There are no implications

Legal - There are no implications

Crime and Disorder - There are no implications

Information Technology (IT) - There are no implications

Property - There are no implications

Risk Management-

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, and it will also fail to properly comply with legislative and best practice requirements.

Recommendations:

(a) The Committee's Forward Plan for the period up to April 2012 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

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Services)
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**Report
Approved**



Date

14.06.11

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

Annex 1

Audit & Governance Committee Forward Plan to April 2012

Audit & Governance Committee Draft Forward Plan to April 2012

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

- **Committee 25 July 2011**

Draft Statement of Accounts 2010/11

Risk Management Quarter 1 Monitor

Scrutiny of the Treasury Management Annual Report 2010/11 and Review of Prudential Indicators

Audit Commission national reports summary (if any)

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee 26 September 2011**

Annual Governance Report

Final Statement of Accounts 2010/11

Corporate Governance Update

Risk Management Quarter 2 Monitor

Follow-up of Internal and External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee 5 December 2011**

Annual Audit Letter – Audit Commission (if published)

Data Quality Progress Report

Internal Audit & Fraud Plan Progress Report

Scrutiny of the Treasury Management Monitor 2 Report 2011/12 and Review of Prudential Indicators

Constitutional Changes following the Localism Bill (TBC)

Audit Commission national reports summary (if any)

Audit Commission reports as per agreed Audit & Inspection plan

Others Changes to the Constitution (if any)

- **Committee 13 February 2012**

Risk Management Quarter 3 Monitor

Scrutiny of the Treasury Management Monitor 3 Report 2011/12 and Review of Prudential Indicators

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/17

Update of Counter Fraud Policies

Internal Audit Plan Consultation

Audit & Fraud Risk Assessment

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee 2 April 2012**

Risk Management Quarter 4 Monitor

Draft Annual Governance Statement

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Follow up of Internal and External Audit Recommendations

Audit Commission national reports summary (if any)

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)



Audit and Governance Committee

28 June 2011

Report of the Assistant Director Financial Services

Review of the Effectiveness of the System of Internal Audit 2010/11

Summary

1. To advise members of the process and the outcomes of the 2010/11 review of the effectiveness of the council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2010/11 draft Annual Governance Statement (AGS).

Background

Legislative Requirements

2. The Accounts and Audit Regulations 2011 require each local authority to conduct, at least once a year, a review of the effectiveness of its internal audit arrangements, and to report the findings of this review to the Council or an appropriate committee. The process is intended to form part of the wider review of the effectiveness of the system of internal control, which is necessary to prepare the Annual Governance Statement (which is a separate item on this Agenda).
3. The Regulations require that the Council:

"must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
4. The 2011 Regulations consolidate and update previous similar regulations, and guidance to these earlier Regulations states that, for principal local authorities, the proper internal control practices for internal audit are those contained within the CIPFA Code of Practice for Internal Audit in Local Government. It is not known whether formal guidance will be issued under the 2011 Regulations, but for 2010/11 the 2006 edition of this Code of Practice has applied, and the intention would be to continue to apply the Code, subject to any amendments, in future.
5. A review of compliance with the Code of Practice has been completed and is referred to in the next section of this report.

Defining Internal Audit

6. In the Code of Practice, internal audit is defined as:

“an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

As such internal audit forms an essential part of the Council's corporate governance arrangements.

7. Since April 2009, internal audit has been provided under contract by Veritau Ltd, a company wholly owned by City of York Council and North Yorkshire County Council, with the service being provided under a formal “shared service” arrangement. This review takes full account of this framework of provision for the service.
8. The principal functions of internal audit are to:
- (a) provide assurance to Members, chief officers, other key stakeholders and the wider community on the effectiveness of the governance arrangements and internal controls at the council;
 - (b) provide advice and make recommendations to improve controls and/or address the poor or inappropriate use of the council’s resources;
 - (c) examine and evaluate the probity, legality and value for money of the council’s activities;
 - (d) act as a visible deterrent against all fraudulent activity, corruption and other wrong doing;
 - (e) respond to and investigate any instances of suspected fraud or corruption
 - (f) assist the Audit Committee in the performance of its functions as set out in its Terms of Reference.
9. The best practice guidance states that the review of the effectiveness of internal audit should also include consideration of the effectiveness of the Audit and Governance Committee itself (to the extent that its work relates to internal audit) as well as the performance of the audit provider. The Audit and Governance Committee has not reviewed its own effectiveness, and this will be an action to undertake during 2011/12 (See Annex 2)
10. The CIPFA Code of Practice for Internal Audit in Local Government sets out eleven standards (or principles) for the establishment of a professional service. Each principle is supported by detailed guidance. The principles cover the following areas:

- a) Scope of Internal Audit (Terms of Reference and scope of work)
- b) Independence
- c) Ethics for Internal Auditors
- d) Audit Committees (including Internal Audit's relationship with the Audit Committee)
- e) Relationships (with management, elected Members and other auditors, regulators and inspectors)
- f) Staffing, Training and Continuing Professional Development
- g) Audit Strategy and Planning
- h) Undertaking Audit Work
- i) Due Professional Care
- j) Reporting
- k) Performance, Quality and Effectiveness

Who Should Undertake the Review?

11. The Regulations require either the Council itself or a committee of the council to review the system of internal audit. The main reasons why in York's case, the Audit and Governance Committee is considered as "an appropriate means through which to carry out the review of Internal Audit" are:
- (b) it is a core responsibility of the Audit and Governance Committee to approve internal audit plans and monitor the work of the service;
 - (c) the Audit and Governance Committee is independent of the management of the council;
 - (d) the annual report and the opinion of the Head of Internal Audit are considered by the Audit and Governance Committee;
 - (e) the External Auditor reports to the Audit and Governance Committee and is therefore readily available to give an opinion on the work of Internal Audit;
 - (f) the review of the effectiveness of the system of internal audit feeds into the Annual Governance Statement which is also considered by the Committee.

12. A key point is that it is the responsibility of the council to conduct the annual review; it is not a review that is carried out by the External Auditor as part of their annual audit. External audit review elements of internal audit's work to assess what reliance can be placed upon it for other purposes and the audit of the accounts. However, this review work does not cover all the elements of the system of internal audit and, therefore cannot be relied upon to properly fulfil the requirements of the Regulations.
13. The review of the effectiveness of internal audit has been undertaken jointly with City of York Council by the Shared Service Contract Board (SSCB) and in consultation with the respective Audit Committee Chairs, in accordance with the process agreed by this Committee in April 2011. The SSCB comprises the respective client officers from the County Council and the City of York, and Veritau's Head of Internal Audit. Meetings of the SSCB are held approximately six times a year and performance indicators and changes in working practices are discussed.
14. Using the SSCB as the focus for this annual review ensures consistency and avoids unnecessary duplication of work by the two client officers. The opinions reflected in this report reflect the shared view of the two client officers arrived at during the review. It should be noted that the statistics in this report are solely in respect of the service provided to the City of York Council.

