



## Notice of a public meeting of

### Audit & Governance Committee

<b>To:</b>	Councillors Cunningham-Cross (Chair), Barnes, Brooks (Vice-Chair), Burton, Cuthbertson, Steward and Watson
<b>Date:</b>	Wednesday, 17 April 2013
<b>Time:</b>	5.30 pm*
<b>Venue:</b>	Severus Room (FO32) West Offices, York

**\*Would Members of the Committee please note that there will be a training session on Information Governance held at 5.00pm (Prior to the commencement of the meeting at 5.30pm)**

### AGENDA

#### 1. **Declarations of Interest**

At this point, Members are asked to declare:

- Any personal interests not included on the Register of Interests
  - Any prejudicial interests or
  - Any disclosable pecuniary interests
- which they may have in respect of business on this agenda.

#### 2. **Minutes** (Pages 3 - 12)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 19 March 2013.

### **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 Tuesday 16 April 2013.**

### **4. Audit and Governance Committee Forward Plan (Pages 13 - 20)**

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2014.

### **5. Internal Audit, Counter Fraud and Information Governance Plan 2013/14 (Pages 21 - 42)**

This report seeks the Committee's approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2013/14.

### **6. Audit, Counter Fraud and Information Governance Monitoring Report (Pages 43 - 66)**

This report provides an update on progress made in delivering the internal audit work plan for 2012/13 and on current counter fraud and information governance activity.

### **7. Internal Audit Follow Up Report (Pages 67 - 72)**

This is the regular six monthly report to the Committee which sets out progress made by Council departments in implementing actions agreed as part of internal audit work.

### **8. Information Governance Strategy (Pages 73 - 84)**

This report informs Members about the Information Governance Strategy developed by the Council's Corporate Information Governance Group (CIGG) and progress in implementing the strategy discussed by the Committee on 13 February 2012.

### **9. Mazars Draft Audit Strategy Memorandum (Pages 85 - 112)**

This report presents the Mazars' Draft Audit Strategy for the year ended 31 March 2013.

## 10. Urgent Business

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

Democracy Officer:

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

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

Contact details are set out above.

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- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
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### **Scrutiny Committees**

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

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

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City of York Council

Committee Minutes

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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	19 MARCH 2013
PRESENT	COUNCILLORS CUNNINGHAM-CROSS (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON, STEWARD AND WATSON
IN ATTENDANCE	COUNCILLOR WARTERS

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**PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS****49. DECLARATIONS OF INTEREST**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. None were declared.

**50. MINUTES**

RESOLVED: That the minutes of the meeting of 13 February 2013 be approved and signed by the Chair as a correct record.

**51. PUBLIC PARTICIPATION/OTHER SPEAKERS**

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme, and that a Member of Council had also requested to speak.

Councillor Warters expressed concerns in respect of agenda item 8 – "Restricted Customer Contact Arrangements". He drew the Committee's attention to specific concerns regarding the proposed policy including the need to define "inappropriate", the circumstances in which he believed that it would be legitimate for a customer to send repeated emails to officers and the lack of Member involvement in the decision as to whether to restrict customer contact. He also expressed concern at paragraphs 12 and 13 which referred to contact with Elected Members. Councillor Warters stated that the proposed policy should be considered by Full Council.

Gwen Swinburn raised the following issues:

- Referring to agenda item 8 – “Restricted Customer Contact Arrangements”, she stated that there needed to be more consultation about the proposed policy and that an independent person should make the decision as to whether to restrict customer contact.
- Referring to agenda item 6 – “Verbal Update on Governance Issues”, she expressed concern that a written report had not been prepared in support of this item, as the lack of a report made it difficult for members of the public to comment.
- Ms Swinburn also expressed concern about an email that had been sent following the last committee meeting regarding her use of Twitter during the meeting. She stated that she had been very upset by the email and believed that she should have received an apology. She made Members aware that she would be using Twitter during the course of the meeting.

**52. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN TO DECEMBER 2013**

Consideration was given to a paper which presented the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2013.

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

**RESOLVED:** That the Committee’s Forward Plan for the period up to December 2013 be noted.

**REASON:** To ensure that the Committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the Council’s internal control environment.



**53. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE**

[See also Part B minute]

Members considered a report that sought their views on the draft annual report of the Audit and Governance Committee for the period ended 28 February 2013, prior to its submission to Full Council.

Members made the following comments on the draft annual report:

- It would be helpful to regroup the sections of the report to make the document more accessible.
- A summary paragraph should be included at the end of the report. This could include a reference to the work that the committee was carrying out to review its effectiveness and the progress that had been made to date.
- Some Members expressed concern that there was insufficient reference to issues in which the committee had not made the progress it would have wished, for example in appointing independent co-opted members and in developing its work in respect of risk assessment.
- Reference should be made to the committee's consideration of issues in respect of the revised arrangements for Cabinet Member Decision Sessions, as discussed at the meetings held on 13 February 2012 and 19 March 2012, subject to this falling within the time period covered by the report.

**RESOLVED:** That, subject to the inclusion of the comments outlined above, the report be approved for submission to Full Council. (The final wording of the report to be delegated to the Chair in consultation with the Director of Customer and Business Support).

**REASON:** To enable the committee to fulfil its role in providing assurance about the adequacy of the Council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

**54. VERBAL UPDATE ON GOVERNANCE ISSUES**

In response to issues raised at the last meeting, officers gave a verbal update on governance issues and the committee's role in these issues. Members were asked to consider ways in which the Committee could ensure that governance issues were given appropriate attention and were incorporated into the committee's workplan.

Officers drew attention to the Annual Governance Statement and the framework set by The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) entitled "Delivering Good Governance in Local Government". Officers stated that all of the key elements of the framework were in place but referred to the issues that had been identified for development in the last statement. The statement should be used to inform some of the committee's work. Consideration could also be given to including governance as a standard agenda item.

Members commented on the need for the committee to be proactive in looking at governance issues across the Council. It was suggested that the issues raised in respect of the committee's role in governance could be given further consideration when the committee's terms of reference were reviewed at the next meeting.

Members noted that The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 would have implications on some aspects of decision-making. They agreed that it was important that the committee received regular updates on new legislation and suggested that this could be incorporated into the committee's training sessions.

Referring to issues that had been raised at the last meeting under the public participation item, Members considered whether the committee could do more to promote transparency in decision making and to engage the public in this process. They acknowledged, however, that the committee was only one aspect of the council's governance and that the way in which business was managed was ultimately decided by Members. It was noted that a Community Engagement Task Group was

currently in place and may be a vehicle to progressing some of the issues raised.

**RESOLVED:** That officers prepare a report around the issues outlined above for consideration by the committee.

**REASON:** To ensure that governance issues are given appropriate attention and are incorporated into the committee's terms of reference and workplan.

**55. AUDIT AND GOVERNANCE COMMITTEE EFFECTIVENESS - ACTION PLAN**

Members considered a report that provided details of the action plan which had been prepared following the review of the committee's own effectiveness.

Members also noted the Training Needs Assessment, as attached at Annex 2 of the report. Officers reported on the issues that would be included on the training day arranged for 18 June 2013.

Consideration was given to the arrangements for the appointment of an independent member. It was agreed that approval of the job description/person specification be delegated to the Chair and Vice-Chair. The Chair, Vice-Chair and one officer would also shortlist and interview prospective independent members and make a recommendation to the committee.

**RESOLVED:**

- (i) That the action plan (as attached at Annex 1 of the report) be approved.
- (ii) That a panel comprising the chair, vice-chair and one officer shortlist and interview prospective independent members and make a recommendation to the Committee.

**REASONS:**

- (i) To ensure that the Audit and Governance Committee remains effective.

- (ii) To progress the appointment of an independent member to the committee.

**56. RESTRICTED CUSTOMER CONTACT ARRANGEMENTS**

Members considered a report that sought their views on formalising arrangements for restricting certain customer contacts. The proposed arrangements specified when it might be appropriate to restrict customer contact and set out what steps might be taken. It was noted that it was not a Council function to approve such a policy and that the policy was being presented to the committee for consultation.

Officers stressed that the occasions on which the arrangements may be put in place were extremely rare and that staff were used to dealing with individuals who were undergoing considerable stress at the time they needed to make contact with the council and which may affect their behaviour. It was, however, important that the Council had mechanisms in place to deal with these isolated incidents of outrageous behaviour in order that it could meet its duty of care to its employees. Details were also given of the arrangements that were in place for dealing with criminal behaviour, for example incidents of grossly offensive or threatening behaviour.

It was intended that any decision to restrict customer contact would be recorded on a confidential register and reviewed on an annual basis. It was envisaged that the use of such a restriction would occur only very rarely. The policy applied only to email contact and customers would still be able to contact the Council in other ways.

Discussion took place regarding paragraphs 12 and 13 of the policy, which referred to contact with Elected Members. It was noted that a decision to restrict email contact would impact on the customer's ability to make direct contact with their Councillor. In such instances, discussions would need to take place with ward councillors regarding the arrangements that it would be appropriate to put in place.

Members made the following comments on the proposed policy:

- Some Members raised concerns about restricting contact arrangements with persistent complainers, as there may be occasions when the customer had a valid issue to raise.

- There needed to be clearer definitions within the policy, for example detailing what type of conduct constituted “unacceptable behaviour”.
- Differing views were put forward as to whether there should be Member involvement in a decision to implement restricted contact. Some Members believed that the decision should be made by senior officers, as this was an operational matter and should not be politicised. Other Members suggested that the decision should be taken by a group comprising Members of all parties.
- Further consideration should be given as to whether the review of the restricted contact arrangements should be more frequently than annually.
- The decision as to whether to implement the policy should be taken by Cabinet rather than by officers.

RESOLVED: That the committee recommends that the decision as to whether or not to implement the Restricted Customer Contact Arrangements be made by Cabinet, taking into account the issues detailed above.

REASON: To ensure that the Council has clear arrangements in place to deal with restricting customer contact.

**57. CONSTITUTIONAL CHANGES RELATING TO PUBLIC HEALTH**

[See also Part B minute]

Members considered a report that recommended certain constitutional changes arising from the Council assuming public health responsibilities from 1 April 2013. In particular the Council would be required to have a Health and Wellbeing Board in place and become responsible for the appointment of Director of Public Health.

