

Notice of meeting of

Audit & Governance Committee

To:	Councillors Jeffries (Chair), Barnes, Brooks (Vice-Chair), Burton, Cuthbertson, Watson and Steward
Date:	Monday, 2 April 2012
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

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 - 20)

To approve and sign the minutes of the meetings of the Audit & Governance Committee held on **13th February 2012 and 19th March 2012.**

3. **Public Participation**

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Friday 30th March 2012.**

4. Forward Plan. (Pages 21 - 26)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2013.

5. Future External Audit Arrangements - Verbal Update.

Members will receive an update on future external audit arrangements.

6. 2011/12 Fee Update & Detailed Audit Plan. (Pages 27 - 52)

This report presents the Audit Commission's Opinion Audit Plan for 2011/12 which is attached as the annex to the report.

7. Approval of Internal Audit Plan. (Pages 53 - 76)

The purpose of this report is to seek the committee's approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2012/13.

8. Internal Audit & Fraud Plan Progress Report. (Pages 77 - 96)

This report provides an update on progress made in delivering the internal audit workplan for 2011/12 and on current counter fraud and information governance activity.

9. Follow Up of Internal & External Audit Recommendations. (Pages 97 - 104)

This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work. The report also includes details of revisions to the escalation process.

10. Audit & Governance Committee Effectiveness - Self Assessment. (Pages 105 - 108)

The purpose of this report is to seek members' views on the proposed arrangements for undertaking a self assessment exercise of the Committee's own effectiveness.

11. Review of the Audit and Governance Committee Terms of Reference. (Pages 109 - 118)

This report recommends the adoption of revised terms of reference for the Audit and Governance Committee. The revised terms are attached as an Annex to the report.

12. Key Corporate Risk Monitor Quarter 4 (Pages 119 - 126)

The purpose of this paper is to present to Audit & Governance Committee (A&G) the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of February 2011.

13. Urgent Business

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

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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Further information about what's being discussed at this meeting

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

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

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Holding the Cabinet to Account

The majority of councillors are not appointed to the Cabinet (39 out of 47). Any 3 non-Cabinet councillors can 'call-in' an item of business from a published Cabinet (or Cabinet Member Decision Session) agenda. The Cabinet 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 Cabinet meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

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

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

Who Gets Agenda and Reports for our Meetings?

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City of York Council

Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	13 FEBRUARY 2012
PRESENT	COUNCILLORS JEFFRIES (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON, WATSON AND STEWARD

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS.**41. 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 Brooks declared a personal interest as a Member of the Teachers Pension Scheme.

Councillor Cuthbertson declared a personal interest in relation to item 13 as a volunteer tour guide for the Mansion House.

42. EXCLUSION OF PRESS AND PUBLIC**RESOLVED:**

That the press and public be excluded from the meeting during consideration of Annex 1 to Agenda Item 10 on the grounds that it contains information relating to the prevention, prosecution or investigation of crime. This information is classed as exempt under paragraph 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.

43. MINUTES

RESOLVED: That the minutes of the last meeting held on 5 December 2011 be approved and signed by the Chair as a correct record.

44. PUBLIC PARTICIPATION

It was reported that there had been two registrations to speak under the Council's Public Participation Scheme.

Paul Hepworth who is an occasional registered speaker, principally at Cabinet Member for City Strategy Decision Sessions had registered to speak in respect of Agenda Item 13 'Constitutional Changes'. He was particularly interested in the proposal to cease Cabinet Member Decision Sessions. He welcomed the proposal for decisions which attract substantial public interest to be considered by full Cabinet. He queried the facility for public registrations to speak and whether it would be retained as it was not mentioned in the report. A number of ways in which savings could be made by altering the way in which the public have access to agendas and reports were also suggested by Mr. Hepworth.

Councillor Healey had registered to speak on Agenda Item 13, in particular on the proposal to merge Scrutiny Management Committee and Effective Organisation Overview and Scrutiny Committee. He stated that since the new administration had taken over, SMC meetings had been cancelled but Effective Organisation Scrutiny had a work load. He suggested the continuation of Effective Organisation Scrutiny and having SMC as a forum made up of the Scrutiny chairs.

45. FORWARD PLAN.

Consideration was given to the forward plan of reports expected to be presented to the Committee during the forthcoming year to December 2012.

Officers confirmed that a number of changes had been made since the plan was last presented in December 2011. The changes included rescheduling the review of Audit and Governance Committee Terms of Reference from the February meeting to the April meeting.

Members requested that a report be brought back to the Committee regarding the Constitutional Changes outlined in agenda item 13.

RESOLVED: (i) That the Committees Forward Plan for the period up to December 2012 be noted.

(ii) That Members requested a further report on the Constitutional Changes proposed in item 13.

REASON: (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.

46. AUDIT COMMISSION 2010/11 GRANT CLAIM CERTIFICATION WORK.

Members received a report which asked them to consider the Certificate of Claims and Returns Report 2010/11 produced by the Audit Commission which was attached at Annex A.

It was reported that the Audit Commission was responsible for certifying 9 claims and returns to the value of £197.1m in 2010/11 (compared to 11 claims and £142.1m 2009/10). This certification work is charged on an hourly basis to the Council; this totalled £46,785 in 2010/11 (£49,462 in 2009/10 and £54,806 in 2008/09).

The results of the Audit Commissions certification work showed that 4 of the 9 claims required amendment. The amendments were minor resulting in only 1 qualification letter.

The overall conclusion from the Audit Commissions findings was that the Council had progressed and had implemented previous recommendations on its grant claims arrangements.

Members commented that the report was constructive and reflected the hard work of the financial services team.

RESOLVED: That Members considered the content of the Certification of Claims and Returns Annual Report 2010/11.

That Members noted the Audit Commissions Certification of Claims and Returns report at Annex A.

REASON: To enable Members to consider the effectiveness of the Council's grant administration activity.

To enable Members to comment on the current arrangements.

47. SCRUTINY OF THE TREASURY MANAGEMENT MONITOR 3 REPORT 2011/12 AND REVIEW OF PRUDENTIAL INDICATORS.

Members considered a report which reviewed the economic market conditions in which the Treasury Management activities of the council are currently operating. Annex A of the report comprised of Treasury Management Monitor 3 report and Prudential Indicators report which provided Members with an update on Treasury Management activity for the first 9 months.

The report reviewed the economic market conditions in which the treasury management activities of the council currently operated. The highlights detailed were:

- The bank base rate would remain low for the foreseeable future with quarter 2013 being estimated as the first time it will rise.
- Investment rates would remain low with the investment of funds being limited due to the uncertainty surrounding the euro zone and the impact on the world market.
- Borrowing rates were continually monitored with there being some good opportunities to take loans at favourable rates.
- The target borrowing rate in 2011/12 is 4.3% and loans taken this year are below this target.

Members thanked Officers for the Treasury Management training session prior to the meeting.

RESOLVED: That the Audit and Governance Committee note the Treasury Management Monitor 3 and Prudential Indicators 2011/12 report at Appendix A.

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

48. SCRUTINY OF THE TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS FOR 2012/13 TO 2016/17.

Members considered a report which aimed to assist them in the scrutiny of the Treasury Management Strategy and Prudential Indicators for 2012/13 to 2016/17 by providing key areas and points to note.

Officers outlined the points of interest and Members sought further explanation on Prudential Indicator 2 'The Capital Financing Requirement' in particular debt consolidation.

RESOLVED: That the Audit and Governance Committee noted the Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/17 at Appendix A.

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

49. COUNTER FRAUD: RISK ASSESSMENT AND REVIEW OF POLICIES.

Members considered a report which informed them about potential fraud risks that the council is exposed to and proposed counter fraud activity to address those risks. The report also details the outcome of a review of the councils counter fraud policies.

The assessment of fraud risks faced by the Council was attached at Annex 1. It built on the assessment carried out for the first time last year and gave an indication of the susceptibility of each area to fraud along with planned action by the internal audit and counter fraud teams.

Officers outlined the report and Members queried what the Council is doing to ensure Cash Collection is not such a significant risk. Officers confirmed that work is constantly being undertaken to reduce the risk.

RESOLVED:

(i) That Members noted the fraud risk assessment set out in Annex 1 and the proposed counter fraud work.

(ii) That Members noted the review of the councils counter fraud and corruption policy and fraud and corruption prosecution policy and the changes proposed.

REASON:

(i) To ensure that scarce audit and counter fraud resources are used effectively.

(ii) To ensure counter fraud procedures and policies are up to date as part of their responsibility for overseeing the councils overall governance framework

50. INTERNAL AUDIT PLAN CONSULTATION.

Members considered a report which outlined the priorities for internal audit for 2012/13 to inform the preparation of the annual audit plan.

In accordance with the CIPFA Code of Practice for Internal Audit (the Code of Practice), audit plans are prepared on the basis of a risk assessment process. Consultation with Members and Senior Council Officers is an essential part of the assessment process.

Members queried whether the high risk areas are prioritised for audit in the order of the list at annex 1. The Audit Officer confirmed that work is undertaken alongside senior management to identify areas of concern which need prioritising and that areas are not taken in the order of the list.

RESOLVED: That Members noted the proposed approach to internal audit planning for 2012/13 and made the comments detailed above.

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

51. INFORMATION GOVERNANCE STRATEGY.

Members considered a report which informed Members about the Information Governance Strategy developed by the Council's Corporate Information Governance Group (CIGG) and the proposed action to strengthen information governance arrangements.

Attached at Annex 1 was the Information Governance Strategy developed by the cabinet office. It outlined five levels of maturity for information governance arrangements. Achievement at level 1 is sufficient to ensure the Council meets legal requirements.

Officers outlined the report and Members queried why the Council was still working towards level 1. In response, Officers advised that the Information Assurance Model is relatively new and that no organisation in the Public Sector had yet got beyond level 2.

RESOLVED: That Members noted the strategy adopted to improve information governance arrangements within the council and the action being taken to achieve level 1 of the Information Assurance Model.

REASON: As part of the committees responsibility to consider reports dealing with governance matters.

52. WHISTLEBLOWING POLICY UPDATE.

Members considered a report which shared with them the latest draft of a revised whistleblowing policy and procedures for the Council.

Members commented that the bullet point 'damages to the environment' was not clear and asked that the wording be amended to reflect that it refers to serious environmental damage.

RESOLVED: That Members supported the draft whistleblowing arrangements contained in the annex to the report, subject to the comments made above.

REASON: To confirm the Committees support for a key aspect of the governance arrangements.