Scope of the Review

15. The review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion contained in the Annual Report provided by the Head of Internal Audit may be relied upon as a key source of evidence in the Annual Governance Statement. The focus of the review has, therefore, concentrated on the delivery of the internal audit function to the required professional standards in order to produce the required outcome i.e. a reliable assurance on internal control and the management of risks in the council, rather than an assessment of value for money.
16. Other sources of assurance that the Committee receives, from which it can take a view on the effectiveness of the service include:
 - (a) regular outturn reports on Internal Audit work and related performance measures;
 - (b) the Annual report of the Head of Internal Audit (which is a separate item on this Agenda);
 - (c) the Internal Audit Plan (the 2011/12 Plan was reported to the April 2011 meeting of this Committee);
 - (d) regular reports on the implementation of internal audit recommendations.

2010/11 Review of the Effectiveness of the System of Internal Audit

17. For the purposes of this review, the following work has been completed:
 - (a) the Code of Practice self assessment checklist has been refreshed so as to identify any significant changes in the degree of compliance against the Code
 - (b) An overview of customer survey results has been undertaken
 - (c) The opinions of external audit and the results of other external review work received during 2010/11 have been considered.
18. In previous years, the results of the latest benchmarking data available from CIPFA have been used to provide some indication of how cost-effective the service was compared to internal audit provision within other unitary councils. Given that the service is now a shared service provided by an external body, albeit owned by the two councils involved, suitable benchmarking data has been more difficult to obtain. Alternative sources of information have therefore been used to provide evidence of the continued cost effectiveness of the current arrangements.

Update of Code of Practice Self Assessment Checklist

19. The self assessment checklist has been comprehensively reviewed and updated for 2010/11. This has been reviewed in the SSCB and is considered by the SSCB as a fair reflection of the priorities that need to be progressed at this time.
20. As previously reported to this Committee, considerable work has been undertaken to integrate working practices and systems across the shared service and to select best practice from both partners' organisations.
21. In respect of the delivery of the service for the council, it is the view of the Assistant Director – Financial Services (who acts as the lead client for the County Council on behalf of the S151 Officer), that whilst there have been some changes in operational arrangements, adherence with the professional standards set out in the Code has been maintained or enhanced. This view is based on the Audit Commission's assessment of compliance against the code, the regular discussions held with the Head of Internal Audit necessary to fulfil his role as lead client officer for the Veritau contract, and also with his involvement on the SSCB

22. Those aspects of the current internal audit arrangements that have been identified as not complying fully with the Code of Practice are listed in Annex 2. Where changes and/or improvements to working practices are considered necessary then these have been included in the Veritau Business Plan for 2011/12, and are reflected in paragraph 24 below.
23. There were a number of areas for development which were identified as part of last year's self assessment. These are listed below, with information on progress made in the year, as follows:

(a) to identify opportunities for cost and quality benchmarking with similar UK based public sector shared service organisations

Limited information is available on a consistent basis, bearing in mind that Veritau operates as a local authority company, and this differs from other services provided either in house or wholly within the private sector. As this is a competitive market, providers are generally reluctant to share cost and pricing information. However, during 2010/11 Veritau participated in a benchmarking exercise with a group of similar local authorities to compare salary grades for internal audit staff. The results of this confidential exercise showed that the salary grades set by Veritau are consistent with those grades offered elsewhere.

Veritau was also recently involved in a tendering exercise for the Humberside Fire Authority Service. Whilst not successful in winning that business, the day rates that were submitted by the company were higher than those that apply to the core service provided to the County Council and the City of York Council, and took account of the relatively significant additional travel costs and lost times that would have been involved in servicing that contract. The current day rate charged to the County Council is less than the successful tender, and in particular is significantly less than the rates tendered by the large majority of the private firms bidding for this work. Whilst difficult to assess in isolation, this does suggest that the cost of the service provided by Veritau continues to be competitive.

(b) staff to be rotated on regular/annually audited areas. Given the organisation of the audit teams (with responsibility for service directorates allocated to specific audit teams) it may be difficult to ensure regular rotation of audits as recommended. However, the service is to determine whether a greater degree of rotation can be achieved in order to improve the skills, knowledge and adaptability of the individual auditors concerned

Work has been done on this, but as identified in **Annex 2** this remains an area for further development. Veritau are seeking to manage similar audits across the County Council and the City of

York, both as a way of achieving efficiency and effectiveness in the audits, but also to assist in the best practice of rotating responsibilities. Examples include the social services personalisation, information governance and disciplinary procedures audits.

(c) to develop a protocol for defining future working relationships with the client and other managers in each council

A protocol has now been developed and is considered to be working well. The customer satisfaction survey indicates good working relationships within both Councils.

(d) individual auditors to maintain a record of their professional training and development

This has been implemented as part of the improvements put in place in preparation for an IIP assessment. The external assessor, who is recommending IIP accreditation, has now completed the assessment. Any available update on the assessment will be provided at the meeting.

(e) to improve the flow of information in place at both councils to ensure that risk registers are updated for issues identified through the audit process

Good progress has been made and information is now shared regularly between the internal audit and risk management functions.

24. Following completion of the self assessment, the main areas identified for further development in 2011/12 are:

- continued rotation of internal audit staff between teams and across sites to minimise the number of occasions where systems or services are subject to audit by the same member of staff
- Audit and Governance Committee to conduct a review of it's own effectiveness
- development of a formal protocol to support joint working with other internal auditors
- development of a clearer methodology for determining the overall opinion of the Head of Internal Audit

Customer Satisfaction Surveys

25. In accordance with the CIPFA Code, Veritau carries out customer survey reviews.

26. At the close of each audit, the responsible Manager of the area being audited is asked for feedback on that audit. In response to the question "Considering the audit overall, would you say that you were more satisfied than dissatisfied with the service received?" 100% assessed the audit as being satisfactory.
27. In addition, in February 2011, an overall customer satisfaction survey was sent to senior managers within the council asking a wider range of questions about the service provided. 15 responses were received.
28. Of those who responded, 74% overall considered that the elements of the internal audit work was either good or excellent, with 87% rating the overall audit as either good or excellent. All the remaining 13% believed that the service was satisfactory, therefore, no respondents assessed the service overall as being poor.
29. All of the comments made by respondents have been considered by Veritau, and will be addressed through the appropriate improvement action.
30. In respect of Counter Fraud work, 64% considered that the elements of that work were good or excellent with 100% of those responding giving an overall rating of good for such work.
31. **External Audit Opinions expressed during 2010/11**
 - (a) no matters of concern have been raised with the S151 Officer or the Audit and Governance Committee by the External Auditor regarding internal audit matters during 2010/11
 - (b) there were no matters raised regarding internal audit arrangements in the External Auditor's Annual Audit Letter 2009/10 which was reported to this Committee in December 2010
 - (c) The Audit Commission carried out no external reviews of the Veritau service in 2010/11, although Members may recall that during 2009/10, the Audit Commission reviewed compliance by Veritau against the CIPFA Code. Two separate reviews were completed in that year, firstly in respect of the City of York Council and secondly in respect of the North Yorkshire Fire and Rescue Authority. Both reviews concluded that Internal Audit continues to meet its professional and statutory duties. No areas of concern were identified.
 - (d) The External Auditor takes account of internal audit work where appropriate. On the basis of their risk assessment of areas that require testing, it would be the normal approach to check with the Internal Audit team whether previous work had been done that provided the relevant assurance to meet that assessed risk. If that is the case, then External Audit have been happy to rely on the work previously carried out by Internal Audit. The Audit