RESOLVED: That the Chief Executive be requested to ensure that the Council’s appointments to the Board are confirmed at the next Council meeting.

REASON: To ensure that the Board has been validly appointed.

**58. KEY CORPORATE RISK MONITOR 4**

Members considered a paper that presented an update on the council's key corporate risks and which highlighted in more detail emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

Members noted that one of the key risks to materialise since the quarter 3 paper was in relation to the Waste PFI. Officers were asked why the possibility of the withdrawal of funding had not been identified as a risk in the quarter 3 report. Officers stated that this was not a risk that had been identified, as PFI credits had been awarded when those for other schemes had been removed. There had been no indication that the situation was being reviewed and that the credits might be at risk.

Members considered the risks in respect of Adults, Children and Education (ACE), as attached at Annex B to the report. The report included risks in relation to the pressures in the Adult Social Care area which were also reported separately in the Key Corporate Risk monitor at KCR 0018 each quarter. An officer from the Directorate was in attendance and gave details of the risks outlined in Annex B and how these were being mitigated. Discussion took place regarding the following issues:

- Information security
- The implications of the Government's new approach to childcare
- School places and the pressures in particular areas of the city
- Agreeing a Fair Price for Care and the financial risks arising from challenges from the independent sector to the level of fees paid by the Local Authority for home care and residential and nursing care

Members suggested that it would be helpful if future reports better linked the directorate risks to the key corporate risks and included scores where possible.

Consideration was given to the issues identified at the recent Zurich Municipal Risk Management Services workshop, as detailed in paragraphs 14 to 16 of the report, including the suggestion that Risk Management Training should be offered to all Members.

- RESOLVED:
- (i) That the issues set out in the report be noted.
  - (ii) That the reimplementation of an annual risk management training course for Members be approved.
  - (iii) That the timetable for the directorate risk reports for 2013/14, as set out in paragraph 15 of the report, be approved.

- REASONS:
- (i) To provide assurance that the authority is effectively identifying and managing its key risks.
  - (ii) To provide assurance that Members are being properly trained on the council's risk management process.
  - (iii) To provide assurance that directorates are properly identifying and managing their risks.

## **PART B - MATTERS REFERRED TO COUNCIL**

### **59. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE**

[See also Part A minute]

RECOMMENDED: That Council endorse the Annual Report of the Audit and Governance Committee.

REASON: To enable the committee to fulfil its role in providing assurance about the adequacy of the Council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

### **60. CONSTITUTIONAL CHANGES RELATING TO PUBLIC HEALTH**

[See also Part A minute]

Members considered a report that recommended certain constitutional changes arising from the Council assuming public

health responsibilities from 1 April 2013. In particular the Council would be required to have a Health and Wellbeing Board in place and become responsible for the appointment of Director of Public Health.

RECOMMENDED: That Council make the appropriate constitutional amendments to formally set up a Health and Wellbeing Board and endorse the terms of reference as attached.

REASON: To ensure that the Council has made an appropriate response to the transfer of public health powers.

Councillor Cunningham-Cross, Chair  
[The meeting started at 5.00 pm and finished at 7.00 pm].





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**Audit and Governance Committee**17<sup>th</sup> April 2013

Report of the Director of CBSS

**Audit & Governance Committee Forward Plan to February 2014****Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2014.

**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. 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. There have been four amendments made to the forward plan since the previous version was presented to this Committee in March 2013.
4. The Scrutiny of the Treasury Management Annual Report 2012/13 and Review of Prudential indicators has been deferred from July to the September meeting.
5. The Review of Internal Audit terms of reference has been deferred to the June meeting.
6. The Review of the terms of reference of the Audit and Governance Committee and Review of the Council's Scrutiny Arrangements have been added to the Agenda for the June meeting.

### **Consultation**

7. 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**

8. Not relevant for the purpose of the report.

### **Analysis**

9. Not relevant for the purpose of the report.

### **Council Plan**

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

### **Implications**

11.
  - (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**

12. 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

13.

- (a) The Committee's Forward Plan for the period up to February 2014 be noted.

Reason

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

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

Reason

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

## Contact Details

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**Chief Officer Responsible for the report:**

Ian Floyd  
Director of CBSS  
Telephone: 01904 551100

**Report  
Approved**



**Date** 17/04/2013

## 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 2014

## **Audit & Governance Committee Draft Forward Plan to February 2014**

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

- **Committee 27<sup>th</sup> June 2013**

Review of effectiveness of Internal Audit

Review of the terms of reference of Internal Audit

Annual Report of the Head of Internal Audit

Draft Annual Governance Statement

Review of the terms of reference of the Audit and Governance Committee

Review of the Councils Scrutiny Arrangements

*Changes to the Constitution (if any)*

- **Committee 31<sup>st</sup> July 2013**

Draft Statement of Accounts 2012/13

Key Corporate Risk Monitor Quarter 1 (Including directorate risks)

Report to update on the Progress of Direct Payments

Mazars Progress Report

*Changes to the Constitution (if any)*

- **Committee 26th September 2013**

Final Statement of Accounts 2012/13

Scrutiny of the Treasury Management Annual Report 2012/13 and review of prudential indicators

Mazars Annual Governance Report 2012/13

Mazars Draft Annual Audit Letter 2012/13

Corporate Risk Monitor Quarter 2 (Including directorate risks)

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud Plan Progress Report

*Changes to the Constitution (if any)*

- **Committee 11<sup>th</sup> December 2013**

Key Corporate Risk Monitor Quarter 3 (Including directorate risks)

Annual Audit Letter – Mazars

Mazars Grant Claims report

2013/14 Review of the effectiveness of Internal Audit

Internal Audit & Fraud Plan Progress Report

Scrutiny of the Treasury Management Monitor 2 Report 2013/14  
and Review of Prudential Indicators

*Changes to the Constitution (if any)*

- **Committee 12<sup>th</sup> February 2014**

Key Corporate Risk Monitor Quarter 4 (including directorate risks)

2013/14 Review of the effectiveness of Internal Audit

Scrutiny of the Treasury Management Monitor 3 Report 2013/14  
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)*

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**Audit and Governance Committee****17 April 2013**Report of the Head of Internal Audit

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**Internal Audit, Counter Fraud & Information Governance Plan 2013/14**

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**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 2013/14.

**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.

**2013/14 Plan**

- 4 Annex 1 sets out the proposed internal audit, counter fraud, and information governance work for 2013/14. Total planned

days are 102 less than 2012/13. This reflects a cut in charges to the council.

- 5 The reduction of 102 days has been spread across internal audit, information governance and counter fraud services, to minimise the impact on service provision in each area.
- 6 As in recent years, 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. 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 2013/14 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:**

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#### **Chief Officer Responsible for the report:**

Ian Floyd  
Director of Customer and Business  
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**Report  
Approved**



**Date** 04/04/2013

### **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 – 2013/14 Internal Audit, Counter Fraud & Information Governance Plan

**CITY OF YORK COUNCIL  
INTERNAL AUDIT AND COUNTER FRAUD PLAN 2013/14**





**Annual Plan 2013/14**

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- 7 Information Governance
- 8 Other Chargeable Audit Work



**Annual Plan 2013/14**

**1. INTRODUCTION**

- 1.1 This plan sets out the proposed 2013/14 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. 2013/14 AUDIT PLAN**

- 2.1 The ongoing 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. The approach to audit planning for 2013/14 follows that adopted over the last few years by providing 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:



**Annual Plan 2013/14**

- direct support to change projects - to provide advice and challenge on controls being implemented or changed, and project governance
- 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 2013/14 plan are set out in sections 3 – 8 below.





## Annual Plan 2013/14

### 3. CORPORATE & CROSS CUTTING AUDITS

<u>Audit</u>	<u>Days</u>
<p><b>Annual Governance Statement &amp; Governance Support</b></p> <p>Advice and support on governance matters and support in preparing the council's annual governance statement.</p>	20
<p><b>Apprenticeships</b></p> <p>A review of the council's apprenticeship programmes to include controls in place to ensure consistent, high quality provision across the council.</p>	20
<p><b>Budget Savings</b></p> <p>The 2013/14 audit will consider the controls in place related to the planning, monitoring and achievement of agreed budget savings, and the effectiveness of arrangements to manage risks relating to the budget. This is a combination of audits previously undertaken separately related to budget setting, budget monitoring and efficiency and value for money.</p>	30
<p><b>Business Continuity</b></p> <p>A review of the council's revised business continuity arrangements following the major office moves during 2012/13.</p>	20
<p><b>Capital Accounting</b></p> <p>A review of systems and controls for recording and accounting for council assets. This will include review of the new capital accounting package being introduced.</p>	18
<p><b>Capital Programme</b></p> <p>A review of capital programme planning and monitoring arrangements.</p>	18



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

**Annual Plan 2013/14**

<b>Data Quality</b>	25
An audit of systems for capturing key performance data, to ensure information used for management of the organisation is robust.	
<b>Document Management</b>	20
A review of arrangements for the scanning and storage of documents at West Offices and Hazel Court.	
<b>Environment and Sustainability</b>	20
This will include assurance work in relation to the CRC energy efficiency scheme.	
<b>Health &amp; Safety</b>	25
A review of council arrangements for managing health and safety. The specific areas to be covered will be determined in consultation with officers but are likely to include the policies and procedures in place for home and lone working since this is an area that is likely to increase significantly following the recent office moves.	
<b>Information Security Checks</b>	15
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.	
<b>New HR System</b>	20
Assurance work and support and advice in relation to the new system.	
<b>Partnership Arrangements</b>	25
A review of partnership risk management and governance arrangements, and partnership funding.	