53. CHANGES TO THE CONSTITUTION.

[See also under Part B Minutes]

Members considered a report which asked for their support for a number of changes to the Council's Constitution.

The report outlined a number of changes which Members considered in turn as outlined below.

Cabinet Member Decision Sessions

Members deferred making a decision on the abolition of Cabinet Member Decision Sessions and asked that a further report be brought back to the Audit and Governance Committee outlining a strategy for how public involvement can be maintained in the decision making process.

Member Champions

Due to pressures on Cabinet Members time, some Members felt that it would be beneficial to keep the Member Champions in place to provide an additional point of contact for residents and community groups. Other Members felt that the roles were not fully effective and the cross over with Cabinet Members and the Shadow Spokespersons made it viable to remove the constitutional recognition of the role.

Merger of Scrutiny Management Committee with Effective Organisation Overview and Scrutiny Committee.

Members agreed to the proposed merger and suggested that Membership should be proportional. Officers advised that Membership would be a matter for the political groups and would be subject to the annual meeting in May.

Abolition of Cabinet Working Groups

Members recommended that the Cabinet continue to be advised by a Mansion House Advisory Group to enable Members and the Public to continue be informed about the governance of the house. Members agreed to the abolition of the Young Peoples Working Group in light of the establishment of a successful Youth Council.

Establishment of a Corporate Parenting Board

Members agreed to the establishment of a Corporate Parenting Board.

Policy Framework

Members agreed that the HR, Procurement and Risk Management Strategies should be removed from the Constitution.

HR and ICT Procedure Rules

Members agreed to the removal of the HR and ICT procedure rules from the Constitution and noted that removing these rules would not affect controls within the Council.

Officer Decision Log

Members suggested that rather than removing the requirement for decisions to be recorded in an Officer decision log, that the wording in the Constitution be amended to reflect that only decisions that are considered noteworthy should be recorded.

Pre-Decision Call In

Some Members argued that pre-decision call in is useful for the public and members, especially for controversial decisions. However, other Members agreed that such call-ins are rare and as call-in meetings take place after any decision has been made, the practice should be discontinued.

- RESOLVED: i) That the Monitoring Officer will bring back a further report to the next meeting outlining a strategy for how public involvement can be maintained in the decision making process in relation to the abolition of Cabinet Decision Sessions.
- ii) Ask the Monitoring Officer to make the necessary changes to the written Constitution.

REASON: To ensure the Council has effective and efficient Constitutional arrangements in place.

PART B - MATTERS REFERRED TO COUNCIL.

54. CHANGES TO THE CONSTITUTION

[See also under Part A Minutes]

Members considered a report which asked for their support for a number of changes to the Council's Constitution.

The report outlined a number of changes which Members considered in turn as outlined below.

Cabinet Member Decision Sessions

Members deferred making a decision on the abolition of Cabinet Member Decision Sessions and asked that a further report be brought back to the Audit and Governance Committee after further consideration of how public involvement might be maintained in the decision making process.

Member Champions

Due to pressures on Cabinet Members time, some Members felt that it would be beneficial to keep the Member Champions in place to provide an additional point of contact for residents and community groups. Other Members felt that the roles were not fully effective and the cross over with Cabinet Members and the Shadow Spokespersons made it viable to remove the constitutional recognition of the role.

Merger of Scrutiny Management Committee with Effective Organisation Overview and Scrutiny Committee.

Members agreed to the proposed merger and suggested that Membership should be proportional. Officers advised that Membership would be a matter for the political groups and would be subject to the annual meeting in May.

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Working Group in light of the establishment of a successful Youth Council.

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Pre-Decision Call In

Some Members argued that pre-decision call in is useful for the public and members, especially for controversial decisions. However, other Members agreed that such call-ins are rare and as call-in meetings take place after any decision has been made, the practice should be discontinued.

RECOMMENDED: That Council approve the following Constitutional changes:

- i. Remove references to Member Champions from the Constitution.
- ii. Merge the terms of reference for the Effective Organisation Overview and Scrutiny Committee and the Scrutiny Management

Committee from the start of the next municipal year.

- iii. Note the abolition of the Young People's Working Group with a recommendation to Cabinet for the retention of a Mansion House Advisory Group.
- iv. Welcome the establishment of a Corporate Parenting Board and to agree that membership should be formalised at each annual meeting.
- v. Agree that the Procurement Strategy, the HR Strategy and the Risk Management Strategy no longer be treated as part of the Council's policy framework.
- vi. Agree to the removal of the HR Procedure Rules and the ICT Procedure Rules from the Constitution.
- vii. Retain the requirement for Officer decisions to be recorded within the Officer decision log with an amendment to the Constitutional wording to record only the decisions which the decision makers consider to be exceptionally noteworthy.
- viii. Remove provisions for pre-decision call in.

REASON:

To ensure the Council has effective and efficient Constitutional arrangements in place.

Councillor Jeffries, Chair

[The meeting started at 5.30 pm and finished at 8.30 pm].

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	19 MARCH 2012
PRESENT	COUNCILLORS JEFFRIES (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON, WATSON AND STEWARD

PART B - MATTERS REFERRED TO COUNCIL.**55. 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.

56. PUBLIC PARTICIPATION

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.

57. CONSTITUTIONAL CHANGES.

Members considered a report which followed on from a report brought to the previous meeting of the Audit and Governance Committee. It sought to address some matters discussed in relation to the abolition of Cabinet Member Decision Sessions. The report also referred to proposals for amending the terms of reference for Ward Committees which the Cabinet is recommending to Council. The report also provided an update on the proposed abolition of Cabinet Working Groups.

Cabinet Member Decision Sessions

The Audit and Governance Committee had indicated its support for the general principle of ceasing the current practice of routinely holding formal meetings for individual Cabinet Member decisions at its last meeting. However, it was recognised that some of these meetings such as the City Strategy Decision Session, attract public interest. Members had asked the

Assistant Director for Governance and ICT to give consideration to some arrangements which might allow for members of the public to require a public meeting to be held.

Following consultation with the Leader of the Council, the Assistant Director advised that the recommendation remains that the decision about holding public decision sessions should remain with the Cabinet Members and the Leader, as any potential options would do little to reduce the work load involved in organising the meetings.

Members made the following comments:

- It was disappointing that no options for a potential process to enable members of the public to require a decision to be made at a public meeting had been included in the report, as Members of the Committee had specifically asked for this to be presented to them.
- City of York Council had a history of exceeding the minimum requirement for public participation and some Members were disappointed to see the suggested abolition of the Decision Sessions and commented that it was a move towards minimum level public participation.
- Whilst some Members recognised that it was not cost effective to have all decisions made in public, concern was expressed that the decision to have a public meeting or not would be made by the Cabinet Member and the Leader, with the Leader being able to over rule the Cabinet Member.
- Some Members felt that it would be beneficial for the Audit and Governance Committee to have a yearly report back on the cabinet member decisions being taken in private and in public to enable the Committee to monitor the new system.

It was moved and seconded to remove references to Cabinet Member decision sessions from the Constitution. When put to the vote, Councillors Brooks, Cuthbertson and Steward voted against the recommendation.

Abolition of Cabinet Working Groups

At the last Audit and Governance meeting the Committee voted against the cessation of the Mansion House and Mayoralty Advisory Group. As reported previously, the use of Working

Groups is a matter for the Cabinet and does not require a decision by the Audit and Governance Committee. Further to the last meeting, the Leader has confirmed that he is happy to seek and receive advice informally from former Lord Mayors.

Some Members felt that there was still a need for a formal advisory group comprising of a range of Members and former Lord Mayors but accepted that the update was for noting and that the matter was for the Cabinet.

Ward Committees

Cabinet at its meeting on 6th March 2012 had resolved to recommend to Council changes to the Ward Committee arrangements as set out at Annex A to the report. The Audit and Governance Committee was invited to comment on the proposals and made the following observations:

- References in the document to the Chairs of Ward Committees requires clarification as some Wards have 3 Members from differing political parties who may all want to Chair the meetings.
- How residents are notified of the details of Ward Committee meetings should be specified as it would not be acceptable to use only social media.
- If there is to be only 1 formal meeting per year that can make decisions, it should be made clear.
- Clarification of who can request Council Officers to attend Ward Meetings is required as in the past Officers have not attended when they have been requested to.
- Members queried the clerking arrangements for the informal Ward Committees and how residents would be notified of any response to queries raised at such meetings.

RECOMMENDED: (i) That Council agree to remove references to Cabinet Member decision sessions from the Constitution

(ii) That Council note the above comments in respect of the Mansion House and Mayoralty Advisory Group.

- (ii) That Council note the above comments in respect of the proposed Constitutional provisions for Ward Committees.

REASON:

To ensure that the Council has effective and efficient Constitutional arrangements in place.

Councillor Jeffries, Chair

[The meeting started at 5.30 pm and finished at 6.45 pm].



Audit and Governance Committee

02 April 2012

Report of the Assistant Director of CBSS (Financial Services)

Audit & Governance Committee Forward Plan to February 2013**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2013.

Background

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for meetings to February 2013. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. One amendment has been made to the forward plan since the previous version was presented to this Committee in February 2012. This is to detail which directorate risks will be included at each meeting as part of the quarterly Key Corporate Risk Monitors.

Consultation

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

Options

5. Not relevant for the purpose of the report.

Analysis

6. Not relevant for the purpose of the report.

Council Plan

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

Implications

8.
 - (a)**Financial** - There are no implications
 - (b)**Human Resources (HR)** - There are no implications
 - (c)**Equalities** - There are no implications
 - (d)**Legal** - There are no implications
 - (e)**Crime and Disorder** - There are no implications
 - (f) **Information Technology (IT)** - There are no implications
 - (g)**Property** - There are no implications

Risk Management

9. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

Recommendations

10.
 - (a) The Committee's Forward Plan for the period up to February 2013 be noted.