Commission have also provided written confirmation their assessment of Internal Audit and this is attached as Annex 1.

38 CONCLUSION

Based on the results of this review, the council's internal audit arrangements are considered to be operating in accordance with accepted professional best practice, and remain effective. The Committee can therefore continue to place reliance on the internal audit arrangements operating within the council when considering the draft Annual Governance Statement for 2010/11.

39 CONSULTATION

This review has been conducted by the SSCB in consultation with the Chairs of the Audit Committees as recommended and agreed by this Committee in April 2011.

40 OPTIONS

Not relevant for the purpose of the report.

41 CORPORATE PRIORITIES

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

42 IMPLICATIONS

The implications are;

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

Risk Management Assessment

43. The Council will fail to comply with the Accounts and Audit Regulations if it does not undertake an annual review of the effectiveness of internal audit, as part of the wider review of the effectiveness of the system of internal control.

Recommendation

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

Reason

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

Contact Details

Author:

Keith Best
Assistant Director Financial Services
Tel: 1745

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business Support Services

Report Approved



Date 17.6.11

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- Accounts and Audit Regulations 2011
- Accounts and Audit (Amendments) (England) Regulations 2006
- Department of Communities and Local Government (DCLG) – Guidance on the accounts and audit regulations
- CIPFA Rough Guide to the Review of Effectiveness of the System of Internal Control
- CIPFA Code of Practice For Internal Audit in Local Government in United Kingdom 2006
- Audit Commission's Review of Internal Audit 2009/10 (April 2010)
- Review of effectiveness of internal Audit report (April 2011)

Annexes

Annex 1 – Letter of assurance from the Audit Commission

Annex 2 – Effectiveness Checklist for Internal Audit

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03 June 2011

Mr K Best
Head of Financial Services
City of York Council
Library Square
York

Direct line 0844 798 1675

Dear Keith

Review of Internal Annual 2011/12

I am writing as requested to confirm that we have recently updated our assessment of Internal Audit in terms of:

- compliance with CIPFA standards;
- levels of competence, by reference to qualifications and experience;
- the scope of Internal Audit's planned work programme; and
- delivery against plan to date

Our assessment has included more detailed review (on a sample basis) of some individual Internal Audit assignments and a limited amount of reperformance work.

There were no significant areas of non-compliance. This means that we have been able to maximise our reliance on Internal Audit work and thereby minimise duplicated effort and unnecessary costs to the Council.

Yours sincerely

Lynn Hunt
Audit Manager

cc Mr M Thomas, Veritau Limited

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**REVIEW OF WORKING PRACTICES AGAINST THE CIPFA CODE OF
PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT**

2010/11

Report on areas of possible non-compliance

Note: P indicates partial compliance and N indicates non compliance

REF	STANDARD	P / N	CYC
2	Independence		
2.2	Organisational Independence		
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers	P	Reports to the Audit and Governance Committee are in the name of the client officer (the AD Financial Services) except for the Annual Report of the Head of Internal Audit.
3	Ethics for Internal Auditors		
3.3	Objectivity		
3.3.4	Are staff rotated on regular / annually audited areas.	P	It is recognised that some staff have audited the same system / service area for a number of years. Steps have been taken during 2010/11 to increase cross site working (between Northallerton and York) to reduce this problem. Further rotation of staff will take place in 2011/12.
4	Audit Committees		
4.2	Internal Audit's Relationship with the Audit Committee		
4.2.4	Does the Head of Internal Audit:		
	Participate in the committee's review of its own remit and effectiveness?	N	The Audit and Governance Committee has not reviewed its own effectiveness.
5	Relationships		
5.3	Relationships with Other Internal Auditors		
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	P	The method of obtaining assurance from partner organisations will vary depending on the relationship between the Council and the partner, and the degree of risk involved. Where appropriate, Veritau will rely on the work of the partner organisation's own internal auditors, or request a formal ISAE 3402 or AAF 01/06 report. If necessary, Veritau will undertake formal testing of the control environment operating in the partner organisation itself. Existing arrangements tend to be limited and informal in nature. The need for a formal joint working protocol has been recognised and is included in the company's 2011/14 Business Plan.
5.5	Relationships with Other Regulators and Inspectors		
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the	P	This occurs on an ad-hoc basis but is not considered to be of significant importance.

REF	STANDARD	P / N	CYC
	organisation?		
7	Audit Strategy and Planning		
7.1	Audit Strategy		
7.1.2	Does the strategy include:		
	How the Head of Internal Audit will form and evidence his or her opinion on the control environment?	P	There are clear definitions for providing opinions on individual audits but the strategy does not adequately explain the factors which will be considered when giving the overall opinion. The need for a clearer methodology has been recognised and is included in the company's 2011/14 Business Plan.
10	Reporting		
10.3	Follow-up Audits and Reporting		
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	N	Veritau does not consider that it is appropriate to revise an opinion. However, account will be taken of the progress made by management to address control weaknesses and to complete agreed actions when providing the annual audit opinion.
10.4	Annual Reporting and Presentation of Audit Opinion		
10.4.2	Does the Head of Internal Audit's report:		
	Communicate the results of the internal audit quality assurance programme?	N	Given Veritau's contractual position, this information is considered to be more relevant to the CYC client officer. In addition, details of the annual customer satisfaction survey are shared with the client.

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Audit and Governance Committee

28 June 2011

Report of the Head of Internal Audit

Annual Report of the Head of Internal Audit

Summary

- 1 This report summarises the outcome of audit and fraud work undertaken in 2010/11 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

Background

- 2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the code of practice, the Head of Internal Audit is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the council's control environment and identify any issues relevant to the preparation of the Annual Governance Statement.
- 3 Since 1 April 2009, the council's internal audit, counter fraud and information governance services have been provided by Veritau Limited, a company jointly owned by the City of York Council and North Yorkshire County Council.
- 4 Audit work was undertaken across the council's services and activities in accordance with an internal audit plan, which was approved by this Committee in April 2010.

