

Notice of a public meeting of

Audit & Governance Committee

To:	Councillors Derbyshire (Chair), Lisle, Shepherd, Cuthbertson, Fenton, Kramm and Steward Mr Mendus, Mr Mann (Independent Members)
Date:	Wednesday, 11 April 2018
Time:	5.30pm
Venue:	The George Hudson Board Room - 1st Floor West Offices (F045)

AGENDA

1. **Declarations of Interest**

At this point in the meeting, 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 might have in respect of business on this agenda.

2. **Public Participation**

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Tuesday, 10 April 2018**.

To register, please contact the Democracy Officer for the meeting on the details at the foot of this agenda.

Filming, Recording or Webcasting Meetings

Please note this meeting will be filmed and webcast and that includes any registered public speakers who have given their permission. This broadcast can be viewed at:

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The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at:

http://www.york.gov.uk/download/downloads/id/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809.pdf

3. Observations and Learning from the LGA Peer Review (Pages 1 - 22)

The report is provided for the Committee members to consider the elements of learning identified through the external LGA peer review.

4. Monitor 4 2017/18 - Key Corporate Risks (Pages 23 - 60)

The purpose of this paper is to present Audit & Governance Committee with an update on the key corporate risks (KCRs) for City of York Council, which are included at Annex A. A detailed analysis of KCR2 (Governance) is included at Annex B.

5. Mazars Audit Update Report (Pages 61 - 68)

The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

6. Mazars Audit Strategy Memorandum Report (Pages 69 - 88)

The paper attached at Annex A from Mazars, the Council's external auditors, summarises their audit approach, highlights significant areas of key judgements and provides details of the audit team.

7. Internal Audit & Counter Fraud Plans 2018/19 (Pages 89 - 112)

This report seeks the Committee's approval for the planned programme of internal audit work to be undertaken in 2018/19. It also includes details of the planned programme of counter fraud work.

8. Audit & Counter Fraud Monitoring Report (Pages 113 - 144)

This report provides an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.

9. Internal Audit Follow Up Report (Pages 145 - 154)

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.

10. Audit & Governance Committee Forward Plan to February 2019 (Pages 155 - 162)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2019.

11. Urgent Business

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

Democracy Officer:

Name: Bartek Wytryszczewski

Contact Details:

Telephone – (01904) 552514

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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.

This information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

 (01904) 551550



Audit & Governance Committee**11 April 2018**

Report from Chief Executive

Observations and Learning from the LGA Peer Review**Summary**

1. The report is provided for the Committee members to consider the elements of learning identified through the external LGA peer review.
2. The original LGA review was commissioned by the then Leader (Cllr Carr), the then Deputy Leader (Cllr Aspden) and the current Chief Executive (Mary Weastell), part of the terms of reference agreed was to *“recommend any improvements to the Governance arrangements needed for this Committee and any other actions”*.
3. In addition, Staffing Matters and Urgency Committee, held on the 11 December 2017, also agreed for an appropriate report to be made available to the committee.
4. All other due processes in accordance with the council’s constitution and protocols in relation to any other complaints have been dealt with, the conclusion that no action was deemed necessary or appropriate.
5. The full LGA report cannot be shared due to data protection regulations and the duty the authority has to its staff and members. The Council has a duty not to destroy the relationship of trust and confidence between it and its employees. This is an essential characteristic and principle of any employment contract. A redacted version is available and attached to this report which covers the learning and improvement recommendations.
6. The legal evidence for such a redacted report being shared is provided below.
7. Schedule 12A of the Access to Information Rules under the Local Government Act 1972 as amended states that:

“The following information can be classed as exempt information:

- Information relating to any individual.
 - Information relating to any consultation or negotiation or contemplated consultation or negotiation in connection with any labour relation matter arising between the Authority and employees of the Authority.
 - Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.”
8. Under paragraph 10 of Schedule 12A of the Local Government Act 1972 it states that “information under the above heading is exempt if and so long in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information”.
9. In this case it can be argued that the public interest in ensuring that there is good employee relations with the staff and relations with the members concerned where the staff and members have objected to its disclosure and where the comments can be attributable to the actions and criticisms of officers that the exemption should be maintained.