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

**Annual Plan 2013/14**

<b>Peer Review</b>	15
Provision to follow up any actions arising from the LGA peer review.	
<b>Procurement and Contract Management</b>	60
A review of the arrangements within the council for procuring goods and services. This will encompass a number of separate audits including individual reviews of specific procurement exercises and contract related issues. Priorities for audit will be determined in consultation with council officers during the year, but will include review of monitoring arrangements for social care contracts.	
<b>Risk Management</b>	15
A review of overall council risk management arrangements. The audit will follow up any issues arising from the current review being undertaken by Zurich.	
<b>Sickness/Absence Management</b>	16
A review of arrangements for managing attendance.	
<b>Staff Travel</b>	20
A review of staff travel arrangements across the council which will cover decision making processes, value for money considerations and the impact of the 2012/13 office moves.	
<b>TOTAL – Corporate &amp; Cross Cutting Audits</b>	<b>402</b>



## Annual Plan 2013/14

### 4. MAIN FINANCIAL SYSTEMS

<u>Audit</u>	<u>Days</u>
<p><b>Cashiers and Income Management</b></p> <p>A review of overall income management arrangements and the administrative processes for processing payments (e.g. cash handling controls and security). The audit will cover revised arrangements following the office moves / opening of West Offices.</p>	20
<p><b>Council Tax &amp; NNDR</b></p> <p>A review of the systems for calculating Council Tax and NNDR liabilities, and the collection, recording and processing of payments. The audit will include a review of any changes as a result of the localisation of NNDR collection and Leeds City Region Business Rates Pool.</p>	25
<p><b>Council Tax Support Scheme</b></p> <p>A review of the arrangements for administering the council tax support scheme, and crisis loans and community care grants.</p>	20
<p><b>Debtors</b></p> <p>A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements.</p>	20
<p><b>Housing Benefits</b></p> <p>A review of systems and processes for paying Housing Benefit.</p>	12
<p><b>Housing Rents</b></p> <p>Reviews of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.</p>	25



## Annual Plan 2013/14

<b>Main Accounting System</b>	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"> <li>• access and back up arrangements</li> <li>• the integrity and timeliness of data</li> <li>• the processing of journals and virements</li> <li>• reconciling control and suspense accounts</li> <li>• the creation and maintenance of the coding structure</li> <li>• feeder systems</li> <li>• year end processes.</li> </ul>	
<b>Ordering and Creditor Payments</b>	30
<p>A review of the systems for ordering goods and services and processing creditor invoices.</p>	
<b>Payroll</b>	30
<p>A review of payroll controls and processing.</p>	
<b>Procurement Cards</b>	10
<p>A review of the use of procurement cards across the council.</p>	
<b>Treasury Management &amp; Prudential Code</b>	8
<p>A healthcheck review of treasury management systems.</p>	
<b>VAT Accounting</b>	8
<p>A review of key controls to ensure compliance with VAT accounting requirements.</p>	
<b>TOTAL – Main Financial Systems</b>	<b>233</b>



## Annual Plan 2013/14

### 5. DIRECTORATE AUDITS

<u>Audit</u>	<u>Days</u>
<b>Amenity Funds</b>	5
Provision for independent examination of amenity fund records and procedures maintained by social care establishments.	
<b>CANS and CES – Charging for Private Works</b>	25
A review of policies and procedures in place for undertaking and charging for private works for individuals.	
<b>CANS and CES – Materials Usage and Disposal</b>	20
A review of procedures for accounting for material usage and the management of scrap and surplus materials.	
<b>CES – Development of Traded Services</b>	20
Support and advice in further developing traded services. Work may include specific value for money exercises and development of controls.	
<b>Children's Social Care Records</b>	10
Provision to provide support in relation to replacement of the RAISE system.	
<b>IT Audit</b>	20
The specific areas to be covered will be determined in consultation with officers but are likely to include the IT implications and related controls around home and remote working.	



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

Annual Plan 2013/14

<b>Major Project Support Work</b>	<b>60</b>
<p>Allocation of time to provide support and advice to council projects. This will include:</p> <ul style="list-style-type: none"> <li>• Community Stadium</li> <li>• Libraries</li> <li>• Warden Call</li> </ul>	
<b>Nursery Education Grants</b>	<b>20</b>
<p>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.</p>	
<b>Ordnance Lane</b>	<b>5</b>
<p>An establishment audit. This follows on from similar work undertaken at Howe Hill during 2012/13.</p>	
<b>Payments for Foster Care</b>	<b>20</b>
<p>A review of the new arrangements for payments to foster carers.</p>	
<b>Personalisation, Direct Payments, &amp; Individual Budgets</b>	<b>30</b>
<p>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. Audit work will include follow up of improvements made to monitoring the use of direct payments.</p>	
<b>Public Health</b>	<b>20</b>
<p>A review of procurement and commissioning arrangements and of systems in place surrounding the council's new responsibilities for Public Health.</p>	



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

**Annual Plan 2013/14**

**Schools** 120

A programme of visits to schools. The audits are undertaken in accordance with a detailed risk assessment. In addition, a themed audit around data security in schools will be undertaken in 2013/14.

**Social Care Establishments** 20

Establishment audits focussing on security and cash handling procedures following the introduction of new procedures during 2012/13.

**TOTAL – Directorate Audits** **395**





## Annual Plan 2013/14

### 6. COUNTER FRAUD & CORRUPTION

<u>Area</u>	<u>Days</u>
<b>Data Matching</b>	176
<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"> <li>• the National Fraud Initiative (NFI)</li> <li>• Housing Benefit Matching Service (HBMS) referrals</li> <li>• local data matching exercises.</li> </ul>	
<b>Fraud Awareness</b>	60
<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>	
<b>Fraud Detection and Investigation</b>	945
<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"> <li>• recording and risk assessing all referrals</li> <li>• investigation</li> <li>• application of sanctions, and progressing cases to prosecution where appropriate</li> <li>• liaison with the police, DWP and other agencies</li> <li>• proactive, targeted, counter fraud exercises</li> </ul>	



## City of York Council's Audit, Counter Fraud &amp; Information Governance Service

**Annual Plan 2013/14****Other Counter Fraud Related Work** 70

Provision to provide other counter fraud and corruption work including:

- 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****1,251**



## Annual Plan 2013/14

### 7. INFORMATION GOVERNANCE

<u>Area</u>	<u>Days</u>	
<p><b>Data Protection</b></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>	10	
<p><b>Freedom of Information</b></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>	70	
<p><b>Information Governance Framework</b></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>	140	
<p><b>TOTAL – Information Governance</b></p>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;"><b>220</b></td> </tr> </table>	<b>220</b>
<b>220</b>		



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

Annual Plan 2013/14

**8. OTHER CHARGEABLE AUDIT WORK**

<u>Area</u>	<u>Days</u>
<b>Audit and Governance Committee</b>	20
Provision to prepare reports for the Audit and Governance Committee and attend meetings.	
<b>Contingency Assignments</b>	90
Provision to undertake additional work in response to:	
<ul style="list-style-type: none"> <li>• specific requests from the Chief Finance Officer (S151 Officer), Audit and Governance Committee, or the Assistant Director Finance, Asset Management, And Procurement</li> <li>• new or previously unidentified risks which impact on Strategic Audit Plan priorities</li> <li>• significant changes in legislation, systems or service delivery arrangements</li> <li>• requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management</li> <li>• urgent or otherwise unplanned work arising from fraud investigations which identify potential control risks.</li> </ul>	
<b>External Audit Liaison</b>	5
Provision for regular liaison and information sharing with Mazars.	
<b>Follow Up Audits</b>	40
Provision to follow up previously agreed audit recommendations.	
<b>Strategic &amp; Annual Audit Plans</b>	20
Preparation and monitoring of strategic and annual audit plans.	



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

**Annual Plan 2013/14**

**Support, Advice & Liaison** 65

Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls and for the overall management of audit work in each department.

**TOTAL – Other Chargeable Audit Work** 240

**TOTAL CHARGEABLE DAYS 2013/14** 2,741

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**Audit and Governance Committee**

17 April 2013

Report of the Head of Internal Audit

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**Audit, Counter Fraud & Information Governance Monitoring Report**

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**Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2012/13 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 2012/13 audit and fraud plan was approved by the Audit and Governance Committee on 2 April 2012. The plan included a programme of audit reviews, together with details of planned counter fraud and information governance activities. This report provides an update on work undertaken against the approved plan.

**Internal Audit**

- 3 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 currently by the Code of Practice).
- 4 Internal audit successfully delivered 95.9% of the 2011/12 audit plan. To date, 75% of the 2012/13 audit plan has been completed (compared to 69% at this point last year). It is anticipated that the 93% target will be exceeded by the end of April 2013 (the cut off point for 2012/13 audits).

- 5 Details of the audits completed and reports issued since the last report to this committee in December 2012 are given in annex 1.
- 6 A number of variations to the audit plan have been approved by the Director of CBSS since the last monitoring report. Details of the variations are included 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 annual Information Governance Strategy report on this agenda includes an update on activity.

### **Breaches of Financial Regulations**

- 9 A number of breaches of the council's financial regulations have been identified during the course of recent audit work. Details of these breaches are summarised in annex 4.

### **Consultation**

- 10 Not relevant for the purpose of the report.

### **Options**

- 11 Not relevant for the purpose of the report.

### **Analysis**

- 12 Not relevant for the purpose of the report.

### **Council Plan**

- 13 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**

- 14 There are no implications to this report in relation to:



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

### **Risk Management Assessment**

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

### **Recommendation**

- 16 Members are asked to:
- (a) Note the progress made in delivering the 2012/13 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.*

### **Contact Details**

#### **Author:**

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#### **Chief Officer Responsible for the report:**

Ian Floyd  
Director of CBSS  
Telephone: 01904 551100

**Report  
Approved**



**Date** 04/04/13

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

- 2012/13 Internal Audit, Counter Fraud, and Information Governance Plan

**Annexes**

Annex 1 – 2012/13 Audits Completed and Reports Issued

Annex 2 – Variations to the Audit Plan

Annex 3 – Counter Fraud Activity

Annex 4 – Breaches of Financial Regulations

**AUDITS COMPLETED AND REPORTS ISSUED**

The following categories of opinion are used for audit reports.

<b>Opinion</b>	<b>Level of Assurance</b>
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.

<b><u>Priority</u></b>	<b><u>Long Definition</u></b>	<b><u>Short Definition – for use in Audit Reports</u></b>
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</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system</p>

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

effective control environment exists to minimise exposure to significant risks such as financial or other loss.

objectives, and which needs to be addressed by management.