2010/11 Internal Audit, Counter Fraud & Information Governance Work

- 5 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of audits finalised since the last report to this committee in April 2011 are included at Annex 2.
- 6 Overall, internal audit delivered 95.3% of the 2010/11 internal audit plan by 30 April 2011 (against a target of 93%). The service also achieved a positive customer satisfaction rating of 100% (against a target of 95%),

and agreed actions to address 100% of high priority issues identified through audit work (against a target of 90%).

- 7 All of the actions agreed with services as a result of internal audit work are followed up to ensure that the underlying control weaknesses are addressed. The results of follow up work are summarised twice yearly for this committee (the last report was in April). While overall progress in implementing agreed actions remains good, one specific area does require further attention to ensure agreed actions are undertaken within realistic timescales..
- 8 Counter fraud work was undertaken in accordance with the approved plan. A summary of the work completed during the year was presented to this committee as part of the last audit and fraud monitoring report on 19 April 2011. Service developments in relation to counter fraud work included the following.
 - The successful completion of a pilot project to investigate housing related fraud. A total of 93 cases were referred to the team for review. Investigation work resulted in five properties being recovered from tenants. Work is now ongoing to establish longer term arrangements for the investigation of housing fraud.
 - The introduction of new fraud risk assessment arrangements to improve the targeting of counter fraud resources. This has resulted in a number of new counter fraud initiatives and other specific work, for example social care charging.
- 9 In March 2010, the Executive approved a strategy for improving Information Governance arrangements based on developing the council's information governance policy framework and applying a quality assurance scheme devised by central government, known as the "Maturity Model". In accordance with the Strategy, the Corporate Information Governance group (CIGG) has begun work, chaired by the council's Senior Information Risk Owner (SIRO) – the director of Customer and Business Support Services, Ian Floyd. CIGG is attended by an information governance champion from each directorate as well as representatives from Veritau's Information Governance team (IGT).
- 10 The IGT has continued to help develop the council's information governance framework to incorporate the core measures identified in the Government's Data Handling review and the HMG Security Framework. It is intended that, within this framework, all of the council's policies, strategies, protocols and guidance notes relating to information governance can be developed in a way that is both comprehensive and complementary to each other.
- 11 CIGG addresses new and emerging issues as well as coordinating the development of the IG Framework. Staff from Veritau support the development and implementation of this Framework by:
 - preparing and/or advising on corporate IG policies prior to their submission to CIGG

- supporting and coordinating the roll out of the policy framework across the council
 - raising awareness and promoting compliance via training, guidance and advice.
- 12 In addition, Veritau's auditors have commenced a programme of work designed to test understanding and compliance with the new policy framework. The audit work will aim to identify potential IG risks so as to support the effective roll out of the policy framework. Where risks are identified these will inform the future development of IG policies and help to target other corrective actions.
- 13 Veritau has now been operating as a private company, wholly owned by the council and North Yorkshire County Council for over two years. In that time, the Company has made considerable improvements to its audit planning and reporting procedures including an improved opinion methodology, a revised audit report format and improved planning arrangements to maximise the benefit to individual council's by sharing audit expertise across the sites. The successful and innovative partnership working between the councils, which led to the formation of Veritau, was recognised last year when both councils were jointly awarded the Cliff Nicholson Award for Innovation and Excellence in Public Service Audit by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 14 During 2010/11, Veritau decided to seek Investors in People (IIP) accreditation. As Veritau's main asset is its people, it is important that the company continues to train and develop its staff so that it can provide the services required by its customers, both now and in the future. It was considered that achieving the IIP accreditation would act as a challenge by forcing the company to critically examine its processes. This exercise has resulted in Veritau introducing a number of new and/or different procedures to make the best use of its training and development resources and to help the company recognise the talents of its people. The formal assessment against the IIP Standard commenced in March 2011 and concluded in May. Based on the evidence viewed and the interviews held with a sample of Veritau staff, the assessors are recommending that Veritau be awarded the IIP accreditation subject to ratification by an independent panel. This latest success for the Company demonstrates the considerable progress that Veritau has made in just over two years.

Breaches of Financial Regulations

- 15 Where breaches of council regulations, legislation, or other external regulations are identified through internal audit work these are reported to the committee in accordance with best practice. In most cases, actions agreed with managers as a result of the audit work will address the breaches identified. There have been a number of breaches of the council's financial regulations identified during the course of internal

audit work in 2010/11. A summary of breaches identified since the last report to this committee in April 2010 is included in annex 3.

- 16 The main issue of note is the potential breaches relating to information security. While we have not attempted to confirm numbers of actual breaches, the findings from the information security checks audit underlines the need to improve controls around data security. Particularly in light of the recent self reported data security breach in ACE and subsequent Information Commissioner's Office (ICO) undertaking.

Opinion of the Head of Internal Audit

- 17 In accordance with the council's terms of reference for internal audit, the Head of Internal Audit is required to provide an annual written report to the Audit and Governance Committee. The report sets out the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the council's control environment and contributes to the overall review of the effectiveness of its systems of internal control and to the preparation of the Annual Governance Statement.
- 18 The opinion of the Head of Internal Audit is given in Annex 1. The opinion is based on audit and counter fraud work completed during the year including that detailed in annex 2 to this report, and other monitoring reports to this committee during the year. Internal audit work has been conducted in accordance with the CIPFA Code of Practice for Internal Audit.
- 19 In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2010/11 Annual Governance Statement:
 - a) Bank Reconciliation – Good progress has been made to address weaknesses in bank reconciliation arrangements since this was identified as an issue in 2009/10. However, there is still a need to ensure that regular and complete bank reconciliations are undertaken during the course of the financial year.
 - b) Use of Purchase Orders – significant improvements to the purchase ordering process have been made through the implementation of the 'Procure to Pay' (P2P) module of the Council's Financial management information System. There is still however further progress to be made in reducing the amount of council expenditure which is not processed through the use of purchase orders. This represents a risk because authorisation controls within the creditor payments system are built around the use of purchase orders, and although there are appropriate controls in place for expenditure incurred without a purchase order, these are not as robust, and procedures are less efficient.
 - c) Information Security – There are weaknesses in the council's arrangements for managing information securely, in accordance with the law. A recent internal audit report highlighted weaknesses in the physical storage of sensitive information across a range of

different departments. In January 2011, a significant breach of the data protection act occurred within ACE. This was reported to the Information Commissioner (ICO) who required that the council formally commit to an undertaking to improve control.