Reason

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

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

Reason

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

Contact Details

Author:

Emma Audrain
Trainee Cipfa Accountant
Customer & Business
Support Services
Telephone: 01904 551170

Chief Officer Responsible for the report:

Keith Best
Assistant Director of CBSS (Financial Services)
Telephone: 01904 551745

**Report
Approved**



Date 20/03/2012

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

Audit & Governance Committee Forward Plan to February 2013

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Audit & Governance Committee Draft Forward Plan to February 2013

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

- **Committee 28th June 2012**

External Audit 2011/12 Audit Progress Report

Review of the Effectiveness of Internal Audit

Annual Report of the Head of Internal Audit

Draft Annual Governance Statement 2011/12

*Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)*

- **Committee 25th July 2012**

External Audit 2012/13 Audit Plan

Draft Statement of Accounts 2011/12

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

Key Corporate Risk Monitor Quarter 1 (Including OCE Risks)

*Audit Commission national reports summary (if any)
Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)*

- **Committee 27th September 2012**

2011/12 Final Statement of Accounts

Annual Governance Report 2011/12

Annual Report of the Audit & Governance Committee

Key Corporate Risk Monitor Quarter 2 (Including CBSS Risks)

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 12th December 2012**

Key Corporate Risk Monitor Quarter 3 (Including CANS/ CS Risks)

Annual Audit Letter – Audit Commission

2012/13 Review of the Effectiveness of Internal Audit

Internal Audit & Fraud Plan Progress Report

Scrutiny of the Treasury Management Monitor 2 Report 2012/13
and Review of Prudential Indicators

*Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)*

- **Committee 13th February 2013**

Audit Commission 2011/12 Grant Claim Certification Work

Key Corporate Risk Monitor Quarter 4 (Including ACE Risks)

Scrutiny of the Treasury Management Monitor 3 Report 2012/13
and Review of Prudential Indicators

Scrutiny of the Treasury Management Strategy Statement and
Prudential Indicators

Counter Fraud: Risk Assessment and Review of Policies

Internal Audit Plan Consultation

*Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)*



Audit and Governance Committee2nd April 2012

Report of the Assistant Director of CBSS (Financial Services)

Audit Commission Opinion Audit Plan 2011/12**Summary**

1. This report presents the Audit Commission's Opinion Audit Plan for 2011/12 which is attached as the annex to this report.

Background

2. The opinion audit plan sets out the detailed work to be conducted by the District Auditor in relation to the audit of financial statements 2011/12. In this Plan he has taken account of:
 - national risks
 - the inherent audit risks arising from previous audit work carried out at the council including Internal Audit work and previous inspection findings;
 - the requirements of the Code of Audit Practice in discharging their statutory responsibilities in the conduct of the audit.
3. The fees for this work remain as notified to the Committee in April 2011.

Consultation

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

Options

5. Not relevant for the purpose of the report.

Analysis

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

Corporate Priorities

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

Implications

8.
 - (a) **Financial** – The fees can be contained within the 2011/12 budget for external audit fees.
 - (b) **Human Resources (HR)** - There are no implications.
 - (c) **Equalities** - There are no implications.
 - (d) **Legal** - There are no implications.
 - (e) **Crime and Disorder** - There are no implications.
 - (f) **Information Technology (IT)** - There are no implications.
 - (g) **Property** - There are no implications.

Risk Management

9. The council will fail to properly comply with legislative and best practice requirements to provide for the proper audit of the authority. Any failure to do so would be unlawful.

Recommendations

10. Members are asked to:
 - a) consider the matters set out in the Opinion Audit Plan presented by the District Auditor;

Reason

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

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

Reason

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

Contact Details

Author:

Emma Audrain
Accountant
Customer & Business
Support Services
Telephone: 01904 551170

Chief Officer Responsible for the report:

Keith Best
Assistant Director of CBSS (Financial
Services)
Telephone: 01904 551745

**Report
Approved**



Date 20th March
2012

Specialist Implications Officers N/A

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Opinion Audit Plan 2011/12

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Audit plan

City of York Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

My responsibilities

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

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

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

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or those charged with governance of their responsibilities.

Key milestones and deadlines

The Council is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 1: **Proposed timetable and planned outputs**

Activity	Date
Opinion: controls and early substantive testing	Completed by 30 April 2012
Opinion: receipt of accounts and annual governance statement	30 June 2012

Activity	Date
Value for Money work	Completed by 30 June 2012
Opinion: receipt of supporting working papers and commencement of substantive testing	1 August 2012
Present Annual Governance Report at the Audit Committee	September 2012 – exact date to be confirmed
Issue opinion and value for money conclusion	By 30 September 2012
Summarise overall messages from the audit via Annual Audit Letter	October 2012

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 2: **Audit team**

Name	Contact details	Responsibilities
Steve Nicklin District Auditor and Engagement Lead	s-nicklin@audit-commission.gov.uk	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Lynn Hunt Audit Manager	l-hunt@audit-commission.gov.uk	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
David Hurworth Team Leader	d-hurworth@audit-commission.gov.uk	Leads on-site delivery of opinion testing. Key point of contact with the Chief Accountant.

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1. I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below. This risk assessment will be kept updated as audit work progresses during the year.

Table 3: Significant risks

Risk	Audit response
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For City of York Council the value of such assets is likely to be material.</p>	<p>I will:</p> <ul style="list-style-type: none"> • evaluate the processes in place to recognise and value heritage assets • undertake sample testing to check that the Council has accounted for heritage assets in accordance with FRS 30 and the Code.
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Council is required to value PPE at fair value (with some exceptions), and to implement component accounting as appropriate. There is an inherent risk that PPE valuations will be materially misstated due to errors in the valuation method, the fixed asset register itself, or failure to implement component accounting as required by the Code.</p>	<p>I will evaluate the processes you have in place for:</p> <ul style="list-style-type: none"> • establishing and maintaining a fit for purpose fixed asset register • instructing an appropriately qualified valuer and using the results of his work • estimating and accounting for asset components and useful asset lives.
<p>Specific local risks at City of York Council relate to assets under construction, especially West Offices, and the value of council dwellings.</p>	<p>I will confirm that work in progress in relation to West Offices has been correctly valued and accounted for and that outstanding capital commitments are correctly disclosed. I will also :</p> <ul style="list-style-type: none"> • confirm that the valuation of Council dwellings complies with Government guidance • undertake sample testing on other asset values, and capital financing assertions in the accounts.
<p>Accounts preparation</p> <p>The Council relies heavily on spreadsheets to prepare its year end accounts, and there is an inherent risk that superseded or inaccurate spreadsheets may be used in error, leading to material mis-statements. Service accountants rather than the central finance team are also heavily</p>	<p>I will evaluate the controls you have in place to:</p> <ul style="list-style-type: none"> • manage the use of spreadsheets • promote a consistent approach to working papers. • review draft accounts and working papers at pre-audit stage.

Risk	Audit response
<p>involved in the closedown process and this increases the risk of errors if there are inconsistencies in approach.</p>	<p>I will also undertake detailed testing to check that the financial statements are not materially mis-stated.</p>
<p>Estimation techniques The prescribed deadlines for production of year end financial statements mean that estimation techniques are necessary to assess the value of future receipts and commitments. This increases the risk that income and expenditure transactions around the year end will not be correctly stated.</p>	<p>I will evaluate the management controls you have in place to recognise and measure key accounting estimates. I will also undertake:</p> <ul style="list-style-type: none"> • a detailed review of year end journal adjustments • sample testing of income and expenditure transactions occurring around the year end.
<p>Joint waste PFI The Council is contractually committed to a joint waste PFI with North Yorkshire County Council. The value of this contract is material to the 2011/12 accounts. Details of payments due should therefore be disclosed even though the scheme is not expected to be operational by 31 3 2012.</p>	<p>I will review any external financial advice provided to the Council on the joint waste PFI scheme, and undertake tests of detail to confirm that the disclosures in the financial statements are consistent with the financial model and the signed contract terms.</p>
<p>Implementation of new payroll system The Council's new iTRent payroll and HR system went live in December 2011. This is a key financial information system, generating material expenditure assertions in the 2010/11 accounts.</p>	<p>I will undertake tests of detail on the transactions recorded in both systems, and on the migration of financial information from the old system to the new one. So far as possible I will rely on relevant work undertaken by Internal Audit.</p>
<p>Financial standing A mandatory ISA+ requirement is to consider the impact of in-year financial performance on the organisation's overall financial standing. Half-year financial reports to members indicate a possible overspend of £3.5m against budget for 2011/12. If realised this would have a significant impact on useable general fund balances brought forward .</p>	<p>I will review year end financial outturn against budget and in-year reporting and assess the reason for any significant variations. I will also consider the level of useable balances at the year end, assess the Council's overall financial standing and confirm that the going concern assumption remains valid.</p>
<p>Restructuring and Redundancies A number of severance and exit packages have been agreed during the</p>	<p>We will undertake tests of detail to confirm that all severance, redundancy and exit packages have been properly approved by members and any</p>

Risk	Audit response
<p>year.</p>	<p>unpaid liabilities included in the 2011/12 financial statements if approved prior to 31 3 2012. We will also confirm that payments have been made in accordance with relevant legislation and Council policies.</p>
<p>HRA reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. Payments from government will in most cases be used to redeem an equal percentage of loan debt and thereby reduce financing costs. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>I will undertake tests of detail on material assertions in the HRA and on the settlement payment or receipt.</p>
<p>Testing strategy</p> <p>My audit involves:</p> <ul style="list-style-type: none"> ■ testing the operation of key internal controls; ■ liaising with the external auditors of North Yorkshire Local Government Pension Fund ■ seeking confirmation of loans and investment balances from third parties; ■ reviewing the work of experts, for example actuaries and valuers, appointed by you; and ■ substantive tests of detail on transactions, disclosures and amounts. <p>I have sought to:</p> <ul style="list-style-type: none"> ■ maximise reliance, subject to review and re-performance, on the work of your internal auditors; ■ maximise reliance on audit work undertaken in prior years; and ■ maximise the work that can be undertaken before you prepare your accounting statements. 	

The nature and timing of my proposed work is as follows.

Table 4: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	General ledger and Journals Payroll	Creditors Accounts receivable Housing Repairs Cash income	-	-	Loans and Investments Fixed asset register Rents Council Tax Care payments NDR Schools budgets
Final visit	IA annual report Annual Governance Review	-	Pensions assets and liabilities – auditor to North Yorks Local Government Pension Fund	Pensions liabilities and assets – Mercers (actuary) Valuation of property, plant and equipment – Council’s in-house valuers	All material balances, transactions and disclosures Year-end feeder system reconciliations Housing benefits

I have provided officers with a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Council’s arrangements is based on two criteria, specified by the Audit Commission. These relate to the Council’s arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following potential risks that I will address through my work. Where possible I will seek to rely on audit work undertaken in prior years (insofar as this remains relevant) and work undertaken by Internal Audit.