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

3

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

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

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

### Draft Reports Issued

Sixteen 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:

<b>Opinion</b>	<b>Number</b>
High Assurance	3
Substantial Assurance	5
Moderate Assurance	2
Limited Assurance	0
No Assurance	0
Not given	6

### Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in December 2012. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

<b>Audit</b>	<b>Date Of Final Report</b>	<b>Opinion</b>	<b>Number of Agreed Actions</b>		<b>Work done / significant weaknesses / issues identified</b>
			<b>Total</b>	<b>Priority 1</b>	
Moving on up Project	03/12/2012	None given	0	0	The main purpose of this audit was to review the project plans for the move to the new West Offices in order to identify any concerns. In particular the migration plan

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					was analysed in order to identify any issues that could result in a delay to the project completion date. No specific issues were identified and based on the work undertaken there was nothing to indicate that the project was at risk of significant delay.
Milthorpe Secondary School	13/12/2012	Substantial Assurance	9	0	A schools audit. While a number of issues were identified, none represent significant weaknesses.
Staff Registers of Interests and Gifts and Hospitality	04/01/2013	Limited Assurance	5	0	<p>A review of controls in place for recording staff interest and any gifts offered to or received by staff. Key findings include the following.</p> <ul style="list-style-type: none"> <li>Guidelines issued as a result of a previous audit have not been integrated into the current guidance.</li> <li>Gifts have been both accepted and authorised against policy, which further reinforces the need for clear and up to date guidelines. There are fairly low levels of gifts and hospitality being recorded overall and no incidents of gifts being refused or returned</li> </ul>

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<p>which may indicate a failure to understand or follow guidelines.</p> <ul style="list-style-type: none"> <li>As a result of staff restructures and portfolio changes reminders have not been issued in all directorates, hence up to date declarations of interest are not held for some relevant staff.</li> </ul> <p>Actions to address these weakness have been agree with the relevant officers and will be followed up durii 2012/14.</p>
St Aelred's RC Primary School	10/01/2013	Substantial Assurance	8	0	A schools audit. No significant issues were identified.
St Oswald's CE Primary School	22/01/2013	High Assurance	4	0	A schools audit. No significant issues were identified.
Corporate Procurement	24/01/2013	Moderate Assurance	5	0	An audit of the work done to date in developing the council's procurement and commissioning strategy. Weaknesses identified include:



Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<ul style="list-style-type: none"> <li>• a lack of monitoring of compliance with corporate contracts</li> <li>• the absence of a formal procedure for reporting breaches of financial regulations identified by the procurement team</li> <li>• a need to ensure the procurement team liaise with service departments where procurement savings are included in the council's budget proposals.</li> </ul>
Marjorie Waite Court Meals Money	25/01/2013	None given	0	0	Following a request from the service manager, a review was undertaken of the procedures in place for recording and monitoring residents' meals money. While no formal actions were agreed, guidance was given and new procedures were agreed with the service manager.
Information Security Checks	29/01/2013	Limited Assurance	0	0	Information security checks were undertaken at various council offices to assess the extent to which confidential, personal or sensitive information is stored securely. Examples were found of sensitive documents

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<p>left out on desks or in unlocked cabinets. In many cases, secure storage was available but was not being used.</p> <p>No formal actions were agreed as the report was issued to the Corporate Information Governance Group to agree and communicate appropriate actions through the council. Further checks will be undertaken during 2013/14 at Hazel Court and West Offices to monitor progress.</p>
Fulford School	05/02/2013	High Assurance	1	0	A schools audit. No significant issues were identified.
Lakeside Primary School	06/02/2013	Substantial Assurance	7	0	A schools audit, no significant issues were identified.
Yearsley Grove Primary school	18/02/2013	Substantial Assurance	7	0	A schools audit. No significant issues were identified.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Cashiers/ Transactional Services	18/03/2013	High Assurance	0	0	An audit of the cashiers and income management systems at the council. No issues were identified.

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## VARIATIONS TO THE 2012/13 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 Director of CBSS. Any significant variations will then be communicated to the Audit and Governance Committee for information.

### 2012/13 Audit Plan Variations

The following variations have been approved by the Director of CBSS since the last report to this committee. They represent a net allocation of 70 days from the audit contingency and do not affect the overall planned audit days.

Audit	Days	Reason For Variation
<b>Additions to the Audit Plan</b>		
Marjorie Waite Court	3	To support development of procedures for dealing with meals money at Marjorie Waite Court following a request from the service manager.
Procurement Cards	8	Additional allocation of time required for audit. Significant issues identified and non-compliance with current policies meant that the work took longer than originally anticipated.
Move to West Offices	20	Adjustment for the impact of the move to West Offices on audit work, for example additional pressure on individual audit budgets due to services' moving.
Staff Taxi Travel	2	A follow up of changes made since the 2011/12 audit of staff use of taxis, requested by the Officer Governance Group.
Audit Investigations	37	Allocation of time to undertake a number of audit investigations.
	<b>70</b>	

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**COUNTER FRAUD ACTIVITY 2012/13**

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed to date. The indicators include the full range of counter fraud work undertaken.

	<b>2012/13 (as at 28/02/13)</b>	<b>2012/13 (Target: Full Yr)</b>	<b>2011/12 (Actual: Full Yr)</b>
% 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).	44%	30%	38%
Number of investigations completed	273	320	335

**Caseload figures for the period are:**

	<b>As at 1/4/12</b>	<b>As at 28/02/13</b>
Awaiting allocation	68	24
Under investigation	195	131

**Summary of counter fraud activity:**

<b>Activity</b>	<b>Work Completed or in Progress</b>
Data Matching	<p>A total of 9,600 data matches have been received from the Audit Commission as part of the National Fraud Initiative. 2,000 of these matches have been categorised as recommended matches. Work has begun to investigate these matches.</p> <p>Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team has received 1,831 HBMS referrals this year. HBMS referrals have resulted in 3 benefit fraud prosecutions and 6 sanctions to date in 2012/13.</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"> <li>• Benefit Fraud - 18 people have been prosecuted for benefit fraud offences and a further 13 have received formal sanctions (cautions and administrative penalties). Benefits have been corrected in a further 61 cases.</li> <li>• Housing Fraud – working in conjunction with housing officers, 21 properties have been recovered in 2012/13. Over the past year one in every three investigations resulted in the return of a property. In addition, 2 properties were prevented from being let where the prospective tenants had provided fraudulent information in their housing applications. There are 40 current investigations in this area. City of York Council successfully prosecuted a</li> </ul>

<b>Activity</b>	<b>Work Completed or in Progress</b>
	<p>tenant for subletting last summer. This was only the third such prosecution of this type in the country.</p> <ul style="list-style-type: none"> <li>• Internal Fraud - the team has received 14 referrals for internal frauds in 12/13. 7 are currently under investigation.</li> <li>• Social Care Fraud – fraud awareness has been delivered to frontline staff and processes setup for the referral of cases where abuse of the system is suspected. There are currently 11 ongoing investigations in this area.</li> <li>• Blue Badge Fraud – fraud awareness has been undertaken with relevant staff. In October the council prosecuted a member of the public for offences under the Road Traffic Act.</li> <li>• Council Tax Fraud – there are three ongoing investigations into criminal offences relating to the evasion of council tax.</li> </ul>

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**ANNEX 4****SUMMARY OF BREACHES OF FINANCIAL REGULATIONS  
IDENTIFIED DURING INTERNAL AUDIT WORK COMPLETED  
IN THE PERIOD**

<b>Description of Breach</b>	<b>Instances</b>
Failure to report breaches of Financial Regulations	2
Failure to adequately maintain an inventory	3
Failure to bank income promptly	2
Failure to manage contracts	1

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**Audit and Governance Committee**

17 April 2013

Report of the Head of Internal Audit

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**Internal Audit Follow Up Report**

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**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.

**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 that 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 28 February 2013.

**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 115 actions have been followed up since the last report to this committee in September 2012. 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	4
2	36
3	75
<b>Total</b>	<b>115</b>

\* 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	CES	CANS	ACE	CBSS
1	0	0	0	1	3
2	0	3	4	8	21
3	0	7	4	47	17
<b>Total</b>	<b>0</b>	<b>10</b>	<b>8</b>	<b>56</b>	<b>41</b>

- 7 Of the 115 agreed actions, 84 (73%) had been satisfactorily implemented and 5 (4%) were no longer needed<sup>1</sup>.
- 8 In a further 25 cases (22%) 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). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the

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



escalation procedure. Figure 3 below shows the priority of these actions.

*Figure 3: priorities of actions with revised dates*

<b>Priority of actions</b>	<b>Number of actions with a revised implementation date</b>
1	3
2	9
3	13
<b>Total</b>	<b>25</b>

- 9 In one case (1%) no suitable action had been taken by the responsible officer to address the issue raised. This action was escalated in March 2012 and full re-testing of the relevant issue is currently being undertaken to establish whether an acceptable control environment is now in place.
- 10 There are 33 actions where the final report has been issued but the actions have not yet been followed up.

### **Conclusions**

- 11 The follow up testing undertaken confirms that in general good progress has been made by council departments to rectify weaknesses in control identified through internal audit work. This is an ongoing process and progress in implementing agreed actions will continue to be monitored and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee at this time.

### **Options**

- 12 Not relevant for the purpose of the report.

### **Analysis**

- 13 Not relevant for the purpose of the report.

### **Corporate Priorities**

- 14 The work of internal audit supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

### **Implications**

- 15 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**

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

### **Recommendations**

- 17 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)

#### Reason

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

**Contact Details**

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**Chief Officer Responsible for the report:**

Ian Floyd  
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**Report  
Approved**



**Date** 04/04/2013

**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

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## **Audit and Governance Committee**

17 April 2013

Report of the Senior Information Risk Owner

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## **Information Governance Strategy**

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### **Summary**

- 1 The purpose of the report is to inform Members about the Information Governance Strategy developed by the council's Corporate Information Governance Group (CIGG) and progress in implementing the strategy discussed by the committee on 13 February 2012.

### **Background**

- 2 Information is a key asset which enables the council to deliver high quality services. However, there are responsibilities in maintaining such information and significant risks if proper standards and procedures are not adhered to. This paper summarises the responsibilities and risks, and progress in implementing the strategy the council has adopted to ensure robust information governance arrangements are developed.