Background

10. Following the Audit & Governance (A&G) Committee on 22 February 2017 a number of complaints from members of the public, were made to the Council. Then Leader (Cllr Carr), the then Deputy Leader (Cllr Aspden) and the current Chief Executive (Mary Weastell) commissioned the LGA to carry out an investigation into the conduct of the meeting. The terms of reference for the LGA are shown below. These were kept confidential at the time, as agreed between all parties involved.
11. Terms of Reference

To look at the 22nd February 2017 Audit and Governance Committee meeting with the terms of reference as follows:-

- *consider the governance and decision making processes including preparation for the meeting and the handling of private items;*
 - *consider overall conduct of the meeting itself and input and interaction by the Chief Executive, Section 151 Officer, Monitoring Officer, Auditors, Members of the Committee and members of the public; and*
 - *recommend any improvements to the Governance arrangements needed for this Committee and any other actions.*
12. A copy of the report, redacted to remove any information that can identify an individual is attached for information only. Any names that are shown unredacted in the report is information that is already in the public domain.
13. The relevant internal processes have been followed and concluded with regards to the complaints against officers and members.

Observations and learning recommendations from the LGA peer review for Audit & Governance Committee

14. The following section identifies the recommendations which have not been covered through other processes, from the LGA peer report and information on action to date.
15. ***Recommendation 1 - Both the Chair and Vice Chair should be briefed prior to a meeting.***
16. Officers involved in this meeting (22 February 2017) confirmed that a briefing was provided to the Chair, but that the Vice Chair was not briefed. The Chair requested the brief on the day of the meeting. The brief given was of a legal nature and therefore neutral in its content.
17. The Chair and the Vice Chair of Audit Committee are offered briefings before each Audit and Governance meeting. It is recommended to make the briefings mandatory for the Chair and Vice Chair of Audit & Governance.

18. **Recommendation 3** - *Chairs should be given training and guidance in order to ensure that meetings are conducted in an orderly fashion, and are able to apply appropriate intervention when necessary.*
19. Chair training is covered within the new Councillor Induction. However, it is recommended to provide focussed Chair training to Chair and Vice-Chairs as soon as possible, this will also include bespoke training around data protection and confidential privilege.
20. Currently all new Members are trained on induction and all existing Members are invited to attend at least one course during the life of the Council. However we are recommending a refresh of the member training programme based on the changing needs of the council.
21. **Recommendation 9** - *Care should be given to booking rooms that are fit for purpose.*
22. Care will be taken at all times to ensure the room is a suitable size for the meeting.
23. **Recommendation 10** - *There is no requirement for a security guard unless advance information dictates otherwise.*
24. The Council do not employ security guards, security services are provided through a contract and security staff are present at West Offices during opening hours. During evening meetings the security staff are present to facilitate public participation, gaining entry to the building and the meeting room, as well as ensuring members of the public have access to the toilet facilities.
25. For the meeting on 22 February 2017, the Council was aware of the increase of interest through social media of the agenda items and our expectation was that there would be a higher level of public attendance at the meeting and therefore the need for the security staff to facilitate the movement of the members of the public.