- 20 In forming an opinion on the control environment, consideration has also been given to the current economic climate and the significant amount of change affecting council services. While no significant weaknesses have been specifically highlighted, there is an increase in inherent risk in the following areas.
- a) Business continuity – As responsibilities for service areas and systems change there is an increased risk that gaps in the overall framework may occur. It is therefore essential that responsibility for business continuity planning is clearly allocated through the course of change programmes.
 - b) Partnerships – there are major changes to responsibilities within the council for overseeing and managing partnership arrangements. The council needs to ensure that it has considered the potential impact of this on overall capacity for service provision in the wider community.

Consultation

- 21 Not relevant for the purpose of the report.

Options

- 22 Not relevant for the purpose of the report.

Analysis

- 23 Not relevant for the purpose of the report.

Corporate Priorities

- 24 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to making the council an effective organisation.

Implications

- 25 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

26 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported and the annual statement and opinion of the Head of Internal Audit is not considered by those charged with governance.

Recommendations

27 Members are asked to;

- note the results of the audit and fraud work undertaken in 2010/11.

Reason

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

- accept the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's internal control environment.

Reason

To enable Members to consider the opinion of the Head of Internal Audit.

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

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

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Limited
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Chief Officer Responsible for the report:

Keith Best
Assistant Director, Financial Services
Telephone: 01904 551745

Report Approved



Date 15/6/11

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Internal Audit Risk Assessment and Audit Strategy
2010/11 Audit, Counter Fraud, and Information Governance Plan

Annexes

Annex 1 - Opinion of the Head of Internal Audit
Annex 2 - Audits Completed and Reports Issued
Annex 3 - Breaches of Financial Regulations

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Opinion of the Head of Internal Audit

I have evaluated the results of the audit and fraud work undertaken during the 2010/11 year. In my opinion the council's internal controls provide Substantial Assurance. The council can therefore continue to place reliance on the adequacy and effectiveness of its systems of internal control and the control environment.

Signed

Max Thomas
Head of Internal Audit
Veritau Ltd

29 June 2011

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AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

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

Priority

Long Definition

Short Definition – for use in Audit Reports

3	or senior management level and may result in significantly revised or new controls. Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss. Such issues are usually matters that can be implemented through line management action and may result in efficiencies.	The system objectives are not exposed to significant risk, but the issue merits attention by management.
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Draft Reports Issued

13 internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows:

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

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in April 2011. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Information Security Checks	1/4/11	Limited Assurance	NA	NA	<p>On 1 March 2011 the internal audit service undertook a series of early morning, unannounced, spot checks in a number of council offices. The purpose of the visits was to assess the extent to which data security is being considered by staff in ensuring that laptops and removable media are secured and that paper copy personal data is locked away.</p> <p>Although there were pockets of good practice the overall picture was poor. Issues included netbooks/laptops being left open to view in offices, cabinets of sensitive data left unlocked (with keys in locks), sensitive data left on desks overnight and unlocked drawers. There was a lack of available secure storage in some areas, where personal data is routinely stored without any security. In some areas which could be secured, for example by keypads, doors had been left open.</p> <p>The issues have been reported to the council's Corporate Information Governance Group (CIGG). Actions have been incorporated into CIGG's wider action plan which also includes actions arising from the recent Information Commissioner's Office (ICO) undertaking, following an information security breach in ACE.</p>

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Joseph Rowntree Secondary School	6/4/11	Moderate Assurance	9	0	A school establishment audit. There were no significant issues identified, though action was required to address control weaknesses in a number of different areas.
Hempland Primary School	8/4/11	High Assurance	5	0	A school establishment audit. No significant issues were found.
Yearsley Grove Primary School	8/4/11	High Assurance	5	0	A school establishment audit. No significant issues were found.
Treasury Management	14/4/11	High Assurance	1	0	An audit of arrangements for managing the council's cash balances through loans and investments. Controls were found to be working well. At the time of the audit it was noted that the contract period for treasury management advisory services was about to end. This service is now being re-tendered and a new contract will be let from 1 July 2011.
Agency Staff	21/4/11	Substantial Assurance	2	0	A review of procedures for procuring specialist and interim staff, and the council's own recruitment pool. This area was undergoing significant change at the time of the audit. While processes had not been finalised, controls being put into place appeared to be generally good. A number of issues for further review were highlighted by the audit. These

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					included the need for management information to allow compliance with policy to be monitored and managed, and better pre-employment screening.
Payroll	26/4/11	Substantial Assurance	3	0	<p>A few weaknesses were identified though none were individually significant. Actions were agreed to:</p> <ul style="list-style-type: none"> • Review responsibilities and provide training, to address payroll coding, calculation and inputting errors • Undertake further checks on payments for recruitment pool staff • Remind departmental managers about deadlines for submitting information for payroll processing.
Recruitment Processes	26/4/11	Substantial Assurance	4	0	<p>A review of procedures for staff recruitment including pre-employment screening (references, CRB checks etc).</p> <p>There were problems completing testing for this audit as there was a backlog of 4000 scanned documents awaiting allocation to individual electronic personnel files at the time the work was undertaken. It was agreed that the processes for scanning documents and for ensuring files contain complete sets of information would be reviewed.</p> <p>Other issues identified included the need to clarify which posts require CRB clearance, to improve authorisation processes where staff are taken on before CRB clearance is received, and to ensure staff involved</p>

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					in interviewing are trained.
Main Accounting System	11/5/11	Moderate Assurance	2	1	<p>A review of the council's arrangements for accounting for expenditure. Procedures and controls in most areas are working well but there are weaknesses in two key areas.</p> <p>Bank reconciliation – while key elements of the bank reconciliation are undertaken on an ongoing basis there was no overall reconciliation during the financial year. This is a result of outstanding issues following the implementation of the new financial management system (FMS) although good progress is being made to address these.</p> <p>Control Accounts – regular control account reconciliation is undertaken for most feeder systems for the FMS. But there was insufficient evidence of the work undertaken and of review by senior officers to give full assurance in this area.</p>
Nursery Education Free Entitlement	13/5/11	Substantial Assurance	3	0	<p>A review of procedures for making payments to private providers of nursery education for free entitlement. The arrangements were generally good. Actions were agreed to improve the efficiency of payment systems by reducing overpayments (and the subsequent need to recover funds from providers) and to eliminate checks on cross-border provision which were duplicated by the council and Department of Education. As a result of the audit it was also agreed that the service would remind private providers of their responsibilities under data</p>

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					protection legislation (some were unaware of requirements to issue privacy notices).

ANNEX 3

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

Description of Breach	Instances
Purchase orders not completed by staff when ordering goods and services.	1
Inventory records not properly maintained or incomplete.	2
Bank reconciliations not being completed	1
Contract not being tendered at an appropriate time	1
Insufficient checks relating to contractors self employed status	1
Failure to safeguard information used in day to day activities.	NA*

*The information security checks audit detailed in Annex 2 identified a large number of areas where there were potential breaches of the regulations in relation to the security of information although actual breaches were not quantified.