### **Responsibilities & Risks**

- 3 Recent years have seen an increased volume of legislation affecting public sector use and maintenance of information, including the Freedom of Information Act and the Data Protection Act. Current government initiatives are also aimed at encouraging public access to data held by public bodies and this is likely to increase the exposure of the council if its information governance systems fail to meet required standards.

### **Data Breaches**

- 4 Thus far the largest fine levied by the Information Commissioner has been against Brighton and Sussex

University Hospital NHS Trust who were fined £325,000 for loss of patient data. In the last year several local authorities have been fined by the Information Commissioner following breaches of the Data Protection Act. Some of the high profile cases include:

- Telford and Wrekin Council - £90,000 fine for the disclosure of confidential and sensitive personal data relating to four vulnerable children.
- The London Borough of Barnet – fined £70,000 as a result of losing paper records containing highly sensitive and confidential information, including the names, addresses, dates of birth and details of the sexual activities of 15 vulnerable children or young people. The loss occurred when a social worker took the paper records home to work on them out of hours. The social worker's home was burgled and a laptop bag, containing the records and an encrypted computer, was stolen.
- Scottish Borders Council - £250,000 fine after former employees' pension records were found in an over-filled paper recycle bank in a supermarket car park. The Council employed an outside company to digitise the records, but failed to seek appropriate guarantees on how the personal data would be kept secure.
- Stoke-on-Trent City Council - £120,000 fine following an incident in which unencrypted sensitive information about a child protection legal case was emailed to the wrong person. This followed a similar breach in 2010.
- Plymouth City Council - £60,000 fine when the details of a child neglect case were sent to the wrong recipient..
- Leeds City Council - £95,000 fine when sensitive personal details about a child in care was sent to the wrong person, revealing details of a criminal offence, school attendance and information about the child's relationship with their mother.
- Devon County Council - £90,000 fine when a social worker used a previous report as a template for an adoption panel report they were writing, but a copy of the old report was sent out instead of the new one. The mistake revealed personal data of 22 people, including details of alleged criminal offences, extended family details, religion and mental and physical health.

- London Borough of Lewisham - £70,000 fine when, a social worker left sensitive documents in a plastic shopping bag on a train, after taking them home to work on. The files, which were later, recovered from the rail company's lost property office, included GP and police reports and allegations of sexual abuse and neglect.
- 5 In April 2011, City of York Council was required to sign an undertaking by the Information Commissioner following the inappropriate disclosure of an individual's personal data. This occurred as a result of information being erroneously included with documentation sent to an unrelated third party. While this breach did not result in a fine, it is likely that any further serious breach would.
  - 6 Members will also be aware of the recent press reports concerning the loss of a number of files containing completed housing application forms. This incident is currently under investigation and CYC has reported the matter to the Information Commissioner's Office, who have initiated their own investigation.
  - 7 Based on fines levied by the Information Commissioner so far, there is a pattern of escalating levels of fines, particularly where further breaches are identified following the signing of an undertaking. The maximum level of fine which the Information Commissioner can impose is currently £500,000, however if current EU proposals are implemented, this could rise to 5% of turnover.

### **Strategy**

- 8 A copy of the information governance strategy agreed by the committee last year is attached at Annex 1. The strategy is based on a framework for information governance developed by the Cabinet Office. The framework defines five levels of maturity for information governance arrangements. Achievement at level one should be sufficient to ensure the council meets legal requirements. An action plan has been drawn up to ensure the council improves procedures where necessary to meet this level. It is intended to build on this over a number of years to meet higher levels of the framework. Details of initial actions required are set out in table 1 below.

*Table 1: Action to meet level 1 of Information Maturity Model*

<b>Action</b>	<b>Current Position</b>
Review the role of the Corporate Information Governance Group (CIGG) and re-launch	Revised terms of reference drafted and agreed by CIGG and the SIRO
Members of CIGG to attend training	Most members attended the joint training session with NYCC members in late 2011. Refresher training is planned for 2013.
New starters to CYC to have induction training covering Data Security	Specific training is currently covered as part of Directorate induction. Generic data security training in draft.
Promote data security awareness across the council using both Directorate communications and Colin	<p>A regular series of Shout communications has been timetables and Shouts appear regularly on Colin</p> <p>Ongoing discussions are being held with key information asset owners to raise awareness and tailor the DP message to the needs to individual business areas.</p> <p>CYC has recently purchased the Metacompliance software to deliver training. This is currently being populated with training material.</p>
Business Continuity Plans to be reviewed following the move to the new HQ	Encrypted laptops are being introduced and ICT are developing new BCPs for the new offices.



Action	Current Position
Review data sharing policy	Individual Directorates have their own arrangements. Veritau's Information Governance Team (IGT) are in ongoing discussions with key information asset owners to ensure data sharing policies are effective.
Complete Information Asset Registers for each Directorate	In progress. IGT is working with Directorates to identify and record their information assets.
Develop a document retention and destruction policy	This is being developed as part of the records management policy recently agreed by CIGG
Data security policies to be developed to guide home workers and staff hot desking	This is currently being developed by ICT and IGT in relation both to home workers and bring your own device initiative.

### Consultation

- 9 Not relevant for the purpose of the report.

### Options

- 10 Not relevant for the purpose of the report.

### Analysis

- 11 Not relevant for the purpose of the report.

### Council Plan

- 12 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does.

## **Implications**

13 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**

14 The council will fail to properly comply with the undertakings given to the Information Commissioner in April 2011 and will be exposed to the risk of a significant financial penalty should a further data security breach occur. In addition, a further breach of sensitive data could undermine public faith in the council's ability to deliver services to the public.

## **Recommendation**

15 Members are asked to;

- note 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 committee's responsibility to consider reports dealing with governance matters.*

**Contact Details**

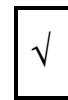
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**Chief Officer Responsible for the report:**

Ian Floyd  
Senior Information Risk Owner  
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**Report  
Approved**



**Date**

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

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## Corporate Information Governance Group

### Level 1 Information Maturity Model Action Plan

Ref	High Level Action	Ref	Action and Current Position	By	Date	RAG
1	Promulgate top level policy statement <ul style="list-style-type: none"> <li>Publish Information Charter</li> </ul>	a	Review and update Information Charter – ensure it aligns to the IAMM	RP	06/13	I/P
		b	Obtain CMT approval for Charter	IF	08/13	
		c	Develop comprehensive list of Information Governance policies	RP/RB	08/13	
2	Senior commitment to Information Assurance <ul style="list-style-type: none"> <li>Appoint Senior Information Risk Owner (SIRO)</li> <li>Report to Main Board regularly</li> <li>Provide assurance to Audit Committee on annual basis</li> </ul>		<i>SIRO appointed and sits on Main Board. Reports to CMT and Audit Committee as part of annual reporting cycle.</i>		✓	I/P
		a	Annual progress report to CMT	IF	04/13	
		b	Annual assurance report to Audit Committee	RP	04/13	
		c	Develop assurance mechanism to support SIRO assurance report	RP	10/13	
3	Appoint Information Asset Owners (IAOs) for each key group of information assets		<i>Information Asset Groups identified and communications established. 50 key IAOs used as basis for communication</i>		✓	I/P
		a	Continue ongoing awareness training of the key “50” information asset owners	RB	Ongoing	
		b	Review information asset registers and ensure “fit for purpose”	RB	Ongoing	
4	Develop reporting mechanism to provide assurance to SIRO <ul style="list-style-type: none"> <li>Breach reporting and investigating system</li> <li>IAO assurance to SIRO</li> <li>Compliance review</li> </ul>	a	Review and update Data Breach reporting mechanism	RP	06/13	I/P
		b	Develop assurance mechanism for IAOs to feed into DIGCs and annual assurance as part of SIC (see 2c)	RB	10/13	
		c	Carry out reviews of adherence to Data Breach policy as part of audit programme - Included in audit programme 13/14	RP	✓	
		d	Carry out QA reviews of FoI cases and report to CIGG quarterly	RB	Ongoing	
		e	Develop and implement file management standards to ensure compliance with Legal Admissibility Code of Practice	PH	10/13	
		f	Carry out compliance reviews of adherence to LA Code of Practice. Report annually to CIGG and include in annual assurance to Audit	PH/RP	04/14	

Ref	High Level Action	Ref	Action and Current Position	By	Date	RAG
			Committee			
5	Carry out annual risk awareness training for those with access to personal data <ul style="list-style-type: none"> <li>Identify groups of staff and their training needs</li> <li>Develop training packs for different groups</li> <li>Deliver selected training</li> <li>Monitor delivery of training</li> </ul>	a	Continue Shout campaign – include findings from internal audit visits in campaign	RP/RB	Ongoing	I/P
		b	Conduct spot checks of compliance with security in West offices	RP	Ongoing	
		c	Develop and implement Metacompliance	RP/RG	06/13	
		d	Identify training needs of different groups of staff	DIGCs	06/13	
6	Develop data sharing protocols with 3 <sup>rd</sup> party suppliers & delivery partners <ul style="list-style-type: none"> <li>Identify groups, exposure and needs</li> <li>Develop appropriate awareness information packs</li> <li>Ensure requirement is included in contracts</li> <li>Deliver training where appropriate</li> </ul>	a	Ensure robust data sharing protocols exists with partners operating from the new CYC offices	RB	05/13	I/P
		b	Review CYC arrangements against NHS data sharing standards	RB	05/13	
		c	Identify and review all partnerships to ensure protocols are in place	RB	06/13	
7	Develop Information Risk Policy <ul style="list-style-type: none"> <li>Define information risk appetite</li> <li>Agree classification scheme for records</li> <li>Communicate scheme to staff</li> <li>Monitor compliance</li> </ul>		<i>Classification scheme in place and communicated to staff via Colin</i>		✓	I/P
		a	Conduct QA reviews of Information Asset registers and application of classification scheme	RB	10/13	
		b	Develop and implement records management policy	PH	11/13	
		c	Implement Legal Admissibility policy	PH	11/13	
		d	Develop assurance mechanism for BS 10008	RP/PH	10/13	
8	Develop Information Risk Register <ul style="list-style-type: none"> <li>Register monitored regularly</li> <li>Highest risks fed into corporate risk register</li> <li>IAOs and IMs identified in Information Risk Registers</li> </ul>	a	Develop Information risk register	RP/ RB	07/13	I/P
		b	Ensure key DP risks are considered as part of business risk register for CYC	RP	07/13	
9	Information Security <ul style="list-style-type: none"> <li>Develop Information Security Policy covering both IT and non IT based data</li> <li>IT Security Officer appointed</li> <li>Access to and use of sensitive data monitored</li> </ul>	a	Develop policy for home working and bring your own devices	RG	06/13	I/P
		b	Submit BYOD and Home Working policies to CIGG and CMT for approval	RG	08/13	
		c	Review arrangements for IT security compliance monitoring	RP	08/13	
		d	Monitor EDRMS Info Gov security arrangements	CIGG	Ongoing	
10	Data/Information Transparency	a	Review Compliance with Code of Practice – Self Assessment	CIGG	08/13	I/P



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**Audit and Governance Committee**

17th April 2013

Report of the Director of Customer and Business Support Services

**Mazars Draft Audit Strategy Memorandum Year ended 31<sup>st</sup> March 2013****Summary**

1. This report presents the Mazars Draft Audit Strategy for the year ended 31<sup>st</sup> March 2013 which is attached as the annex to this report.