26. **Recommendation 12** - *That the Council works actively to address the heritage governance issues and strives to demonstrate transparency so as to ensure that future meetings proceed in a more appropriate fashion.*
27. A number of peer reviews have been carried out in recent years, demonstrating the Councils willingness to benefit from external views, and to continue to improve. This included a peer review that reported to Audit & Governance in January 2015, and a peer review reported to Executive July 2016. In addition the LGA did a review of procurement during 2018, with this reported to Audit & Governance.
28. There are many standard elements to the package of training provided to new Councillors upon their election and for their induction into being a City of York Councillor. Essential training on the Councillor Code of Conduct is one such essential element. All members new to the Council received this specific training upon their election in 2015. Existing Members were offered (and some attended) the session as a refresher. Most recently, newly elected Members for Micklegate, Hull Road and Holgate wards have been given this training following their success at By-elections in 2017 and 2018. A full induction programme, incorporating Code of Conduct training, will be given to all newly elected Members following the May 2019 local elections and key elements of this (again including Code of Conduct training) will be offered as a refresher.
29. Officers and Members have done a significant amount of work over the past 2 years to improve the effectiveness and Governance of the Council including:
- Member Training and Induction;
 - Members review of code of conduct;
 - Specific training for the Audit Committee – this includes a full day of training provided by CIPFA and regular training in advance of the Audit Committee meeting on a wide range of issues;
 - Performance for FOI's has improved, and all aspects of the transparency code are complied with;
 - New communications protocols;
 - A new Social Media Policy has been approved to assist with expectations of social media use;

- New Values and Behaviours for Staff and Members have been introduced;
- New arrangements for Scrutiny introduced;
- Refreshed Senior Leadership Forums, including Corporate Leadership Group and Leading Together on governance and transparency;
- Introduction of the cost control board
- Improved decision making and forward planning process; and
- Staff Engagement events are held regularly.

30. There is always a need to consider the working relationship between officers and members to ensure there is trust and respect. Officers have to frequently provide advice to Members on issues, and it is for Members to consider that advice and determine their decisions. The Staffing Matters and Urgency committee recommended a cross party working group, via Group Leaders, to be established to work on ensuring the culture between Members and Officers is effective, and this will consider a range of issues. There may be matters arising from this review by Group Leaders that require Audit and Governance committee input/consideration.

31. In respect of Transparency, at times there will be delicate decisions to be made between ensuring the Council protects its interests (or those of individuals) and the public interest. Some decisions are finely balanced, and require members to consider advice received, but also reflect on wider public interests.

32. As members are aware there has been discussion within the committee on the potential to have a review of the effectiveness of the A&G committee. A report was brought to a recent meeting, but was deferred at the request of a member of the committee, pending the outcome of a similar review at a Fire Authority. It is suggested that this report should come to the next A and G meeting.

Consultation

33. The Leader and Deputy Leader have been briefed on the broad content of this report prior to submission to Audit & Governance.

Recommendations

34.

(a) Audit & Governance committee are asked to consider the observations and learning from the LGA peer review report and the response from Officers on actions to take forward.

(b) Audit & Governance committee to consider if they have any further recommendations for improvement that would support them in their roles on this committee.

(c) Audit & Governance committee to receive at the next meeting a report on options for a review of the effectiveness of the committee.

Reason: To update the Audit & Governance Committee on observations and learning from the LGA peer review.

Author:

Ian Floyd
Deputy Chief Executive

Chief Officer Responsible for the report:

Mary Weastell
Chief Executive

**Report
Approved**



Date 03 April 2018

Mary Weastell
Chief Executive

Specialist Implications Officer(s)

Wards Affected: None

All

For further information please contact the author of the report.

Background Papers:

None

Annexes:

Appendix 1 – Redacted LGA Report

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Redacted to provide to Audit & Governance for Information Only

REPORT TO YORK CITY COUNCIL ABOUT THE CONDUCT OF THE
AUDIT AND GOVERNANCE COMMITTEE HELD ON 22ND FEBRUARY
2017

SEPTEMBER 2017

Linda Walker, Solicitor

Linda Walker Consultancy Ltd.