Table 5: Significant risks

Risk	Audit response
Financial governance and leadership The leadership team may not fully understand the current financial position and likely future challenges, or may focus on thinking and operating in the short term. There may be poor communication to staff and stakeholders about the Council’s financial risks and challenges	We will review key strategic and financial documents such as the medium term financial plan, revenue and capital budgets. We will use our ongoing review of Council minutes and meetings to assess how financial strategies have been developed and communicated to others.

Risk	Audit response
<p>and the strategies it has in place to tackle them.</p> <p>Financial planning</p> <p>Budgets may not reflect the level of savings required to manage expected reductions in funding. Budget setting processes may not be robust. Financial risks may not be properly identified or effectively managed.</p>	<p>We will review 2011/12 budgets to confirm that:</p> <ul style="list-style-type: none"> ■ assumptions are realistic ■ planned use of balances is appropriate ■ the budget does not rely on short term fixes which are unsustainable ■ financial modelling has been used to inform key decisions ■ the Council is taking adequate steps to generate additional income
<p>Financial control</p> <p>The Council may fail to manage its spending within budget or not meet key financial targets. Poor treasury management could lead to additional budget pressures, cash flow problems and non-compliance with Code and statutory requirements.</p>	<p>We will update our existing assessment of budgetary control and assess budget delivery by a combination of ongoing minute reviews and our opinion work on the accounts. We will also review treasury management processes and the year end treasury management report</p>
<p>Prioritising resources</p> <p>There is a risk that insufficient action will be taken to review priorities and challenge established ways of working in the light of reduced funding. Savings decisions may not be based on adequate, appropriate or up to date information, and may not adequately consider the impact of savings delivery on the public and services.</p>	<p>We will assess the level of planned savings delivered to date, and how the Council plans to deliver further savings in the future. We will ascertain the extent to which savings plans have been informed by:</p> <ul style="list-style-type: none"> ■ consultation with the public, staff and stakeholders, ■ cost benefit analysis, option appraisal and similar financial techniques <p>We will seek to understand how funding reductions are shifting priorities, resource allocations, and overall levels of spend, and how this compares to other Councils facing similar reductions. To help inform our judgement we will also review year end performance reports and value for money profiles.</p>

Risk

Improving Efficiency

The Council may be unable to justify high costs, or be reluctant to explore new ways of delivering activities and services.

Efficiency plans may not be sufficiently challenging or detailed, and may focus on achieving short-term goals or ignore the potential impact of savings delivery on performance. Arrangements to monitor achievement of efficiencies and the impact on services may be deficient.

Audit response

We will review Internal Audit work on procurement, partnerships and savings delivery. We will confirm that the Council has continued to:

- participate in benchmarking clubs and analyse unit costs and transactions
- seek out additional sources of income and new models of service delivery
- challenge the way that services and activities are delivered

We will also review the detailed efficiency plans underpinning the budget, to consider how potential projects have been identified and to confirm that:

- the specific projects identified can deliver the savings required
- targets and timescales have been set with key milestones and pathways to set out how they will be delivered
- adequate arrangements are in place to monitor achievement of efficiencies and take early action to tackle any identified slippage

. Key audit findings and outcomes will be reported in September, as part of my Annual Governance Report.

Fees

The fee for the audit is £224,010, as set out in my letter of 11 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £224,010 which represents a ten per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements, and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local value for money audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the above fee, I have assumed the following.

- Internal Audit meets professional standards
- Internal controls are operating effectively;
- the Council provides good quality working papers and records to support the accounting statements and all other information to be published with the statements, by 1 August 2012
- officers respond promptly to audit queries and requests for further information; and
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Director of Customer and Business Support Services and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I will work with the Council to help identify any such areas where fee reductions might be possible, and I will give officers advance notice of meeting requests, current technical issues and working paper requirements.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	£224,010	£248,900	-£24,890
Certification of claims and returns	£49,280	£49,632	-£352
Non-audit work	*£5,000	0	£5,000
Total	£278,290	£298,532	-£20,332

* asset management diagnostic – report issued December 2011.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement. The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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

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



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Audit and Governance Committee**2 April 2012**Report of the Assistant Director, Financial Services

**Internal Audit, Counter Fraud & Information Governance Plan
2012/13**

Summary

- 1 The purpose of this report is to seek the committee's approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2012/13.

Background

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

2012/13 Plan

- 4 Annex 1 sets out proposed audit, counter fraud, and information governance work for 2012/13. Total planned days are 70 less than 2011/12. This reflects:
 - a net reduction of 10 days due to a cut in charges to the council
 - a reduction of 60 days relating to non-replacement of accounting trainees seconded to Veritau by the council.
- 5 The reduction of 70 days has been taken from information governance and counter fraud services, to maintain the level of internal audit provision at existing levels.
- 6 As last year, the plan recognises the significant changes taking place within the council and a major focus of audit work will be support advice and challenge in relation to project work. In addition, the scope of audit work will continue to be tailored to reflect current priorities - for example a review of progress against agreed savings plans to support corporate financial management arrangements. However, this has been balanced against the need to maintain regularity work in areas such as the main financial systems.

Consultation

- 7 In preparing the audit, counter fraud and information governance plan consultation has taken place with the Audit and Governance Committee and key officers across the council.

Options

- 8 Not relevant for the purpose of the report.

Analysis

- 9 Not relevant for the purpose of the report.

Council Plan

- 10 The work of internal audit, counter fraud, and information governance supports overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

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

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

Risk Management Assessment

12 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the annual audit plan is not approved by the Audit and Governance Committee.

Recommendation

13 Members are asked to

- approve the 2012/13 internal audit, counter fraud and information governance plan.

Reason

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

Contact Details

Author:

Richard Smith
Audit & Fraud Manager
Veritau Ltd
Telephone: 01904 552936

Chief Officer Responsible for the report:

Keith Best
Assistant Director, Financial Services
Telephone: 01904 551745

**Report
Approved**



Date 20 March
2011

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Annexes

Annex 1 – 2012/13 Internal Audit, Counter Fraud & Information Governance Plan

**CITY OF YORK COUNCIL
INTERNAL AUDIT AND COUNTER FRAUD
PLAN 2012/13**





Annual Plan 2012/13

CONTENTS

- 1 Introduction
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City Of York Council's Audit, Counter Fraud & Information Governance Service

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1. INTRODUCTION

- 1.1 This plan sets out the proposed 2012/13 programme of work for the internal audit, counter fraud, and information governance services provided by Veritau for the City of York Council.
- 1.2 In accordance with proper practice, internal audit is required to prepare an audit plan on at least an annual basis. The plan is based on a risk assessment model that is maintained by internal audit. The council's own risk management systems are also considered in forming a view on what audits to undertake. The audit plan is a working document, and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 1.3 The content of the audit plan is subject to consultation with directors and other senior council officers, and is formally approved by the Audit and Governance Committee. The committee is responsible for monitoring progress against the plan. Changes to the plan are agreed through the council's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the council's external auditors, to ensure that there is no duplication of effort.
- 1.4 Further detail about the audit planning process can be found in the approved audit strategy.

2. 2012/13 AUDIT PLAN

- 2.1 The significant financial pressures faced by the council and the consequent need to review and adapt services are major factors affecting systems and controls. Veritau's priority for the immediate future continues to be to help support the council maintain an effective control environment in these challenging times. As in 2011/12, the audit plan has been drawn up to provide a balance between regularity audits in areas such as the main financial systems where the volume and value of transactions processed are significant and regular audit is essential; and other reviews targeted towards areas of increased risk due to change. This includes:



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- direct support to change projects - to provide advice and challenge on controls being implemented or changed, and project governance
- an emphasis in other audit work on the appropriateness of control systems in the current climate, and key objectives to meet current needs (e.g. progress with savings plans).

2.2 Details of the 2012/13 plan are set out in sections 3 – 8 below.



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3. CORPORATE & CROSS CUTTING AUDITS

<u>Project</u>		<u>Days</u>
10181	Procurement Cards Support and advice on controls in relation to the corporate roll out of procurement cards.	5
10260	Information Security Checks A series of unannounced audit visits to council offices to ascertain the extent to which staff are recognising the need to protect sensitive and personal data and information assets e.g. laptops being secured, paper files locked away.	15
10400	Asset Management A follow up of the recent Audit Commission diagnostic review of the council's asset management arrangements.	10
10530	Environment and Sustainability This will include assurance work in relation to the CRC energy efficiency scheme. This time will also be used to provide support in relation to the development of an environmental management system.	20
10790	Partnership Arrangements The audit will review the arrangements for a number of specific partnerships, to assess the impact of recent changes to the council's overall procedures for monitoring, managing and supporting partnership work. In addition, the audit will look at controls in relation to grants awarded by council departments to other organisations.	25
11040	Data Quality	25



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An audit of systems for capturing key performance data, to ensure information used for management of the organisation is robust.

11050 Performance Management 20

A review of the council's performance management framework.

19080 Procurement and Contract Management 50

A review of the arrangements within the council for procuring goods and services. This encompasses a number of separate audits including corporate procurement arrangements and individual reviews of specific procurement exercises and contract related issues. Priorities for audit will be determined in consultation with council officers during the year.

19090 Budgetary Control 15

A review of arrangements across the council for budget monitoring. This will include the automated reports generated by Authority Financials for budget managers.

19091 Financial Planning and Budget Setting 15

An audit of the arrangements for setting the annual budget and longer term financial planning.

19095 Efficiency and Value for Money 20

The 2012/13 audit will consider the progress being made by departments across the council to deliver agreed budget savings, and the effectiveness of arrangements to manage risks relating to the budget.

19110 Annual Governance Statement & Governance Support 30

Advice and support on governance matters and support in



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preparing the council's annual governance statement. This time will also be used for the development of corporate audit programmes on equalities, business continuity, environment and sustainability, information security and risk management.

19530 Anti Money Laundering Arrangements 10

A review of the council's anti money laundering arrangements, and staff awareness of council policies and procedures.

11030 Recruitment Checks 5

A review of recruitment checks undertaken on new employees specifically focussing on counter fraud arrangements.

19230 New HR System 20

Assurance work and support and advice in relation to the new system.

19165 Human Resources Policies 30

A review of overall HR policy arrangements and procedures for managing compliance.

19519 Health & Safety 25

A review of council arrangements for managing health and safety. This is a significant area which is likely to form part of the audit plan for the next few years. This audit will build on the work undertaken in 2011/12. The specific areas to be covered will be determined in consultation with officers.

19100 Staff Registers of Interests and Gifts and Hospitality 10

An audit of the council's arrangements for maintaining



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registers of interests, and gifts and hospitality, for staff.