**Background**

2. The Plan sets out the proposed Audit Approach to be conducted by the District Auditor for the external audit of City of York Council for the year ending 31<sup>st</sup> March 2013. The Plan sets out how Mazars will:
  - Form and express an opinion on the financial statements
  - Reach a conclusion on the arrangements in place to secure economy, efficiency and effectiveness in the use of resources (The Value for Money Conclusion)
  - Report on the consistency of the Whole Government Accounts L-Pack with the audited financial statements
  - Certify prescribed grant claims
3. The fees for this work remain as notified to the Committee in December 2012 - £134,406 for Audit work and £20,950 for certification work.
4. The Report also sets out the proposed Audit team for 2012/13 along with the Audit Timeline setting out the timing of key phases in the audit work.

**Consultation**

5. 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**

6. Not relevant for the purpose of the report.

### **Analysis**

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

### **Corporate Priorities**

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

### **Implications**

9.

(a) **Financial** – The fees can be contained within the 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**

10. 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**

11. Members are asked to:

a) consider the matters set out in the Audit Strategy Memorandum 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**

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**Chief Officer Responsible for the report:**

Ian Floyd  
Director of CBSS  
Telephone: 01904 551100

**Report  
Approved**



**Date** 17<sup>th</sup> April 2013

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annexes**

Mazars Draft Audit Strategy Memorandum Year ended 31<sup>st</sup> March 2013

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City of York Council

Draft Audit Strategy Memorandum  
Year ended 31 March 2013

February 2013

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*Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*



## 1. Purpose of this document

This document sets out our audit plan in respect of the external audit of City of York Council for the year ending 31 March 2013. This document forms the basis for discussion with those charged with governance (the Audit and Governance Committee).

The Plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of elected members and those charged with governance include overseeing the strategic direction of the entity and discharging obligations related to the accountability of the entity, including overseeing the financial reporting process. Our communication with you is important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of the auditor and those charged with governance;
- Sharing information to assist both the auditor and those charged with governance to fulfil their respective responsibilities;
- Providing to those charged with governance constructive observations arising from the audit process; and
- Ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of the attitude and views of those charged with governance of the internal and external operational, financial, compliance and other risks facing the Council which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

## 2. Scope of engagement

We have been appointed by the Audit Commission to perform the external audit of City of York Council for the year to 31 March 2013. The scope of our engagement is set out in the Audit Commission's Code of Audit Practice for Local Government bodies.

## 3. Respective responsibilities

The Audit Commission's Statement of Responsibilities sets out our respective responsibilities as the auditor and the audited body, and the Audit Commission has issued a copy of the Statement to you. It summarises where the different responsibilities of auditors and of the audited body begin and end and we undertake our audit work to meet these responsibilities.

We comply with the statutory requirements governing audit work, in particular the Audit Commission Act 1998, and the Code of Audit Practice for Local Government bodies. As external auditors to City of York Council, we are responsible for forming and expressing an opinion on the financial statements and reaching a conclusion on the arrangements you have put in place to secure economy, efficiency and effectiveness in the use of your resources (the Value for Money conclusion).

We are also required to report on the consistency of your Whole Government Accounts L-Pack with the audited financial statements and to certify prescribed grant claims.



Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

## 4. Independence

We have policies and procedures in place to ensure that we carry out our work with integrity, objectivity and independence. If at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Steve Nicklin, your engagement lead.

We are required by the Audit and Assurance Council (previously the Auditing Practices Board - APB), which has issued ethical standards for auditors, to confirm we have complied with relevant ethical standards requirements regarding independence. This is to ensure our objectivity and independence is maintained. Further information on ethical standards for auditors is set out in Appendix 1.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

## 5. Our audit approach

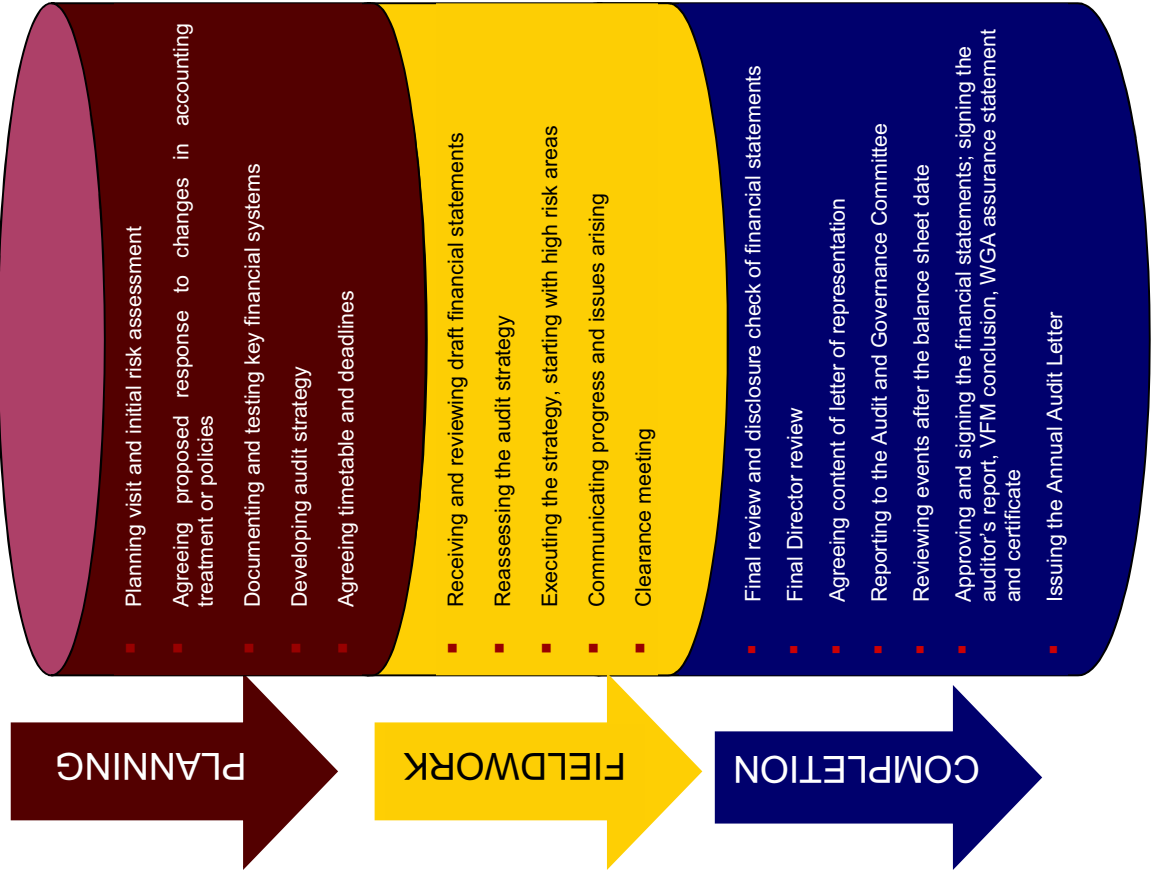
Our audit approach is designed to provide you with an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Audit and Assurance Council (previously the APB). Our work is focussed on those aspects of your business which we consider to have a higher risk of material misstatement such as judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past. How we define materiality is set out in Appendix 2.

We raise and discuss these with you on a regular basis, not just at the time of the audit fieldwork. We shall expect to obtain appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom and will use a combination of controls and substantive testing procedures as appropriate.

We plan our audit to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements. We will consider the control procedures in place to prevent and detect fraud, whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our procedures accordingly. We also plan our audit to negate the risk of management over-riding controls by testing year end journal entries and the major judgements and estimates made.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Key stages of the audit are set out on the following page:



## 6. Reliance on experts

We plan to place reliance on the following work of experts.

Area	Expert engaged by: You	Ourselves
PPE entries and disclosures	In-house valuer	Gerald Eve has been appointed by the Audit Commission to review national valuation trends. We will use this report to consider the reasonableness of valuation outputs.  We will also seek direct confirmation from the Council's valuer in relation to his qualifications and experience, and the scope of his work. We will review and if necessary challenge the basis of the valuations made.
Retirement benefits fund entries and disclosures	North Yorkshire Pension Fund actuary (Mercers)	The Audit Commission will engage actuarial specialists to review the work of all actuaries involved in pension fund work.

## 7. Reliance on internal audit

We meet regularly with internal audit to discuss the progress and findings of our respective audit work, and we co-operate where possible to avoid duplication and unnecessary cost.

Where Internal Audit work has been completed which is relevant to our responsibilities, we will evaluate the nature, timing and scope of the testing carried out, then perform our own audit review to determine its adequacy for our purposes.

## 8. Reliance on other auditors

We plan to place reliance on the work of another auditor, namely the auditor of the Pension Fund, Deloitte LLP. We have already agreed a work programme and timetable for the receipt of information with Deloitte LLP.

## 9. Service organisations

We have not identified any material entries in your financial statements where the Council is dependent on an external organisation.

## 10. Significant events during the year impacting the audit

A key challenge for all local authorities is to reprioritise spending plans and maximise efficiency savings in the light of government funding

reductions. In 2012/13 City of York Council aims to deliver a balanced budget within the context of:

- a £20m reduction in funding following the 2010 spending review ; and
- maintaining balances at the current level - £13m – approved by members.