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1. EXECUTIVE SUMMARY

I was tasked to review the Audit and Governance Committee that took place on 22nd February 2017. In particular, the governance and decision making processes together with the overall conduct of the meeting, and to make recommendations for improvement. Whilst this is a very limited scope review, it is clear that the reasons for the problems that occurred at the meeting are broader and both historical and deep rooted. The issues are a symptom of general difficulties that the Council is experiencing in relation to challenges from protagonists from both inside and outside of the Council. In addition, there is a lack of trust and a perception amongst some that the Council operates within a degree of secrecy. This investigation has found that the Council generally does endeavour to operate in an open and transparent fashion, but there are heritage issues that conspire against this. [REDACTED] My recommendations deal only with the narrow issues that I have been asked to consider, however, they merely scratch the surface. Unless the wider issues are tackled and the Council endeavours to demonstrate improved transparency in order to re-establish trust, then there is a potential for a repeat of this type of incident. There are of course, specific issues that this report has identified relating to the conduct of the meeting and these need to be addressed forthwith.

2. RELEVANT LEGISLATION AND GUIDANCE SUMMARY

[REDACTED]

2.3 The Data Protection Act 1998 (DPA) and ICO's Guidance entitled 'determining what is personal data'

The act sets out people's rights in relation to their personal data. The guidance aims to assist data protection practitioners in determining whether data falls within the definition of personal data.

3. MY APPOINTMENT

3.1 I was asked by the Council's Chief Executive to carry out an investigation into the events which took place at the meeting of the Council's Audit and Governance Committee on 22nd February 2017. The Local Government Association procured my services on the Council's behalf.

3.2 I am a Solicitor with over 30 years' experience. I have held the position of Head of Legal Services in County Council. I have also held the position of Monitoring Officer in a unitary authority. In addition, I have experience of working as Head of Public Law and Corporate Governance in a private law firm.

4. TERMS OF REFERENCE

To look at the 22nd February 2017 Audit and Governance Committee meeting with the terms of reference as follows:-

4.1 consider the governance and decision making processes including preparation for the meeting and the handling of private items;

- 4.2 consider overall conduct of the meeting itself and input and interaction by the Chief Executive, Section 151 Officer, Monitoring Officer, Auditors, Members of the Committee and members of the public; and
- 4.3 recommend any improvements to the Governance arrangements needed for this Committee and any other actions.

5. BACKGROUND

- 5.1 A private internal audit (Veritau) report was commissioned by [REDACTED] with regard to the engagement of Consultant B and Company C in 2013. In the past two years the Council had received a number of Freedom of Information (Fol) requests regarding its expenditure on consultants, in particular, Consultant B.
- 5.2 As part of the most recent Fol requests (received by the Council on 7th April 2016) a number of specific questions were asked about the way in which Consultant B's contract had been procured. The original request was made using the 'WhatDoTheyKnow' website, so attracted interest from other residents. Concerns were subsequently raised [REDACTED]. [REDACTED] in turn asked Internal Audit to investigate the matter further and this request was received by the [REDACTED] on 29th July 2016. [REDACTED] discussed the concerns with [REDACTED] and it was agreed that a detailed review would be undertaken.
- 5.3 The Council's external auditors, Mazars, also received an objection to the 2015/16 Statement of Account on 11th August 2016. The objection covered a number of issues, including the Council's apparent failure to carry out a procurement exercise prior to appointing Consultant B and Company C. The objection referred to the Fol request and related correspondence on 'WhatDoTheyKnow'.

5.4 It was agreed to consider both reports at the Audit and Governance Committee in November 2016, however, they were deferred because [REDACTED] had requested the police to consider whether there was any potential fraudulent involved.

5.5 The police confirmed the case did not meet the evidence test required for fraud and on that basis the reports were scheduled to be considered at the Audit and Governance Committee on 22nd February 2017. The private Internal Audit report was a redacted and anonymised version in view of the potential identification of individuals and other private matters.

5.6 [REDACTED]

5.7 The individuals named in the report had contacted the Council with their concerns and objections regarding the report being made public. [REDACTED] maintained their advice to keep the report private.