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Audit and Governance Committee

29th June 2011

Report of the Assistant Director of CBSS (Governance and ICT)

Alterations to the Substitutes arrangements for Committee meetings

Summary

1. This report asks for Members views on constitutional changes in relation to the use of substitutes for Committee meetings.

Background

2. Places on Council Committees are allocated according to political balance requirements set out in the law. In general terms these require the majority party to have most seats on each Committee and other political groups and independent members to have seats allocated so far as possible in line with the proportion of seats that the group (or independent members as a whole) have on the Council. Once the numbers of seats have been determined it is the Council's duty to appoint individuals to those Committees in accordance with the instructions of the political group.
3. Many local authorities operate substitute arrangements to allow political balance to be maintained when a member of a Committee is unable to attend either for personal reasons or because they have a conflict of interest relating to an agenda item. In York the traditional system has been to have named substitutes appointed by Council in accordance with the wishes of each group. However there have been occasions when none of the named substitutes has been available to attend a meeting.
4. In order to deal with this problem Council agreed at the Annual Meeting that there should be a fall back arrangement which was described in this way in the Council report:

“In the first instance Members who need a substitute must, as now, approach a named substitute appointed by Council. The current rules require members to approach the first named substitute and only if that person is not available can they approach the second and so on. These rules will continue. If, however, no named substitute is available the Chief Executive and the Monitoring Officer will be authorised to make change to the membership of the Committee by appointing

another member of the group as substitute for a specific meeting. That appointment will be made in accordance with an instruction of the relevant political group.”

5. Council authorised me as Monitoring Officer to make the necessary constitutional changes subject to the views of the Audit and Governance Committee being sought.
6. The precise Constitutional change which I propose to make is to paragraph 6.5 of Part 4b of the Constitution which deals with Standing Orders for Committees. This would involve adding a paragraph (c)(i) reading:

“Where no named substitute is available a political group may instruct the Chief Executive and/ or the Monitoring Officer to replace, for the duration of a particular meeting, an existing Member with another substitute identified by the political group.”
7. The Council does require members of certain Committees to attend training – Planning Committee being an example. A substitute would be expected to comply with any such requirement.

Corporate Priorities

8. This report contributes the achievement of all the Council’s priorities, and in particular the Effective Organisation theme of the Corporate Strategy.

Implications

9. The most significant implications of this report are legal and these are detailed within the report.

Recommendations

10. Members are asked to confirm whether they are content for the proposed constitutional amendment to be made.

Reason

To enable progress to be made to implement the resolution of Council.

Contact Details

**Author and Chief Officer
Responsible for the report:**

Andrew Docherty
Assistant Director
01904 551004

Report Approved

Date 04.04.11

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable


All

For further information please contact the author of the report

Background Papers:

None

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Audit & Governance Committee	28th June 2011
Report of the Leader of the Council	

Media Protocol

Summary

1. This report proposes a change to the existing Media Protocol to ensure that communication of Council policies and activities is open and transparent and that there is clear accountability for all Council decision making. The report has been considered at Cabinet on 21st June 2011 and will be recommended to Council on 30th June for agreement.

Background

2. The existing Media Protocol was enshrined in the constitution at the beginning of the previous administration in 2003. It prohibited members from being quoted in press releases which relate to the policies and activities of the Council. Instead, officers or unnamed spokespeople have been quoted when setting out the decisions taken by elected members.

Proposal

3. A review has been undertaken of media protocols in use in other local authorities. This has revealed that City of York is unique in not using quotes from elected members. Common practice throughout the country is to name elected members in communications about the work of the Council.
4. This position is inconsistent with a modern, open, democratically elected organisation which promotes accountability and transparency.
5. The proposed new Media Protocol is attached at Annex A. It sets out revised arrangements where in future, Cabinet Members rather than officers will be quoted on matters of policy and delivery. This will give residents clarity about who is accountable and responsible. Officers will only be quoted where the issues are factual or technical.

6. The Communications and Media team will at no time be involved in developing party political material and their independence and integrity will be preserved at all times.
7. The Media Protocol has been enshrined in the constitution. Normally changes to the constitution are reserved for full Council. However, the Monitoring Officer has the authority to make changes to the protocols embedded within the constitution with the approval of the person with the authority to do so.
8. This position lacks clarity so for the sake of complete transparency, the changes to the Media Protocol are therefore being presented both for Cabinet's approval and for a recommendation to Council on June 30th 2011. The Audit and Governance committee will also consider the revised protocol on June 28th 2011.
9. It is unusual for a Media Protocol to appear as part of the constitution of a Council. It is unsatisfactory to have uncertainty as the status of this protocol and it is therefore proposed to recommend to Council that the revised protocol clearly sit outside the constitution.

Corporate Priorities

10. The clear and open communication of council policy and activity is essential to deliver the Council's priorities.

Implications

11.
 - (a) Financial - None
 - (b) Human Resources (HR) - None
 - (c) Equalities - None
 - (d) Legal – contained within the report
 - (e) Crime and Disorder None
 - (f) Information Technology (IT) None
 - (g) Property - None

Risk Management

8. The practice of not quoting Cabinet Members in press releases could lead to the failure to clearly communicate who is responsible for Council decisions, fails to hold elected Members to account for their decisions and could lead to misunderstandings which in turn could lead to reputational damage. The revisions included in this report mitigate this risk

Recommendations

9. Members are asked to:

- a) Recommend the revised Media Protocol to Council on June 30th 2011
Reason: To ensure greater transparency and accountability
- b) To recommend to Council the removal of the Media Protocol from the constitution.
Reason: To ensure that future practical amendments can be made to the policy without disproportionate bureaucratic decision making.

Contact Details

Author:	Cabinet Member responsible for the report:			
Author's name Tracey Carter Title AD - OCE Dept Name OCE Tel No.553419	Cllr. James Alexander Council Leader			
	Report Approved	√	Date	18 th June 2011
Legal advice – Andrew Docherty – AD Governance and ICT				
Wards Affected: List wards or tick box to indicate all			All	√
For further information please contact the author of the report				

Background Papers:

Annexes

Annex 1 – Revised Media Protocol

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Media Protocol

June 2011



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1. Introduction

- 1.1 The purpose of this policy is to define the roles and responsibilities within the council dealing with the media and the production of external publications (those that go to a non-council audience) and internal publications (those sent to staff).
- 1.2 The council receives around 1,500 enquiries from the media each year and issues around 700 press releases. It also organises photo opportunities, media briefings, radio and TV interviews, and produces a range of internal and external publications in both electronic and paper form.
- 1.3 To ensure all this activities is co-ordinated and managed effectively it is important that it is channelled through a central point – the council's Communications & Media team.
- 1.4 The only exceptions to this are political publicity, which is handled by individual political groups and political assistants, and positive publicity relating to schools.
- 1.5 The purpose of this protocol is to define the roles and responsibilities of all officers and members involved in dealing with the media and their role in internal and external publications, as well as providing guidance on how to handle media interest.