Other key priorities for 2012/13 are to:

- relocate all staff to either West Offices or Hazel Court; and
- reconfigure delivery of adult social care services.

## 11. Significant risks and key judgement areas

We have met with senior management, and the Council's central finance team, as part of the audit planning process. During these meetings we discussed the risks that, in the Council's opinion, you are likely to face. We have then considered the impact on our audit risk.

Set out below are the audit risks and the areas of management judgement to which we will pay particular attention in order to reduce the risk of material misstatement in the financial statements.

Significant audit risks	How we will address this risk
<p><b>Management override of controls</b></p> <p>The International Standards on auditing (ISAs) presume that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding internal controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, there is an inherent risk of financial misreporting due to fraud which represents a significant risk on all audits.</p>	<p>We have updated our understanding and evaluation of internal control procedures as part of our audit planning, including completion of a fraud risk assessment.</p> <p>As part of our audit, we will review the Council's closedown processes and seek written assurances from the Audit and Governance Committee and from management on the controls and arrangements in place for assessing the risk of fraud and financial misreporting, and for identifying, responding to and reporting fraud.</p> <p>Our testing strategy will include general ledger journal testing coupled with consideration and review of:</p> <ul style="list-style-type: none"> <li>• key accounting policies;</li> <li>• material accounting estimates;</li> <li>• use of management judgement; and</li> <li>• any unusual or individually significant business transactions.</li> </ul>

Significant audit risks	How we will address this risk
<p><b>Revenue and expenditure recognition</b></p> <p>There is a presumption under the ISAs of significant risk in relation to the timing of revenue recognition and in relation to judgements made by management as to whether income not yet received has been earned, and whether any clawback provisions apply. For public sector organisation the same risk applies to the recognition of expenditure and contractual obligations.</p> <p>Therefore, income may be artificially inflated, or expenditure suppressed, to improve the reported financial position at the year end.</p>	<p>We will evaluate the closedown processes you have in place to ensure revenue and expenditure is recognised in the correct period. We will then:</p> <ul style="list-style-type: none"> <li>• undertake cut off testing on transactions around the year end;</li> <li>• sample test income and expenditure transactions;</li> <li>• sample test year end debtors, creditors, accruals and provisions;</li> <li>• reperform year end bank and feeder system reconciliations; and</li> <li>• agree government funding levels and review any ring-fencing or clawback arrangements in place.</li> </ul>
<p><b>Retirement benefits entries and disclosures (IAS19)</b></p> <p>The financial statements contain material entries and disclosures in respect of retirement benefits. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions.</p> <p>This results in an increased risk of material misstatement., which we treat as a significant risk for audit purposes.</p>	<p>We will discuss any significant changes to pension scheme membership, contribution rates and actuarial assumptions prior to the preparation of the financial statements.</p> <p>We will then assess whether IAS19 accounting entries are consistent with information provided by the Council's actuary (Mercers), and meet Code requirements. We will also:</p> <ul style="list-style-type: none"> <li>• consider any issues highlighted by the external auditor of North Yorkshire LGPF which are relevant to our own audit work; and</li> <li>• consider the reasonableness of the actuary's (Mercers') output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission.</li> </ul>

<p><b>Significant audit risks</b></p> <p><b>Property, Plant and Equipment</b></p> <p>The financial statements contain entries and disclosures in respect of property, plant and equipment, investment and heritage assets which are material both individually and in aggregate. These entries are inherently complex in terms of accounting requirements, and based upon a combination of estimates, judgements, and specialist valuations relating for example to categorisation, impairments and asset life.</p> <p>The Council has implemented a new fixed asset register system during the year which will underpin these balances and transactions within the accounts.</p>	<p><b>How we will address this risk</b></p> <p>We will evaluate the management controls you have in place to ensure new systems have been implemented appropriately. We will then:</p> <ul style="list-style-type: none"> <li>• document, review and sample test fixed asset records;</li> <li>• test the integrity of opening balances and other data transfers;</li> <li>• ensure that major acquisitions and disposals have been properly approved by members;</li> <li>• ensure that accounting records are supported by valuations on the correct basis as set out in relevant guidance; and</li> <li>• ensure that accounting treatments and disclosures meet Code requirements.</li> </ul>
<p><b>Areas of management judgement</b></p> <p><b>Group Accounts</b></p> <p>The Council has a number of interests in joint ventures, partnerships and limited companies, but is not proposing to prepare group accounts as it believes that the value of these interests is not significant, either individually or in aggregate, in the overall context of the 2012/13 financial statements.</p>	<p><b>How we will address this judgement</b></p> <p>We will review and if necessary challenge the basis of your judgement that group accounts are not required, having regard to Code group accounting requirements.</p>



Areas of management judgement	How we will address this judgement
<p><b>Equal pay claims</b></p> <p>This is a significant legal issue for a number of local councils nationally, and the recent “Birmingham” judgement indicates that both the scope of potential exposure, and the time limit for claims, may be greater than previously anticipated</p>	<p>We will request that officers carry out a detailed assessment of their exposure to equal pay claims in the light of the recent “Birmingham” judgement, and the financial implications for 2012/13 financial statements in terms of provisions and contingent liabilities. Where necessary we will challenge this assertion, and may request specific written representations from management in this respect.</p>
<p><b>Property Plant and Equipment</b></p> <p>This is an area of the accounts where management exercise judgement in a number of important respects, including:</p> <ul style="list-style-type: none"> <li>• Assessment of assets’ useful lives and depreciation policies</li> <li>• Impairment reviews and cyclical revaluations</li> <li>• Componentisation, repair and maintenance and replacement policies</li> </ul> <p>These judgements and estimations are likely to have a material impact not just on balances and transactions in the current year but also on opening balances and prior periods’ accounts.</p>	<p>We will challenge the reasonableness of judgements made by management, and the consistency with which they have been applied. Where necessary we will request specific written representations from management, and review the supporting information which underpins them. We will also consider whether the accounting treatment adopted in respect of 2012/13 accounts and any prior period adjustments are consistent with the judgement made, and whether Code requirements have been met.</p>

## 12. Value for money

We are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of your resources. Our work is based on two criteria specified by the Audit Commission, namely:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and the need to improve productivity and efficiency.

The Audit Commission has identified a number of sector specific risk factors likely to apply to all local authorities in the current economic climate and these are published on their website at [www.audit-commission.com/audit-regime/value-for-money-conclusion](http://www.audit-commission.com/audit-regime/value-for-money-conclusion). We are required to undertake an initial risk assessment and then carry out any further work we deem appropriate, relying where possible on any relevant regulatory or inspection activity carried out by other agencies. Our work will therefore be directed towards meeting these responsibilities and requirements, as set out below:

Key criteria	Proposed audit work
Securing financial resilience	<ul style="list-style-type: none"> <li>• Review the quality of assumptions underpinning the Council's 2012/13 budget and its medium term financial plan</li> <li>• Review overall financial standing and delivery against budget following receipt of accounts</li> <li>• Review treasury management strategy and cash flow management processes</li> <li>• Update previous assessments of budgetary control and risk management (referring to Internal Audit's report on budgetary control)</li> </ul>
Improving economy, efficiency and effectiveness	<ul style="list-style-type: none"> <li>• Review Internal Audit reports on asset management, efficiency and procurement</li> <li>• Discuss with directorate budget holders how efficiency savings have been identified and delivered</li> <li>• Assess how the Council's scrutiny function has challenged key spending decisions and challenged value for money</li> <li>• Assess the action taken to review charging policies and maximise other sources of income</li> <li>• Review year end performance report and Audit Commission value for money profile</li> <li>• Assess the business case for West Office/Hazel Court relocation, and projected savings</li> <li>• Review action taken to manage pressure on social services budgets.</li> </ul>



### 13. Grant certification work

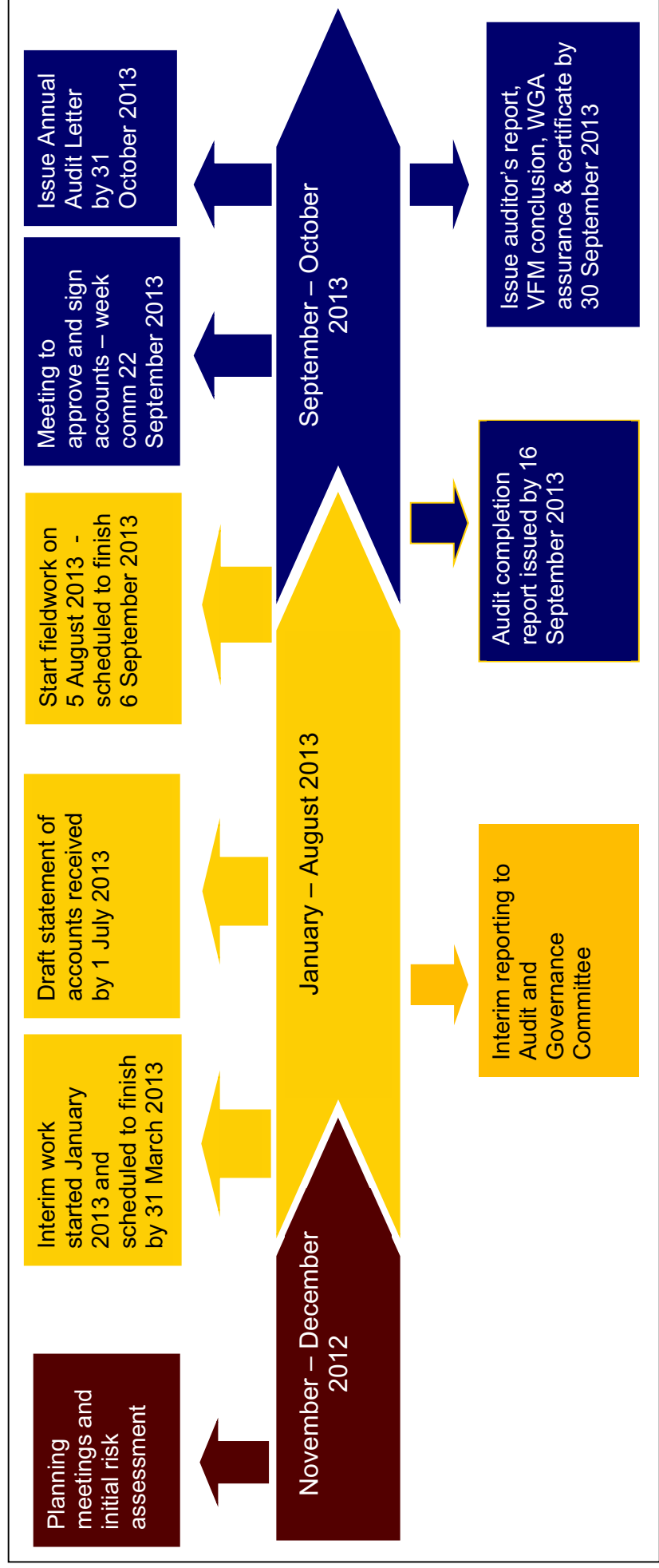
Grant claim work is carried out in accordance with certification instructions (CIs) issued by the relevant grant paying department . In 2012/13 we expect to be required to audit the following claims:

<b>Grant claim</b>	<b>CI reference</b>	<b>Certification deadline</b>
Housing and Council Tax Benefit subsidy	BEN01	31 November 2013
National Non Domestic Rates pool return	LA01	20 September 2013
Teachers Pensions Agency return	PEN05	30 November 2013
Housing Capital Receipts pool return	CFB06	30 September 2013.