TOTAL – Corporate & Cross Cutting Audits

350



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4. MAIN FINANCIAL SYSTEMS

<u>Project</u>	<u>Days</u>
10120 Main Accounting System	25
<p>A review of the arrangements for managing and maintaining the financial ledger. The audit will include a review of:</p> <ul style="list-style-type: none"> • access and back up arrangements • the integrity and timeliness of data • the processing of journals and virements • reconciling control and suspense accounts • the creation and maintenance of the coding structure • feeder systems • year end processes. 	
10140 VAT Accounting	15
<p>A review of key controls to ensure compliance with VAT accounting requirements. The audit will include analysis of VAT data using IDEA data interrogation software, to identify potential weaknesses in control.</p>	
10150 Treasury Management & Prudential Code	15
<p>An audit of the systems associated with treasury management.</p>	
10180 Ordering and Creditor Payments	30
<p>A review of the systems for ordering goods and services and processing creditor invoices.</p>	
10190 Debtors	20
<p>A review of the systems for raising debtor invoices and collecting income, and credit control and debt recovery</p>	



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arrangements.

1020 0	Payroll	30
	A review of the new payroll system and controls associated with payroll processing.	
1031 0	Council Tax & NNDR	25
	A review of the systems for calculating Council Tax and NNDR liabilities, and the collection, recording and processing of payments. The audit will also examine debt recovery arrangements.	
1032 0	Council Tax Benefits & Housing Benefits	30
	A review of the systems and processes for paying Council Tax Benefit and Housing Benefit.	
1033 0	Cashiers and Income Management	20
	A review of overall income management arrangements and the administrative processes for processing payments (e.g. cash handling controls and security).	
1171 0	Housing Rents	25
	Reviews of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.	

TOTAL – Main Financial Systems

235



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5. DIRECTORATE AUDITS

<u>Project</u>		<u>Days</u>
10222	General IT Controls A review of general IT controls such as password restrictions, user profiles and physical and environmental controls.	15
10270	IT Asset Management An audit of IT inventory systems, and asset management.	10
19540	City of York Trading Company Provision to provide advice and support in relation to the project.	10
10460	Development Control An audit of pre-application planning services offered by the council.	15
10590	Access York Provision to provide advice and support in relation to the project.	10
10650	Public Transport An audit of arrangements to implement Quality Bus Services in the city	20
19020	Administration and Accommodation Review Provision to provide advice and support in relation to the project. This will include a review of project arrangements, and preparedness for the move to the new offices.	30



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19230	Community Stadium	15
	Provision to provide advice and support in relation to the project. The allocation will also be used to undertake an audit of project governance arrangements.	
19515	Waste PFI	10
	Provision to provide advice and support in respect of the project.	
10710	Area Based Working	20
	An audit of systems for managing area based working and local funding including the coordination and prioritisation of work, planning and monitoring arrangements and ongoing arrangements for ward committee budgets.	
10940	Stores and Purchasing	20
	A review of controls and procedures relating to the Jewsons store at the Hazel Court Depot. The audit will also be used to assess what other stores are in use, and review control arrangements where appropriate.	
11190	Libraries Project	5
	Provision to provide advice and support in relation to the project to review and develop library services.	
11210	Leisure Facilities	8
	A review of systems and controls operating at Energise leisure centre particularly focussing on counter fraud arrangements.	



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11740	Tenants Choice	20
	An audit of procedures and controls in place over capital works under the Tenants Choice scheme. This will include planning arrangements, management of works and contract letting.	
19550	Public Health	20
	A review of procurement and commissioning arrangements and of systems in place surrounding the council's new responsibilities for Public Health.	
11470 & 11510	Charges for Care	30
	A review of the new procedures and controls around revised income systems in social care.	
11480	Personalisation, Direct Payments, & Individual Budgets	30
	This is a significant and wide-ranging programme of change with implications for all areas of adult social care and, as such, carries significant risk. The focus of the 2012/13 audit will be the new resource allocation system (RAS) used to calculate the indicative budget for an individual's care requirements.	
11495	Contracting for Care	10
	An audit of electronic homecare monitoring systems used by outsourced providers.	
11600	Referrals and Assessments (Adults)	20
	An audit of procedures for managing and monitoring social care referrals.	



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11570	Elderly Peoples Homes A review of the council's planned changes to EPH provision in the city specifically focussing on the transfer of assets relating to the two homes due to close in March 2012.	10
11750	Amenity Funds Provision for independent examination of amenity fund records and procedures maintained by social care establishments.	5
11140	Nursery Education Grants A review of payments to private nursery providers. This includes the audit of registration records at a sample of nursery establishments, to ensure claims for funding are correct.	20
11365	Howe Hill Project An audit of the integrated support service for the prevention of homelessness in young people.	15
15699	Schools A programme of visits to schools. The audits are undertaken in accordance with a detailed risk assessment.	110
TOTAL – Directorate Audits		478



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6. COUNTER FRAUD & CORRUPTION

<u>Project</u>		<u>Days</u>
F001	<p>Data Matching</p> <p>Provision to coordinate data submission, check data validity, assess referrals, and investigate potential frauds in relation to:</p> <ul style="list-style-type: none"> • the National Fraud Initiative (NFI) • Housing Benefit Matching Service (HBMS) referrals • local data matching exercises. 	220
F002	<p>Fraud Detection and Investigation</p> <p>Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. The majority of the work will relate to benefit fraud. Examples of other types of investigation work that may be undertaken include internal fraud, social services related fraud and housing tenancy fraud. Activities include:</p> <ul style="list-style-type: none"> • recording and risk assessing all referrals • investigation • application of sanctions, and progressing cases to prosecution where appropriate • liaison with the police, DWP and other agencies • proactive, targeted, counter fraud exercises 	945
F003	<p>Fraud Awareness</p> <p>Provision to deliver an overall programme of work to raise awareness of fraud issues amongst staff and the public. Activities include targeted fraud awareness training and organising counter fraud publicity (both internal and external).</p>	60



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F004	Other Counter Fraud Related Work	70
	<p>Provision to provide other counter fraud and corruption work including:</p> <ul style="list-style-type: none"> • review of council counter fraud arrangements and policies • the provision of support and advice to directorates in relation to fraud issues • reporting on outcomes from counter fraud work. 	
	TOTAL – Counter Fraud & Corruption	1,295



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7. INFORMATION GOVERNANCE

<u>Project</u>	<u>Days</u>	
<p>17440 Data Protection</p> <p>Provision of time to provide advice and support to senior management and directorates to ensure compliance with all aspects of Data Protection legislation.</p>	<p>10</p>	
<p>17460 Freedom of Information</p> <p>Provision of time to provide a coordinating role to the council in respect of the Freedom of Information Act. This work will include recording and monitoring FOI requests to ensure that responses are adequate and comply with legislation and that all requests are responded to within the 20 day deadline.</p>	<p>100</p>	
<p>17470 Information Governance Framework</p> <p>A provision of time to lead on the development and implementation of appropriate Information Governance policies and strategies across the council and to implement associated communication and roll out plans designed to ensure that the arrangements in place to manage and protect personal and confidential data are effective. Attendance at Corporate Information Governance Group will be required. There will also be regular meetings with relevant officers to ensure that related HR and IT policies and strategies are co-ordinated and are consistent with each other.</p>	<p>140</p>	
<p>TOTAL – Information Governance</p>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">250</td> </tr> </table>	250
250		



City Of York Council's Audit, Counter Fraud & Information Governance Service

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8. OTHER CHARGEABLE AUDIT WORK

<u>Project</u>	<u>Days</u>
<p>10110 Support, Advice & Liaison</p> <p>Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls and for the overall management of audit work in each department.</p>	65
<p>17010 Strategic & Annual Audit Plans</p> <p>Preparation and monitoring of strategic and annual audit plans.</p>	20
<p>17030 External Audit Liaison</p> <p>Provision for regular liaison and information sharing with the Audit Commission (and their successor – Mazars).</p>	5
<p>19000 Contingency Assignments</p> <p>Provision to undertake additional work in response to:</p> <ul style="list-style-type: none"> • specific requests from the Chief Finance Officer (S151 Officer), Audit and Governance Committee, or the Assistant Director (Financial Services) • new or previously unidentified risks which impact on Strategic Audit Plan priorities • significant changes in legislation, systems or service delivery arrangements • requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management 	90



City Of York Council's Audit, Counter Fraud & Information Governance Service

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- urgent or otherwise unplanned work arising from fraud investigations which identify potential control risks.

19060 **Follow Up Audits** 40

Provision to follow up previously agreed audit recommendations.

19240 **Audit and Governance Committee** 15

Provision to prepare reports for the Audit and Governance Committee and attend meetings.

TOTAL – Other Chargeable Audit Work 235

TOTAL CHARGEABLE DAYS 2012/13 2,843

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**Audit and Governance Committee**

2 April 2012

Report of the Assistant Director, Financial Services

Audit, Counter Fraud & Information Governance Monitoring Report

Summary

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2011/12 and on current counter fraud and information governance activity.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government. In accordance with the code of practice, the 2011/12 audit and fraud plan was approved by the Audit and Governance Committee on 19 April 2011. The plan included a programme of audit reviews, together with details of planned counter fraud and information governance activities.
- 3 This report provides an update on work undertaken against the approved plan. It also gives an update on the integration of Veritau and the North Yorkshire Audit Partnership.

2011/12 Internal Audit Plan – Progress to Date

- 4 Two of the priorities for Veritau are to deliver at least 93% of the audit plan and to ensure that the service continues to operate to recognised professional standards (as determined by the Code of Practice).
- 5 Internal audit successfully delivered 95.3% of the 2010/11 audit plan. To date, 69% of the 2011/12 audit plan has been completed. However, this figure is based on reports issued

and does not take into account audit fieldwork completed for which a report is due to be issued (a further 15%). There are also a number of other assignments in progress which will be finished by the year end. It is anticipated that the 93% target will be exceeded by the end of April 2012 (the cut off point for 2011/12 audits). Details of the audits completed and reports issued since the last report to this committee in December 2011 are given in annex 1.

- 6 It has been necessary to make a number of variations to the audit plan. Details of the audit plan variations approved by the client manager since the last monitoring report are given in annex 2.

Counter Fraud

- 7 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides details of the investigations completed to date and provides a summary of the work undertaken.

Information Governance

- 8 The team provides ongoing support and advice to service departments in managing information governance including support for the EDRMS project and the move to the new HQ, and for improving records management and data security.
- 9 So far this year (to 20 March) the team has tracked 880 Freedom of Information requests, up from 755 for the full year for 2010/11.