2. Legal context

- 2.1 The council operates within the terms of a legal framework set out in the Local Government Act of 1986.
- 2.2 This protocol also reflects the most recent government guidance regarding local authority communications, which is contained in the Code of Recommended Practice on Local Authority Publicity (2011).
- 2.3 All publicity will be produced in line with the council's equality policies.

3. City of York Council's approach to publicity

- 3.1 The council is committed to providing effective communication so that residents and partners are well informed about services that affect their lives and how their money is spent and are able to take an active part in the council's decision-making process

- 3.2 The local, regional and national media plays a valuable role in helping the council reach large numbers of local residents, businesses, stakeholders and visitors. It is therefore vital that we communicate effectively.
- 3.3 City of York Council is committed to being open and transparent about the decisions the council takes and who is accountable for those decisions.
- 3.4 The council aims to continue to foster positive working relationships with the media. Wherever we can we will take a positive approach to meeting media requests for information and interviews.
- 3.5 Underpinning the work of the Communications & Media team, including all dealings with the media, is a number of fundamental principles:
- **Proactive publicity** is a key part of our role. The council will proactively look to promote the work of the authority and its partners on behalf of the city.
 - **Honesty is vital.** The council will never knowingly mislead the media on a story or issue. We are in a long-term relationship with the media and they must trust our counsel and respect our honesty of approach.
 - **Information is accessible and timely.** We are firm, but polite in our dealings with the media. We aim to return media calls as soon as possible, while managing conflicting pressures and deadlines. A council media officer is available 24 hours a day, 365 days of the year.
 - **We are open and fair.** The council does not routinely favour one media source over another. Where appropriate, we will identify the relative importance of media sources and will be able to clearly justify any strategy that promotes one over another.

4. The media

- 4.1 Local – includes newspapers and magazines such as the York Press, York Star, and Local Link and Look it up. Local radio stations include BBC Radio York and Minster FM.
- 4.2 Regional – this includes the Yorkshire Post and regional television stations: BBC Look North (Leeds and Newcastle) and ITV Calendar (Yorkshire and Tyne Tees. News agencies, which feed stories to national media, also have regional offices locally, including the Press Association and Guezellian.

- 4.3 National – this sector includes all national newspapers and TV stations (BBC, ITN, Channel 4 and Channel 5 news) plus BBC Radio and Independent Radio.
- 4.4 International – Occasionally local stories generate international interest in which case Sky TV and overseas publications can be interested.
- 4.5 Specialist – the council generates information about a wide variety of subjects many of which have associated specialist publications. We may want to target these specialist media from time to time with specific information. Specialist publications include The Municipal Journal, The Local Government Chronicle, The Times Educational Supplement (TES), Housing Today and Community Care magazine.
- 4.6 Internet/social media – this is the fastest growing area of the media. All broadcasters and newspapers provide online and social media news services, as well as using the council's web and social media sites for getting information about the council and its services.

5. Identifying newsworthy items

- 5.1 Identifying newsworthy issues is the responsibility of everyone working for the council. However, the Council Leader, cabinet members and chief officers have particular responsibility for flagging up items of interest, positive or negative, as soon as possible.
- 5.2 Members of the Communications & Media team will attend key meetings, including Cabinet, Full Council and departmental management teams, to try to identify items of interest.
- 5.3 The team will offer advice about any communications issues and should be notified of any potentially controversial policies, decisions or events.

6. Handling media enquiries

- 6.1 The Communications & Media team will co-ordinate all media enquiries and arrange appropriate responses to them. They will prioritise enquiries, decide if a political response is required, source relevant information for enquirers, arrange interviews and act as Council spokespeople where appropriate.
- 6.2 Officers who are directly approached by a member of the media should not answer questions themselves; but should refer the journalist to the Communications & Media who will manage the response.
- 6.3 Members who are directly approached by a member of the media can respond in accordance with the guidance contained in this protocol.

- 6.4 Simple, factual queries will be dealt with by the Communications and Media team without reference to other officers or Cabinet members.
- 6.5 Where enquiries are covered by pre-agreed statements, Communications & Media staff will respond directly, without seeking additional clearance from directors, other senior officers or members.
- 6.6 When seeking a response to an enquiry, the Communications and Media team will advise officers and members of journalists' deadlines and, where appropriate, of the consequences of missing the deadlines.
- 6.7 The council will not normally comment on leaks, anonymous allegations or allegations about individual staff.
- 6.8 In all other circumstances the phrase 'no comment' will not be used as a response to a media enquiry. The council is open and accountable and will explain if there is a reason why it cannot answer a specific enquiry.

7. Press releases

- 7.1 Press releases are one of the key ways of publicising council activities, decisions and achievements.
- 7.2 The Communications & Media team will issue all news releases on behalf of the council. This allows a central record to be maintained and ensures that releases follow a Council style, appropriate for the media being targeted.
- 7.3 Press releases will not promote the views of specific political groups, nor publicise the activities of individual councillors.
- 7.4 All releases will be published on the council's website by the Communications & Media team within one working day of issue.
- 7.5 Key messages from releases will also be disseminated using social media channels, as appropriate.
- 7.6 Information for news releases should be submitted to the Communications & Media team as soon as possible.
- 7.7 Information for news releases or articles can be passed to the team in note format i.e. does not need to be properly formatted. Any information sent to the team will be subject to editing.
- 7.8 Quotes in news releases or articles will routinely be attributed to the relevant Cabinet member, particularly when the story relates to council policy, new initiatives or major issues or events. Highlighting the link between elected representatives and council decisions will help residents understand the decision-making process and will increase local accountability.

- 7.9 A relevant officer may be quoted if the purpose of the quote is to provide factual or technical information or if the appropriate member is unavailable.
- 7.10 Press releases relating to the Lord Mayor of York and activities of the Civic Party will be issued on a civic press release template and will be cleared with the relevant civic officer.
- 7.11 Final approval for news releases (after they have been written/edited) will be sought from the originator in most cases. Where a member is quoted, the member will also be asked for approval.
- 7.12 In the case of sensitive, significant or controversial issues approval may also be sought from chief officers or the Council Leader, or statutory officers where appropriate.
- 7.13 The Communications & Media team will seek approval on the factual content of a releases and articles. Matters of style, presentation, punctuation, grammar etc are the responsibility of the team.
- 7.14 Press releases containing time sensitive information may be sent to the media with an embargo. Any such releases will be clearly marked with the date and time the information can be made public.