5.8 Following the meeting, external correspondence was received from Elected Members and members of the public complaining [REDACTED]

6. THE REVIEW PROCESS

6.1 During the investigation I held face to face meetings, and made notes of the meetings in relation to the following people:-

[REDACTED]

7. SUMMARY OF MATERIAL FACTS

7.1 Audit and Governance Committee 22nd February 2017

7.1.1 The primary purpose of the audit and Governance Committee held on 22nd February 2017 was to consider firstly, the report prepared by the Internal Audit

following investigations undertaken in relation to the procurement of consultants and secondly the External Auditor's report concerning objections to the 2015/16 accounts. This also concerned two procurements, one of which was the procurement of the consultant who was the subject of the Internal Audit Report. The Internal Auditor's report was anonymised in order to prevent identification of the individuals/company involved. There was also a partial redaction. [REDACTED] advised prior to the meeting that in spite of this anonymisation, the Internal Audit report should be considered in private as the report contained personal data as it was still possible to identify the individuals/company involved. [REDACTED] of the meeting had been briefed [REDACTED] prior to the meeting and had been provided with a script which was read out at the beginning of the meeting. The substance of this was that members were asked to consider excluding the press and public during the consideration of Annex 1 of Agenda Item 5 on the grounds that it contained information relating to individuals. This information was stated to be classed as exempt under Paragraphs 1 and 2 of Schedule 12A to Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

- 7.1.2 [REDACTED] was asked to explain the reasons why the committee was being asked to consider excluding the public and press during consideration of the Annex. [REDACTED] explained that it was the view of officers that the Annex satisfied the requirement of paragraphs 1 and 2 of Schedule 12A to Section 100A of the Local Government Act 1972 (information relating to any individual and information which is likely to reveal the identity of an individual). These exemptions were subject to a public interest test, but it was the view [REDACTED] that the information that had already been published by the

Council met the requirement of the public interest test. In reaching this conclusion, regard had also been taken of guidance produced by the Information Commissioner's Office in which there was a strong expectation of privacy and consideration of the impact on individuals. [REDACTED] attention was drawn the extensive interest on social media and the fact that the press published extracts of the report. Notwithstanding this, [REDACTED]-advised that consideration should still be given to the impact and damage to individuals if additional information was made public. [REDACTED] pointed out the potential risk to future internal audits, as, if such information were to be made public, contributors to audits may be much more circumspect. [REDACTED] seconded a proposal that the public and press be excluded from the meeting during consideration of Annex 1 of Agenda Item 5. On being put to the vote, the proposal was lost. The press and public were not therefore excluded from the meeting.

7.1.3 [REDACTED] gave the following reasons:

- (a) It was in the public interest for the press and public not to be excluded during consideration of the Annex.
- (b) Whilst there was a duty to protect employees, the vast majority of staff would be 'tarred' by secrecy and wrong-doing.
- (c) The report did not name individuals and the information had been redacted so as not to identify individuals.
- (d) Greater identification of individuals was already available, for example through Freedom of Information requests that were in the public domain.
- (e) The report should not have been exempt when published.

(f) The report could be discussed without reference to individuals.

7.1.4 There followed a discussion about the consequences and risks of this decision.

7.1.5 In view of the additional information that had been received, [REDACTED] that the vote be retaken. On being put to the vote the proposal was lost again.

7.1.6 [REDACTED]

7.1.7 [REDACTED] was then given the opportunity to speak under the Council's Public Participation Scheme. [REDACTED] expressed [REDACTED] views in relation to breaches of the procurement rules and asked the Council to take action in respect of these deep concerns regarding allegations of secrecy and multiple failings in finance and governance. [REDACTED] to demand Police action, for an independent investigation by CIPFA, and for [REDACTED] be held to account.

7.1.8 [REDACTED] raised concerns relating to the breaches of financial procedures and a failure to maintain records. [REDACTED] asked for a Police investigation.

7.1.9 [REDACTED] expressed concern regarding issues that had been raised in respect of procurement and the effectiveness and independence of the audit and monitoring procedures. [REDACTED] believed that the Council should launch an independent investigation to ascertain whether these had been isolated incidents.