Where possible grant claims work will be co-ordinated with other elements of the audit to avoid unnecessary duplication of effort (and costs).

## 14. Audit timeline and reporting

The table below sets out the timing of key phases of our audit work. Within this overall framework, specific appointments with individual members of staff will be agreed with them in advance. We will communicate with management throughout the audit process to ensure that all parties understand developments and issues as they arise and to help in providing timely and appropriate solutions. ISA 260 and 265 require the auditor to communicate specific matters with those charged with governance at key stages of the audit and Appendix 3 sets out how we propose to discharge these responsibilities.



## 15. Fees for audit and other services

### Audit fees

As communicated to you in our letter dated 26 November 2012 the Audit Commission has set a scale fee of £134,406 for audit work and £20,950 for the certification of grant claims.

Our proposed fees for 2012/13 have been maintained at this level, excluding VAT and disbursements. However this assumes that:

- Adequately qualified and experienced staff will be available to prepare the financial statements and supporting working papers, and we are notified of any changes to key personnel;
- You will provide us with complete and materially accurate financial statements, and supporting working papers, within the required time scales;
- Your staff are able to respond within 5 working days to audit queries and requests for further information
- Senior management will be available to discuss issues arising during the course of the audit and to approve if necessary any adjustments to the accounts
- Adequate arrangements will be put in place for management and those charged with governance to sign and approve the accounts and to provide us with letters of representation and assurance as required.

Additional fees could become payable if this proves not to be the case.

### Non-audit services

We have no plans at this stage to carry out any non audit services.

### Services provided by Mazars LLP associated entities

No audit or non audit services have been provided to The City of York Council by other entities associated with Mazars LLP.

## 16. Proposed team

Gareth Davies is the Managing Partner for all external audit appointments awarded to Mazars by the Audit Commission in 2012/13. Gareth was previously Head of Local Government at the Audit Commission and is Mazars' lead Public Sector Partner in the UK.

We know that you value a local audit team who understands the environment you operate in and understands your systems, controls and has a good working relationship with your staff and internal auditors. Your team meets all these criteria.

Name and contact	Role	Experience and responsibilities
Steve Nicklin (Director) Tel: 0191 383 7300 Email: Steve.Nicklin@mazars.co.uk	Engagement Lead	Steve has worked with you since 2008/09. He is responsible for the overall delivery of the audit, including the quality of audit reports. Steve will sign the auditor's report and liaise with the Chief Executive.
Lynn Worth (Senior Manager) Tel: 07816 310322 Email: Lynn.Worth@mazars.co.uk	Engagement Manager	Lynn will manage and coordinate the different parts of the audit and be the key point of contact for the Director of Customer and Business Support Services..
David Hurworth (Assistant Manager) Tel: 07881 511077 Email: David.Hurworth@mazars.co.uk	Team Leader	David will lead the onsite delivery of the audit of the financial statements. He will be the main point of contact for Internal Audit and the Council's central finance team.

An independent partner, Jac Berry, has also been appointed to oversee audit quality in this important first year. Jac is a standards and technical partner, based in our London office.

## Appendix 1 – Independence

Independence is an ongoing consideration. As such we monitor it throughout the audit process and report any changes identified to you. The principal types of threats to the auditor's objectivity and independence are:

- Self-interest threat – exists where the auditor has financial or other interests which might cause the auditor to be reluctant to take action that would be adverse to the interests of the audit firm or any individual in a position to influence the conduct or outcome of the audit
- Self-review threat – exists where the results of a non-audit service performed by the engagement team or by others within the audit firm are reflected in the amounts included or disclosed in the financial statements
- Management threat – exists when the audit firm undertakes work that involves making judgements and taking decisions that are properly the responsibility of management
- Advocacy threat – exists when the audit firm undertakes work that involves acting as an advocate for an audited entity and supporting a position taken by management in an adversarial context
- Familiarity (or trust) threat – exists when the auditors are predisposed to accept or are insufficiently questioning of the client's point of view (for example when they encounter an aggressive and demanding individual).

Prior to the provision of any non-audit services the engagement partner will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

## Appendix 2 – Materiality

'Materiality' is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. It is reasonable for us to assume that users:

- have a reasonable knowledge of business, economic activities and accounts, and a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We will consider materiality whilst planning and performing our audit. Lower materiality levels may be set for transactions and disclosures which are politically sensitive or where we have specific ISA responsibilities.

Whilst planning, we will make judgements about the size of misstatements which we will consider to be material and which will provide a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial. We will revise materiality for the financial statements as our audit progresses should we

become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We will include in our Audit Completion Report all unadjusted errors we have identified above those which are clearly trivial.

## Appendix 3 – Required communication

ISA 260 'Communication With Those Charged With Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach.

Required communication	When and how we will communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements.</p> <p>Reminder that the audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p> <p>Communication of the planned scope and timing of the audit. Matters communicated include:</p> <ul style="list-style-type: none"> <li>• Significant audit risks and how we will address them;</li> <li>• Our approach to internal control relevant to the audit;</li> <li>• The application of the concept of materiality in the context of an audit;</li> <li>• Our use of the work of internal audit;</li> <li>• Your approach to internal control and how you oversee the effectiveness of internal control procedures;</li> <li>• The attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and</li> <li>• Your response to new accounting standards, corporate governance practices and related matters.</li> </ul>	<p>Section 3 of this report and the Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies.</p>
	<p>Included in this document.</p> <p>These matters were discussed at the planning meetings and responses have been incorporated into this document as appropriate.</p>



Required communication	When and how we will communicate
<p>Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>We will communicate these in our Audit Completion Report, orally to management as they arise and at the September 2013 Audit and Governance Committee meeting.</p> <p>Depending on the extent of the issue, either orally at the September 2013 Audit and Governance Committee meeting, in our Audit Completion Report or immediately we become aware of the issue.</p>
<p>Significant difficulties, if any, encountered during the audit. These may include such matters as:</p> <ul style="list-style-type: none"> <li>• Significant delays in management providing required information;</li> <li>• An unnecessarily brief time within which to complete the audit;</li> <li>• Extensive unexpected effort required to obtain sufficient appropriate audit evidence;</li> <li>• The unavailability of expected information;</li> <li>• Restrictions imposed on the auditor by management; and</li> <li>• Management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern.</li> </ul>	<p>We will communicate these in our Audit Completion Report, orally to management as they arise and at the September 2013 Audit and Governance Committee meeting.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>We will communicate these in our Audit Completion Report, orally to management as they arise and at the September 2013 Audit and Governance Committee meeting.</p>
<p>Details of written representations we require for our audit.</p> <p>Any other matters which we consider to be significant to the oversight of the financial reporting process. Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of fact or material inconsistencies in information</p>	<p>We will communicate this in our Audit Completion Report.</p> <p>Any matters arising which we consider significant will be communicated to you within the Audit Completion Report.</p>

<b>Required communication</b>	<b>When and how we will communicate</b>
<p>accompanying the audited financial statements that have been corrected.</p> <p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p> <p>Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.</p> <p>Form, timing and general content of communications.</p>	<p>Section 4 and Appendix 1 of this document and as any new matters arise.</p>
<p>Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communications we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.</p>	<p>We will issue our Audit Completion Report which will conclude upon our audit and the issues presented in this document. Should you require us to communicate in a different way please inform us of your preferred method.</p> <p>Should we consider it necessary to raise any of these issues, we will consider the most appropriate method and the most appropriate person. The nature of our observation will determine the method and timing of our communication.</p> <p>We may consider that any inadequacy in the communication process is indicative of an unsatisfactory control environment and increase our assessment of audit risk. We will also consider whether we need to reassess our audit strategy. We will discuss with you any additional procedures we consider necessary as a result of these observations.</p> <p>If we consider the communication between you and us to be inadequate and we are unable to agree additional procedures which we consider necessary, we may modify our audit opinion, obtain legal advice, discuss with other third parties as we consider appropriate or may, if permitted under applicable law or regulation, withdraw from the</p>

Required communication	When and how we will communicate
<p>Any significant deficiencies in internal control that we have identified during the audit.</p>	<p>engagement.</p> <p>We will communicate these to you in our Audit Completion Report. Should it be appropriate, we will discuss significant deficiencies with management as they arise.</p> <p>Our written communication will include a description of the deficiencies with sufficient explanation for you to understand the context of the deficiency and an explanation of the potential effects.</p> <p>We are required to communicate all significant deficiencies to you, irrespective of whether you are already aware of them or have chosen not to take remedial action for cost or other reasons. We will continue to communicate deficiencies previously communicated to you until remedial action has been taken. We will consider whether failure to act, or lack of rational explanation itself represents a significant deficiency.</p>
<p>Other deficiencies in internal control that we have identified during the audit.</p>	<p>We will consider whether other deficiencies should be reported to you, taking into account the likelihood and potential magnitude of misstatements that may arise. We will also determine whether we report these to you orally or in writing.</p>

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