8. Interviews

- 8.1 Any officer contacted by a journalist requesting an interview should refer the journalist to the Communications & Media team.
- 8.2 The team will liaise with the relevant department/partner organisation to ensure that the most appropriate person is put forward for interview.
- 8.3 Officers will be used to present factual/technical information and when the council's reputation can be enhanced by information provided by a perceived 'expert'. Their role is to provide expertise and factual knowledge only, in support of the council's approved and agreed policies.
- 8.4 The Cabinet member with responsibility for the relevant area will be put forward for interviews relating to policy issues and contentious decisions.
- 8.5 The Communications & Media team can provide information of how to prepare for a media interview and can provide general media training if appropriate.

9. Publicising meetings

- 9.1 All council papers, with the exception of exempt items, will be sent to the local media at the same time they are made available to the public.
- 9.2 Communication & Media staff will attend Cabinet and Full Council meetings to identify which issues may attract media interest, or those that need to be communicated to a wider audience.

- 9.3 In addition, officers and Cabinet members should make the Communications & Media team aware of any potentially newsworthy issues as soon as possible, before the meeting agenda is made public.
- 9.4 The Communications & Media team will aim to issue press releases summarising the main points of reports from key meetings, at the same time as the papers are issued. Such summaries are often more attractive to journalists than complex and lengthy reports.
- 9.5 Quotes in any releases of this nature will be restricted to providing information, rather than anticipating an outcome or expressing a view to a preferred outcome of the meeting.
- 9.6 Approval for the release will be sought from the relevant officer/Cabinet member.
- 9.7 Information relating to council reports will be embargoed until publication of the papers.

10. Post-meeting publicity

- 10.1 Press releases confirming the decisions taken at meetings may be issued following key meetings, such as Budget Council.

11. Cabinet meetings

- 11.1 The process and principles are the same as for council meetings.
- 11.2 While each Cabinet member has their own portfolio, they share collective responsibility for representing the views of the Cabinet. When speaking on their own specific portfolio area Cabinet members have a responsibility to represent the policies of the authority.
- 11.3 Information relating to Cabinet reports will be embargoed until publication of the papers.

12. Scrutiny committees

- 12.1 The basic process and principles are the same as for council and Cabinet meetings. Chairs of the scrutiny committee will represent the views/work of their scrutiny committee to the media. The post of chair has a non-political role when representing the views of the scrutiny committee.
- 12.2 The Council will not prepare press releases for the Chairs of Scrutiny Committees.
- 12.3 To avoid confusion or misrepresentation, members should make clear when they are speaking in their capacity as a scrutiny chair.

13. Ward Committees

- 13.1 The basic process and principles are the same as for council, Cabinet and scrutiny committees. The chairs of ward committees are expected to represent the views of the committee as a whole.
- 13.2 Where a journalist wants to find out more about what happened at a ward committee they will be referred to the chair or to the relevant ward councillors.

14. Individual councillors and political groups

- 14.1 The Communications & Media team will provide non-party political communications advice to all councillors on request but will not produce press releases for members on individual ward or party political issues or in advance of a council meeting.

15. Political issues

- 15.1 The council will not give an official response on 'political' issues. However, a council response can be used to correct inaccurate information or set out the council's position.

16. Pre-election publicity

- 16.1 The rules governing publicity change once an election has been announced. During this period publicity issued by the council should not deal with controversial issues or report views, proposals or recommendations in a way that identifies them with individual members of groups of members. This is to ensure that no individual councillor or political party gains an unfair advantage by appearing in council publicity.
- 16.2 Officers may be quoted in place of councillors during this period, providing the quote is apolitical.
- 16.3 Proactive events arranged in this period should not involve members likely to be standing for election.
- 16.4 Members holding key political or civic positions are able to comment in an emergency or where there is a genuine need for member level response to an important event outside the authority's control.
- 16.5 Further advice on publicity during election periods is available from the Assistant Director of Governance and ICT, the Communications & Media team and the Code of Recommended Practice on Local Authority Publicity.

17. Schools

- 17.1 Schools are encouraged to develop good relationships with their local media. They should be proactive and avoid conflict. News releases issued by schools should be copied to the Communications and Media team.
- 17.2 Schools should always alert the Communications & Media team to any controversial issues at the earliest possible opportunity – preferably before journalists have picked up on the story. Information supplied in this way will be held in confidence and only used to inform future media statements/releases.
- 17.3 The team can give advice and support to school staff on media issues, including providing media training where appropriate and handling negative issues on behalf of the school.
- 17.4 Advice is always available by telephone during office hours. In an emergency, out of hours assistance is available through the council's emergency procedures.

18. Partnerships

- 18.1 Where the council is involved in issuing a press release as part of a partnership arrangement, the partnership's arrangements for whom to quote should be followed. This would normally be the chair of the organisation. In the case of a press release being prepared on behalf of a number of partners it may be appropriate to offer each partner an opportunity to be quoted. All partners should be given an opportunity to approve the release within a set timeframe.

19. Non-council related media activity

- 19.1 Officers and members of the council who have contact with the media in a personal capacity or as members of non-council related organisations must not refer to their council posts and must make it clear to the journalist concerned that they are speaking in a personal capacity or on behalf of the non-council related organisation.
- 19.2 Trade union officers who are employees of the council and who have contact with the media in their trade union capacity must make clear that they are speaking as a union representative. If trade union officers have contact with the media in their capacity as a council employee, then the relevant provisions of this protocol relating to council officers will apply.

20. Managing negative issues

- 20.1 From time to time the council has to respond to negative issues. It is important that we manage these situations so as to limit the potential for negative publicity.
- 20.2 Members and officers must alert the Communications & Media team as soon as a potentially negative issue, which may attract media interest comes to light. They should not wait until contacted by the media.
- 20.3 The Communications & Media team will work with members and officers and to prepare holding statements ahead of any media contact regarding a negative issue.

21. Correcting inaccurate reporting

- 21.1 The Communications & Media team scan the media daily to identify inaccurate reporting and will alert the relevant officer/member where appropriate.
- 21.2 The team will work with the relevant officer or member to agree what action is appropriate, for example, a conversation with the journalist, requesting a correction, a letter to the editor, or seeking legal advice.

22. Leaked documents

- 22.1 Many officers and members of the council have access to internal documents that may be of interest to media organisations. If information is leaked to the media, for example prior to an agenda being published, the council will not normally comment on the issue.
- 22.2 The leak will be reported to the relevant chief officer for further investigation.

23. External publications

- 23.1 Quotes in articles will routinely be attributed to the relevant Cabinet member, particularly when the story relates to council policy, new initiatives or major issues or events.
- 23.2 Photographs of relevant Cabinet members/the council leader can be included in publications as appropriate. The council can also produce publications showing images of all the authority's 47 councillors. Highlighting the link between elected representatives and council decisions will help residents understand the decision-making process and will increase local accountability.
- 23.3 A relevant officer may be quoted if the purpose of the quote is to provide factual or technical information or if the appropriate member is unavailable.

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