7.2 **Internal Audit Report on Procurement of Consultants**

7.2.1 Once all of the issues regarding publication were dealt with, [REDACTED] were then able to consider the report which informed them of the results of the

internal audit investigation into the procurement of an external consultant. [REDACTED] explained the background to the internal audit investigation and the reasons why the internal audit review had been instigated. [REDACTED] clarified that, although the word “illegal” had been used during the meeting, a failure to follow council procedures did not mean that the action taken was illegal. [REDACTED] concerned had the authorisation to make the payments.

7.2.2 [REDACTED] gave an update on the action that [REDACTED] had taken since the internal audit investigation. [REDACTED] stated that the Veritau report had not identified any fraud and [REDACTED] had commissioned a Police investigation and this had confirmed that no evidence of fraud had been found.

7.2.3 [REDACTED]

7.2.4 [REDACTED] stated that the auditors could find no documentary evidence to demonstrate that the council’s contract procedure rules had been followed. This was, however, an internal matter and there had been no fault on the part of the [REDACTED]. Improvements had already been implemented to strengthen control measures and further improvements were planned. [REDACTED]

7.2.5 Clarification was sought regarding the paragraphs in the report which had been redacted. [REDACTED] were informed that this was because the paragraphs related to matters that were still subject to audit investigation. [REDACTED] confirmed that these issues did not specifically concern the situation under discussion.

7.2.6 [REDACTED] questioned whether a similar situation could arise in the future. They were informed that a guarantee could not be given that every purchase

made in the Council would be in accordance with procedures. The organisation was large and complex. Monitoring arrangements had, however, been strengthened and when breaches were identified action would be taken, including HR procedures if appropriate.

7.2.7 Whilst [REDACTED] suggested that there was a need for further investigation, others stated that the investigation should not be extended and that the committee should focus on monitoring the improvements that had been introduced.

7.2.8 [REDACTED] seconded that:

- (a) the report be noted;
- (b) in view of the ongoing work by Veritau in respect of the redacted information in the Internal Audit Report, an update be given on the further work that was taking place after this had been concluded; and
- (c) in respect of paragraph 2.19 of the Internal Audit Report, the Executive be asked to consider if further work was required to identify whether the work referred to, represented value for money.

7.2.9 On that basis, the report was approved.

7.3 **Mazar's Procurement Issues Report**

This was considered and [REDACTED] was able to confirm that they considered that Veritau had reached 'reasonable conclusions based on the evidence available.' They considered that the Internal Audit Review had been properly scoped and thorough. The report was noted.

7.4 **Procurement Action Plan**

Members were informed that the issues raised in the Internal Audit report were being taken very seriously and work was already underway to make the necessary improvements. The action plan was noted with a reference to Corporate and Scrutiny Management Policy, and Scrutiny Committee to consider how Members could be involved in the monitoring of procurement processes.

Finally, the Audit and Governance Committee Forward Plan was approved. The meeting had lasted for 3 hours and 20 minutes.

8. **ISSUES AND RECOMMENDATIONS**

8.1 [REDACTED]

Recommendation 1 - Both the Chair and Vice Chair should be briefed prior to a meeting.

Recommendation 2 – [REDACTED]

8.2 [REDACTED]

Recommendation 3 - Chairs should be given training and guidance in order to ensure that meetings are conducted in an orderly fashion, and are able to apply appropriate intervention when necessary.

8.3 [REDACTED]

Recommendation 4 – [REDACTED]

8.4 [REDACTED]

Recommendation 5 [REDACTED]

8.5 [REDACTED]

Recommendation 6 – [REDACTED]

8.6 [REDACTED]

Recommendation 7 – [REDACTED]

8.7 [REDACTED]

Recommendation 8 – [REDACTED]

8.8 It was clear that the room in which the meeting was held was too small. This made things more oppressive and was not appropriate given the foreknowledge about how contentious the meeting was likely to be.

Recommendation 9 - Care should be given to booking rooms that are fit for purpose.

8.9 A security guard was present for the meeting. This was unnecessary. It was clear that the meeting would be challenging, but there was never any threat of violence.

Recommendation 10 - There is no requirement for a security guard unless advance information dictates otherwise.