Breaches of Financial Regulations

- 10 There have been no significant breaches of the council's financial regulations identified since the last report to this committee in December. However, a number of relatively minor breaches have been noted. Details of these breaches are summarised in annex 4.

Integration with North Yorkshire Audit Partnership

- 11 Further to the information provided to the committee in December 2011, work has continued to enable the transfer of internal audit services for a number of district councils from the North Yorkshire Audit Partnership to Veritau. Formal

approval was given by all of the council's involved and a new subsidiary company – Veritau North Yorkshire Limited was created on 1 February 2012. Agreements between the district councils and Veritau are currently being finalised and it is anticipated that the transfer of services will take place as planned on 1 April 2012. Plans for integrating management and working practices (for example the sharing of IT systems) are proceeding well and will largely be complete by 1 April although arrangements to manage the integration will continue into the new year (for example induction training for new VNY staff).

Consultation

- 12 Not relevant for the purpose of the report.

Options

- 13 Not relevant for the purpose of the report.

Analysis

- 14 Not relevant for the purpose of the report.

Council Plan

- 15 The work of internal audit, counter fraud, and information governance helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

- 16 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

- 17 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance.

Recommendations

- 18 Members are asked to:
- (a) Note the progress made in delivering the 2011/12 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.

- (b) Note the progress on the integration of Veritau and the North Yorkshire Audit Partnership.

Reason

As part of the committee's responsibility to consider reports dealing with the management of internal audit

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
01904 552940

Chief Officer Responsible for the report:

Keith Best
Assistant Director, Financial Services
Telephone: 01904 551745

**Report
Approved**



Date 20 March
2012

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2011/12 Internal Audit & Counter Fraud Plan

Annexes

Annex 1 – 2011/12 Audits Completed and Reports Issued

Annex 2 – Audit Plan Variations

Annex 3 – Counter Fraud Activity

Annex 4 – Breaches of Financial Regulations

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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	<p>or senior management level and may result in significantly revised or new controls.</p> <p>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.</p> <p>Such issues are usually matters that can be implemented through line management action and may result in efficiencies.</p>	<p>The system objectives are not exposed to significant risk, but the issue merits attention by management.</p>
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Draft Reports Issued

10 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”	2
“Substantial Assurance”	2
“Moderate Assurance”	1
“Limited Assurance”	1
“No Assurance”	1
“Not given”	3

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in December 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	
Use of Taxi Contract	28/11/11	None given	N/A	N/A	A review of the use of taxis by officers. Overall, procedures for the use of taxis by staff are not well defined and it is unlikely that the use of taxis represents value for money for the council. The findings of the audit have been passed to managers responsible for the fleet, travel and transport review at the council and will be used to inform wider changes expected to be made as part of that project.
Rufforth Primary School	1/12/11	High Assurance	4	0	A school audit. No significant issues identified.
St George's RC Primary School	1/12/11	High Assurance	5	0	A school audit. No significant issues identified.
St. Mary's CE Primary School	12/12/11	High Assurance	1	0	A school audit. No significant issues identified.
Park Grove Primary School	04/01/12	Substantial Assurance	5	0	A school audit. No significant issues identified.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Community Stadium	18/01/12	None Given	N/A	N/A	This review of the project was undertaken at the feasibility stage and considered four main areas: whether the project scope had been set out; procedures in place to monitor against time and budget throughout the project; the identification of project risks and the consultation and decision making structures in place. There were no specific actions required at this stage. Further project related audit work will be undertaken following the outcome of the planning process.
Fishergate Primary School	19/01/12	Substantial Assurance	7	0	A school audit. No significant issues identified.
Charges for Care	26/01/12	Substantial Assurance	9	0	A review of systems in place for making payments to care providers, for undertaking financial assessments and for collecting client contributions. Actions were agreed to address weaknesses in a number of areas including: <ul style="list-style-type: none"> • monitoring and managing returns from providers • monitoring budgets and charges • the security of spreadsheet records.
Burton Green Primary School	02/02/12	Substantial Assurance	6	0	A school audit. No significant issues identified.
Woodthorpe Primary School	16/02/12	Substantial Assurance	4	0	A school audit. No significant issues identified.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
St. Barnabas' CE Primary School	06/03/12	Substantial Assurance	5	0	A school audit. No significant issues identified.
Transactional Services	13/03/12	High Assurance	0	0	A review of central systems for cashiering and income processing. No significant weaknesses were identified. It was noted that systems will change significantly over the next 12 months and the report recommended a comprehensive review of risks be undertaken in developing new processes.
Contracting for Care	20/03/12	Substantial Assurance	2	0	A review of arrangements for procuring care. No significant issues were identified.
VAT Accounting	20/03/12	Substantial Assurance	3	0	A review of arrangements for accounting for VAT across the council. No significant weaknesses were identified. The agreed actions relate to more efficient use of charge codes to enable less manual intervention ... the raising of invoices while still ensuring accuracy in recording VAT.

VARIATIONS TO THE 2011/12 AUDIT PLAN

Additions to the plan are considered where:

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

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

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

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

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

2011/12 Audit Plan Variations

The following variations have been approved by the Assistant Director, Financial Services since the last report to this committee. They represent a net allocation of 10 days from the audit contingency and do not affect overall planned audit days.

Audit	Days	Justification For Change
Deletions from the Audit Plan		
Waste PFI	-10	The project is currently is awaiting planning permission and there is little requirement for active audit involvement at the moment.
Equalities	-15	A detailed review has recently been undertaken by external consultants, which covers the work that would have been carried out during the audit.
Area Based Working	-20	Audit deferred to 2011/12. The project is not as advanced as had been anticipated so there is little to audit at this stage.
	-45	

Additions to the Audit Plan		
New Payroll and HR System	20	An additional 20 additional days in relation to audit input on the new payroll system as the work required has been greater than originally anticipated.
Information Governance Compliance	15	Additional work required to investigate and provide support and advice following the data protection breach in January 2011, and the subsequent undertaking between the council and the Information Commissioner's Office.
Health and Safety	20	A number of complex issues were identified which necessitated an increase in the time spent on the audit.
	55	

COUNTER FRAUD ACTIVITY 2011/12

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed. While benefit fraud is still a major role for the team, there is a continuing increase in the work the team undertakes in other areas. The indicators have been updated from previous years to reflect this and now include the full range of counter fraud work undertaken.

	2011/12 (as at 29/2/12)	2011/12 (Target: Full Yr)	2010/11 (Actual: Full Yr)
Number of Fraud referrals received. <i>The target is designed to promote fraud awareness and encourage people to report suspected fraud.</i>	544	400	456
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken). <i>The target is designed to measure the effectiveness of counter fraud activity</i>	39%	30%	62%
Value of fraudulent benefit overpayments identified. <i>The target is designed to measure the effectiveness of counter fraud activity</i>	£554k	£350k	£390k
Number of investigations completed	320	N/A	266 ¹
Number of successful outcomes ²	124	N/A	53

There has been a significant increase in the value of fraudulent benefit overpayments identified in the year to date (£554k) compared to last year. Looking at cases resulting in an overpayment shows the average value is £1.9k per case in 2011/12 - an increase of 67% since 2010/11. Further analysis indicates that a large proportion of the increase can be attributed to a relatively small number of high value cases in 2011/12.

¹ The comparative figure for 2010/11 has been restated from that previously reported, to exclude Housing Benefit Matching Service (HBMS) cases. This enables fraud referrals and outcomes to be considered on a like for like basis.

² 2011/12 figures will be higher than previous years as it includes all successful outcomes rather than just benefit related sanctions and prosecutions.

Caseload figures for the period are:

	As at 1/4/11	As at 29/2/12
Awaiting allocation	91	70
Under investigation	259	188

Summary of counter fraud activity:

Activity	Work Completed or in Progress
Data Matching	<p>Investigation of 2010/11 National Fraud Initiative cases is nearly complete. The council has now received the latest council tax single person discount matches from the NFI, which will be reviewed in conjunction with council tax officers.</p> <p>Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team has received 935 HBMS referrals to date in 2011/12.</p>
Fraud Detection and Investigation	<p>In addition to benefit fraud investigation, the service continues to promote the use of criminal investigation techniques and standards in other areas to encourage a robust response to any fraud perpetrated against the council. Activity to date includes the following.</p> <ul style="list-style-type: none"> • Benefit Fraud - 20 people have been prosecuted for benefit fraud offences and a further 32 have received formal sanctions (cautions and administrative penalties). Benefits have been corrected in a further 46 cases. • Housing Fraud – working in conjunction with housing officers, 11 houses have been recovered in 2011/12. In addition, seven properties were prevented from being let where the prospective tenants had provided fraudulent information in their housing application and one fraudulent homelessness application was refused.

Activity	Work Completed or in Progress
	<ul style="list-style-type: none"><li data-bbox="465 359 1653 395">• Internal Fraud - the team has investigated eleven internal frauds during the year.<li data-bbox="465 435 2054 507">• Blue Badge Fraud – one case has been completed, and resulted in a caution being issued. A second case is in progress.

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ANNEX 4

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

Description of Breach	Instances
Failure to maintain a register of pecuniary interests	2
Inventory records not properly maintained	3
Lack of a current contract	1

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**Audit and Governance Committee**

02 April 2012

Report of the Assistant Director, Financial Services

Internal Audit Follow Up Report

Summary

1. This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work. The report also includes details of revisions to the escalation process.

Background

2. Where weaknesses in systems are found by internal audit the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for issues to be dealt with. The auditors carry out follow up work to check the issue has been resolved, once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.
3. A summary of the findings from follow up work is presented to this committee twice a year. The current report covers agreed actions with target dates up to 29 February 2012.

Consultation

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

Follow up of internal audit agreed actions

5. A total of 140 actions have been followed up since the last report to this committee in September 2011. A summary of the priority of these actions is included in figure 1, below.

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

Priority of actions*	Number of actions followed up
1	2
2	22
3	116
Total	140

* The priorities run from 1 (high risk issue) to 3 (lower risk)

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

Figure 2: actions followed up by directorate

Priority of actions	Number of actions followed up by directorate				
	Chief Executives	City Strategy	CANS	ACE	CBSS
1 (High)	0	0	1	0	1
2 (Medium)	0	6	3	4	9
3 (Low)	0	8	26	59	23
Total	0	14	30	63	33

7. Of the 140 agreed actions 82 (59%) had been satisfactorily implemented and 13 (9%) were no longer needed¹.
8. In a further 43 cases (31%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (eg due to unexpected difficulties or where actions are dependent on new systems being implemented). The majority of these actions (39) are progressing satisfactorily and the remaining four are being explored further to establish whether any further audit involvement is needed. Figure 3 below show the priority of these actions.