8.10 [REDACTED]

Recommendation 11 –[REDACTED]

8.11 The investigation into the procurement issues was requested by the [REDACTED]. The objections to the 2015/16 Statement of Accounts were received by the external auditors and investigated. In view of the heritage governance issues and in the spirit of acting in a transparent way in order to rebuild trust, it was entirely appropriate for the reports to be presented to the Audit and Governance Committee for consideration. It is

unfortunate that this positive move was tainted by the debate as to whether the report in Annex 1 was to be considered in public.

Recommendation 12 - That the Council works actively to address the heritage governance issues and strives to demonstrate transparency so as to ensure that future meetings proceed in a more appropriate fashion.

Linda Walker, Solicitor
Linda Walker Consultancy Ltd.
September 2017



Audit & Governance Committee**11 April 2018**

Report of the Deputy Chief Executive / Director of Customer and Corporate Services Directorate

Monitor 4 2017/18 – Key Corporate Risks**Summary**

1. The purpose of this paper is to present Audit & Governance Committee (A&G) with an update on the key corporate risks (KCRs) for City of York Council (CYC), which are included at Annex A.
2. A detailed analysis of KCR2 (Governance) is included at Annex B.

Background

3. The role of A&G in relation to risk management covers three major areas;
 - Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risk
 - Keeping up to date with the risk profile and effectiveness of risk management actions; and
 - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management
4. Risks are usually identified in three ways at the Council;
 - A risk identification workshop to initiate and/or develop and refresh a risk register. The risks are continually reviewed through directorate management teams (DMT) sessions.

- Risks are raised or escalated on an ad-hoc basis by any employee
 - Risks are identified at DMT meetings
5. Due to the diversity of services provided, the risks faced by the authority are many and varied. The Council is unable to manage all risks at a corporate level and so the main focus is on the significant risks to the council's objectives, known as the key corporate risks (KCRs).
 6. The corporate risk register is held on a system called Magique. The non KCR risks are specific to the directorates and consist of both strategic and operational risk. Operational risks are those which affect day to day operations and underpin the directorate risk register. All operational risk owners are required to inform the risk officer of any updates.
 7. In addition to the current KCRs, in line with the policy, risks identified by any of the Directorates can be escalated to Council Management Team (CMT) for consideration as to whether they should be included as a KCR. KCRs are reported bi-annually to CMT.
 8. The Risk and Insurance Officer attends DMTs bi-annually to update directorate risks.

Key Corporate Risk (KCR) update

9. There are currently 12 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks. A new risk KCR12 is included in this monitor.
10. In summary the key risks to the Council are:
 - KCR1 – Financial Pressures: The Council's increasing collaboration with partnership organisations and ongoing government funding cuts will continue to have an impact on Council services
 - KCR2 – Governance: Failure to ensure key governance frameworks are fit for purpose.
 - KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.

- KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics
- KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
- KCR6 – Health and Wellbeing: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected.
- KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
- KCR8 - Local Plan: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
- KCR9 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
- KCR10 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
- KCR11 – External market conditions: Failure to deliver commissioned services due to external market conditions.
- KCR12 – Major Incidents: Failure to respond appropriately to major incidents.

11. Risks are scored at gross and net levels. The gross score assumes controls are in place such as minimum staffing levels or minimum statutory requirements. The net score will take into account any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex C for reference.

12. The following matrix categorises the KCRs according to their net risk evaluation. To highlight changes in each during the last quarter, the number of risks as at the previous monitor are shown in brackets.