Figure 3: priorities of actions with revised implementation dates

Priority of actions	Number of actions with a revised implementation date
1 (High)	2

¹ For example because of other changes to procedures or because the service has ended or changed significantly.

2 (Medium)	7
3 (Low)	34
Total	43

9. In two cases (1%) action has not been taken to address the issue raised and the issues have been escalated to senior managers. One of these issues has been outstanding since the last report to this committee in September 2011. However, based on discussions with officers it is anticipated that this will be resolved within the next couple of months, without further escalation. The second action has only recently been escalated.
10. There are 48 actions where a final report has been issued but the completion date for the action has not yet passed and therefore no follow up has yet been carried out.

Conclusions

11. The follow up work undertaken shows that overall good progress continues to be made in implementing actions agreed as a result of audit work. As noted in the last report the proportion of actions with a revised implementation date remains relatively high compared to previous years. However, these continue to be monitored and in most cases progress is being made.

Review of Procedures

12. The internal audit service has recently reviewed the procedures it follows when following up and escalating agreed actions. The previous process involved a relatively large number of formalised steps for example escalation through assistant director, director, section 151 officer and/or chief executive before raising issues at Audit and Governance Committee. In practice this was unwieldy and inflexible and led to few actions being escalated beyond director level. A new procedure has been developed and is summarised in Annex 1 for members to note. The new process is simpler, and includes the involvement of the Officer Governance Group, who will support the escalation process. The procedure has been agreed with the Assistant Director, Financial Services as client officer for internal audit.

Options

13. Not relevant for the purpose of the report.

Analysis

14. Not relevant for the purpose of the report.

Council Plan

15. The work of internal audit, counter fraud, and information governance supports overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

16. 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

17. The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and members.

Recommendations

18. Members of the Audit and Governance Committee are asked to:
 - consider the progress made in implementing internal audit agreed actions as reported above (paragraphs 5 – 11)
 - note the changes made to the escalation procedure in agreement with the Assistant Director, Financial Services (paragraph 12 and annex 1).

Reason

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

Contact Details

Author:

Richard Smith
Audit & Fraud Manager
Veritau Ltd
Telephone: 01904 552936

Chief Officer Responsible for the report:

Keith Best
Assistant Director, Financial Services
Telephone: 01904 551745

**Report
Approved**



Date 20 March
2012

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

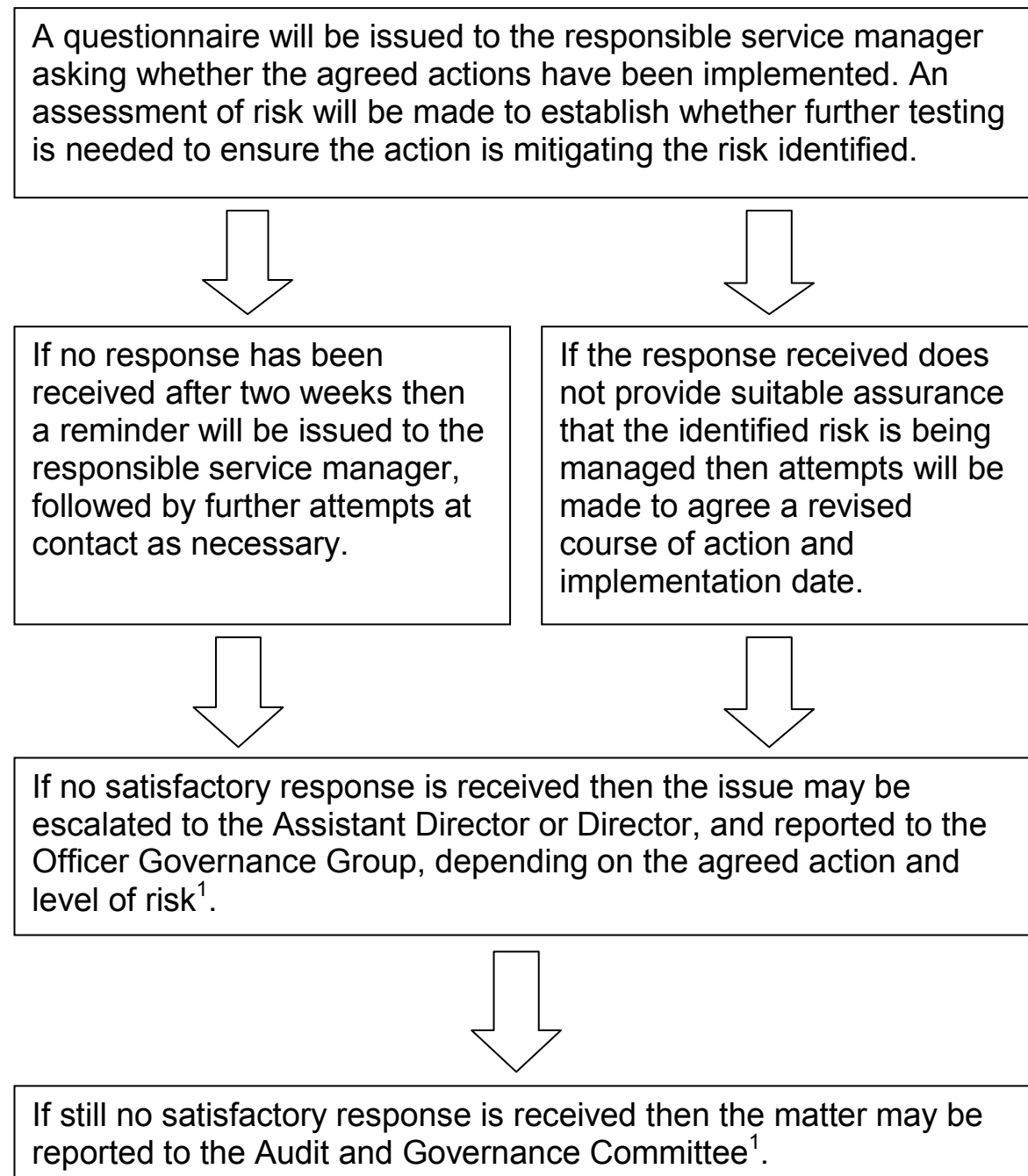
Annexes

Annex 1 - Revised Escalation Procedure

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Internal Audit – Follow Up and Escalation Procedure

All actions which are due to have been implemented will be followed up by internal audit on a monthly basis. Where no suitable action has been taken by the service, the issue will be escalated in accordance with process set out in below.



¹The decision on whether to escalate an issue will be taken by the Head of Internal Audit.

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**Audit and Governance Committee**

2nd April 2012

Report of the Assistant Director - Financial Services

Audit and Governance Committee Effectiveness – Self Assessment

Summary

- 1 The purpose of this report is to seek members' views on the proposed arrangements for undertaking a self assessment exercise of the Committee's own effectiveness.

Background

- 2 At the meeting of this Committee on 5 December 2011, members agreed that the Shared Service Contract Board should undertake the detailed work necessary to review the effectiveness of internal audit for 2011/12. It was also agreed that the chair of the Committee would oversee the process and the results would be reported to the June 2012 meeting. The exercise forms part of the wider review of the effectiveness of the system of internal control required to prepare the council's Annual Governance Statement (AGS).
- 3 As the Audit and Governance Committee forms part of the council's overall system of internal control then it is recommended that the Committee should periodically review its own effectiveness. Members agreed that such a review should be undertaken as part of the 2011/12 review of internal audit effectiveness.
- 4 The Chartered Institute of Public Finance (CIPFA) has issued guidance to local authorities on the formation and operation of audit committees. The guidance is intended to help audit committees fulfil their important role as part of the organisation's overall corporate governance arrangements. The guidance includes a self-assessment checklist for assessing the effectiveness of audit committees.

Options

- 5 A number of options exist to enable the review of the Committee's effectiveness to be completed, including:
 - a) all members of the Committee to be asked to complete a self assessment questionnaire
 - b) the chair and vice-chair to meet with officers to consider the Committee's effectiveness
 - c) the Committee to establish a small working group, comprising two or three members, to undertake the review (with support from officers)
 - d) inviting an external body or person to undertake the review (subject to any cost implications)
- 6 Members' views are therefore sought about the preferred approach to take.
- 7 It is intended that the CIPFA guidance on audit committees will form the basis for the review and for the results will be reported back to the June meeting.

Analysis

- 8 Not relevant for the purpose of the report.

Council Plan

- 9 The Audit and Governance Committee forms an important component of the council's corporate governance framework. As such it supports the overall aims and priorities of the council by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 10 There are no implications to this report in relation to:
 - **Finance**
 - **Human Resources (HR)**
 - **Equalities**
 - **Legal**

- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 11 The council may fail to comply with the Accounts and Audit Regulations 2011 if it does not undertake a proper review of the effectiveness of the system of internal control, including a periodic review of the Audit and Governance Committee's effectiveness.

Recommendations

- 12 Members are asked to;
- Consider and agree the arrangements for undertaking the review of the Committee's own effectiveness.

Reason

To ensure that the Audit and Governance Committee remains effective.

Contact Details

Author:

Max Thomas
Audit and Fraud
Manager
Telephone:
01904 552940

Chief Officer Responsible for the report:

Keith Best
Assistant Director, Financial Services
Telephone: 01904 551745

**Report
Approved**



Date 15 March
2012

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

None

Annexes

None



Audit and Governance Committee2nd April 2012Report of the Assistant Director, Governance and ICT

Terms of Reference

Summary

- 1 This report recommends the adoption of revised terms of reference for the Committee.

Background

- 2 It is good practice to review the terms of reference of Audit Committees from time to time to ensure that they remain effective. Having considered the existing terms of reference the Officer Governance Group is recommending that they be revised in accordance with the proposal set out in the annex to this report. The annex uses track changes to allow Members to see precisely the changes which are proposed.

Consultation

- 3 This report is coming to this Committee for consultation prior to the proposal being referred to full Council.

Options

- 4 The Committee may express support for the current proposals or suggest amendments or additions.

Analysis

- 5 Not relevant for the purpose of the report.

Corporate Priorities

- 6 Effective audit and governance arrangements underpin and contribute to the delivery of all the Council's objectives.

Implications

- 7 There are no other specific implications which need to be identified.

Risk Management Assessment

- 8 Not relevant.

Recommendation

- 9 Members are asked to recommend to Council that the terms of reference for the Committee be amended in accordance with the draft annexed.

Reason

To ensure that the Audit and Governance Committee continues to operate effectively.

Contact Details

**Author and Chief Officer
Responsible for the report:**
Andy Docherty
Assistant Director, Governance and
ICT
Telephone: 01904 551004

**Report
Approved**



Date 13/3/12

Specialist Implications Officers

Not applicable

Wards Affected:

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex 1 Draft Terms of Reference

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Annex 1**Audit and Governance Committee – Terms of Reference (Part 3C of the Constitution)**

No	Delegated authority	Conditions
	Audit	
1	To consider the annual report and opinion of the <u>Head of Internal Audit</u> . The report should <u>Assistant Director (Customer Service & Governance)</u> including a summary of internal and external audit activity <u>in the relevant period</u> (actual and proposed in the relevant accounting period) and the level of assurance that can be given over the <u>control environment and</u> corporate governance arrangements at the Council and to advise the Cabinet accordingly.	
2	To consider <u>periodic reports from the Head of Internal Audit detailing the summary findings and the main issues arising from internal audit work</u> summaries of specific internal audits reports as scheduled in the forward plan for the Committee or otherwise requested by Members.	
3	To consider reports dealing with the management and performance of the Internal and External Audit functions.	
<u>4</u>	<u>To review the effectiveness of Internal Audit and the Committee itself on an annual basis.</u>	
<u>54</u>	To consider reports <u>of the Head of Internal Audit detailing the progress made by management to address control weaknesses identified by</u> from Internal <u>or External</u> Audit, on agreed recommendations not implemented within agreed timescales.	
<u>65</u>	To consider the action plan arising from the	With respect to the

Annex 1**Audit and Governance Committee – Terms of Reference (Part 3C of the Constitution)**

No	Delegated authority	Conditions
	Annual Letter of the External Auditor.	Annual Letter being first considered and accepted by the Cabinet.
<u>76</u>	To consider all other relevant reports received from the District External Auditor as scheduled in the forward plan for the Committee as agreed with the External Auditor or otherwise requested by Members.	
<u>87</u>	To comment on the scope and depth of e External a Audit work and ensure it provides value for money.	
<u>98</u>	To liaise with the Audit Commission over the appointment of the Council's External Auditor or body .	
<u>10</u>	<u>To approve the Internal Audit Strategy</u>	
<u>119</u>	To approve the Annual Plans of the Internal Audit Service and the External Auditor.	
<u>1210</u>	To commission work from the Internal Audit Service and External Audit with regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee.	Subject to budgetary provision.
<u>11</u>	To provide advice to the Council on issues arising out of a fraud investigation and report any action which has or ought to be taken by the Council.	
	Governance & Regulatory	

Annex 1**Audit and Governance Committee – Terms of Reference (Part 3C of the Constitution)**

No	Delegated authority	Conditions
132	To keep under review the Council's contract procedure rules, financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Standards Committee).	
143	To review any relevant issue referred to it by the Chief Executive, S151 Officer, the Assistant Director (Financial Services), Customer Service & Governance , the Monitoring Officer, the Head of internal Audit or any other Council body.	
154	To consider the effectiveness of the Council's arrangements for corporate governance (including information governance). To consider any reports of the Assistant Director (Customer Service & Governance) referred to the Committee for consideration further to Article 13 of this Constitution.	
165	To monitor the effective development and operation of risk management arrangements and corporate governance across the Council.	
176	To monitor assess the effectiveness of the Council's counter fraud arrangements including the Whistleblowing policy and other relevant counter fraud policies and plans. on 'whistle blowing', the Anti-Fraud & Corruption Strategy and consider any issues referred to it in accordance with the Council's whistle blowing policy and procedures as set out in Part 5 of this Constitution.	

Annex 1**Audit and Governance Committee – Terms of Reference (Part 3C of the Constitution)**

No	Delegated authority	Conditions
187	To consider the Council's arrangements for corporate governance and make recommendations about all actions necessary for compliance with best practice to Full Council.	
198	To consider the Council's compliance with its own and other relevant published regulations, controls, operational standards and codes of practice.	
2019	To bring to Full Council all proposals for amendment to this Constitution submitted by Members in accordance with this Constitution.	Subject to the advice of the Assistant Director of Governance and ICT.
	Annual Governance Statement and Accounts etc	
210	To approve the Statement of Accounts and the Annual Governance Statement.	
221	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.	
232	To scrutinise the Treasury Management Strategy and Monitoring Reports.	
	<u>General</u>	
24	<u>To meet with the External Auditor and the Head of Internal Audit on a periodic basis to discuss audit related matters.</u>	
25	<u>To report on the discharge of the Committee's responsibilities under the Constitution to Full Council on an annual</u>	

Annex 1**Audit and Governance Committee – Terms of Reference (Part 3C of the Constitution)**

No	Delegated authority	Conditions
	basis.	

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Audit & Governance Committee

2 April 2012

Report of the Assistant Director CBSS (Finance)

Key Corporate Risk Monitor Four 2011/12

Summary

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of February 2011.

Background

2. The High and Critical KCRs are reported to A&G four times a year and at least twice a year to Corporate Management Team (CMT) as part of the council's overall governance arrangements. The KCRs along with directorate level risks are also regularly reviewed at Directorate Management Teams (DMT's).

Monitor Four

3. As approved earlier this financial year (A&G 26 July 2011) in addition to providing the headline High and Critically ranked KCRs each quarter the monitor now also provides directorates the opportunity to present an overview of their own High and Critical risks. This is has been delivered on a rolling programme throughout the year. CBSS & OCE delivered their risk reports in September 2011 and CANS & CS in December 2011. The final directorates risk report (ACE) would have come to this meeting but has been deferred until A&G in July due to the current Ofsted inspection. The suggested full year programme for 2012/13 is set out below:

<u>A&G Committee</u>	<u>Directorate</u>
<u>Date</u>	
25 July 2012	- Office of the Chief Executive + ACE
27 September 2012	- Customer & Business Support Services
12 December 2012	- Community & Neighbourhoods/City Strategy
4. 13 February 2013	Adults Children & Education

T
here has been a reduction by one in the number of Critical KCRs since Monitor 3 2011/12. The risk relating to the Capital Programme (Failure to obtain funding for Access York Phase 1) has been reduced to Medium and an update by the risk owner is set out below:

KCR 0016 Capital Programme

Failure to obtain funding for Access York Phase 1

'The delivery risk for Access York Phase 1 has been reduced from critical because provisional funding for the project was confirmed by the Government and the City Council in November 2011. The final funding approval for the project is dependent on the tenders for the project being received below the budget allocation. This is not expected to be until November 2012. Other key risks including planning consent and land purchase have been resolved satisfactorily.

If Final Approval is obtained for the Access York Phase 1 scheme it is anticipated that the project would be completed and the Park & Ride sites operational, by summer 2014.'

5. There are now just two critical risks corporately and the up to date risk owners comments are set out below:

KCR 0019 Safeguarding

Safeguarding (Eoin Rush)

“In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next quarter include, implementation of our local action plan in response to peer review, following the unannounced inspection of our contact, referral and assessment service, implementation of a new supervision policy for all children’s social care workers involved in child protection activity and improved case file auditing arrangements. The service will also be responding to the findings of the Ofsted safeguarding and looked after children inspection conducted in March 2012”

KCR 0022 Financial Pressures

Reduction in Revenue Budgets (Keith Best)

“The requirement to reduce revenue budgets by approximately 28% and a 45% reduction in capital funding over the 4 years of the Spending Review presents a challenging financial scenario for the council to manage. Whilst long term financial planning provides a key control, critical to the organisation being able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and through making difficult choices in the way services are delivered. Achievement of the savings will also require both a full commitment across the organisation and a robust approach to the ongoing monitoring of the savings programme.”

6. There has also been a reduction by one in the number of High key corporate risks from 14 to 13 following the removal of the risk in relation to the new Administrative Accommodation ‘Developers unable to meet the requirements of the development brief’ since the last monitor to A&G in December 2011:

Ageing Population – KCR 0018

- Increasing social care support costs (Graham Terry);
- Understanding & responding to the demands of an ageing population (Graham Terry).

Fairness & Inclusion – KCR 0015

- Vulnerable people are unable to access our services including employment opportunities (Pauline Stuchfield);
- Councillor's vision and expectations of a fair inclusive and customer-focussed organisation will not be realised (Sally Burns);
- We do not provide fair and inclusive customer-focused services (Sally Burns);
- Vulnerable staff are bullied, harassed and feel excluded (Sally Burns).

Financial Pressures – KCR 0022

- Savings identified beyond 2011/12 are not achieved (Keith Best);
- Reduced levels of economic development due to less investment in national & regional transport infrastructure (Richard Wood).

Waste Management Strategy – KCR 0003

- Delays to the project (Bill Woolley);
- Failure to secure planning consent on any of the selected sites (Bill Woolley).

Emergency Planning – KCR 0010

- Inability to respond to and assist in the recovery of city of York following a major incident (Richard Wood);
- Inability to continue to deliver services following a business disruption event (Richard Wood).

Capital Programme – KCR 0016

- Administration & Accommodation Review – Failure to discharge planning conditions (Ian Asher).

7. The appropriate risk owner from the relevant directorate can provide more detailed information, if it is required, in relation to any of the above risks.

Directorate Risks

8. The risk report in respect of ACE has been deferred at the request of the Director of ACE due to the current Ofsted inspection and will now be presented at A&G on 25 July 2012.

Options

9. Not applicable.

Council Plan 2011 - 2015

10. The effective consideration and management of risk within all of the council's business processes helps support achieving 'A confident collaborative organisation' and aid the successful delivery of the five priorities.

Implications

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

Risk Management

11. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendations

12. A&G are asked to:
 - a. Consider, comment and agree on the risks set out at paragraph 5 & 6 of this report;

- b. Approve the directorate risk reporting agenda set out at paragraph 3.

Reason

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

Reason

To ensure that directorates bring forward updated risk reports providing assurance that risk is being properly managed through 2012/13..

Contact Details

Author:

David Walker
Head of Financial
Procedures
Phone No. 01904 552261

Chief Officer Responsible for the report:

Keith Best
Assistant Director Customer and
Business Support Services (Finance)

**Report
Approved**



Date 21 March
2012

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Key Corporate Risk Monitor Three 2011/12.

Annexes - None

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