Impact					
Critical			5 (5)		
Major			6 (5)		
Moderate		1 (1)			
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

13. By their very nature, the KCRs remain reasonably static with any movement generally being in further actions that are undertaken which strengthen the control of the risk further or any change in the risk score. In summary, key points to note are as follows:

- New Risks- One new KCR has been added since the last monitor
- Increased Risks – no KCRs have increased their net risk score since the last monitor
- Removed Risks – no KCRs have been removed since the last monitor
- Reduced Risks – No KCRs have reduced their net risk score since the last monitor

New KCR – Response to Major Incidents

14. A new risk has been added in relation to the Council's response to major incidents such as flood, major fire, terrorist attack or an outbreak of a communicable disease. Local Authorities are required by law to make preparations to deal with emergencies. Local Authorities have four main responsibilities in an emergency which are to support the Emergency Services, to co-ordinate non-emergency organisations, to maintain their own services through a robust Business Continuity Management process and to facilitate the recovery of the community.

15. The Council must ensure that its resources are used to best effect in providing relief and mitigating the effects of a major peacetime emergency on the population, infrastructure and environment coming under it's administration. This will be done either alone or in conjunction with the Emergency Services and other involved agencies, including neighbouring authorities.

16. The net risk score is 19 (possible and major) as there are controls in place to mitigate the gross risk.

Updates to KCR actions or controls since the last monitor report

17. KCR1 – Financial Pressures. The action ‘development of Budget Strategy’ has been updated to reflect the new financial year.
18. KCR2 – Governance. Some new controls and implications have been added which are covered in more detail in Annex B. The ongoing actions have updated timescales to reflect the new financial year.
19. KCR3 – Effective and Strong Partnerships. The ongoing actions have updated timescales to reflect the new financial year.
20. KCR4 – Changing Demographics. The ongoing action has updated timescales to reflect the new financial year. The redesign and implementation of arrangements for early intervention and prevention is part complete but further work is required. A revised deadline is included. The action ‘to undertake a review to link the Local Plan and Major development projects to demographic data’ has a revised deadline as work will begin on this in December 2018.
21. KCR5 – Safeguarding. A completed action ‘to restructure Children’s Social Care Services’ has moved into ‘Controls’. The ongoing action has updated timescales to reflect the new financial year.
22. KCR6 – Health and Wellbeing. A new action ‘to develop a Public Health Strategy for 2018 to 2021’ has been added and the controls have been updated.
23. KCR7 – Capital Programme. The action ‘development of Capital Strategy’ has been updated to reflect the new financial year.
24. KCR8 – Local Plan. The ongoing action has updated timescales to reflect the new financial year.
25. KCR9 – Communities. The action ‘Develop a Community Engagement Strategy’ has a revised date.

26. KCR10 – Workforce/ Capacity. The ongoing action has updated timescales to reflect the new financial year and the action ‘Develop a comprehensive health and wellbeing policy’ has a revised date.
27. KCR11 External Market Conditions. The ongoing action has updated timescales to reflect the new financial year and a new control added.
28. Further details are included at Annex A.

Options

29. Not applicable.

Council Plan 2015 - 2019

30. The effective consideration and management of risk within all of the council’s business processes helps support achieving ‘evidence based decision making’ and aid the successful delivery of the three priorities.

Implications

31. There are no further implications.

Risk Management

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

Recommendations

33. Audit and Governance Committee are asked to:
 - (a) consider and comment on the key corporate risks included at Annex A;

- (b) consider and comment on the information provided in relation to KCR2 Governance included at Annex B;
- (c) note that the 2018/19 monitor 1 report will include a detailed analysis of KCR3 Effective and Strong Partnerships
- (d) provide feedback on any further information that they wish to see on future committee agendas

Reason: To provide assurance that the authority is effectively understanding and managing its key risks.

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**Report
Approved**



Date 29/03/2018

Wards Affected: Not applicable

All

For further information please contact the author of the report.

Background papers:

For interpretation of the risk scoring see the corporate risk management policy and guide

Annexes:

A – Key Corporate Risk Register

B – Analysis of KCR2 Governance

C – Risk Scoring Matrix

Abbreviations:

CMT – Council Management Team

DMT – Directorate Management Team

DPA – Data Protection Act

ECP – Electronic Communication Policy

FOI (A) – Freedom of Information (Act)

GDPR – General Data Protection Regulation

GRAG – Governance and Assurance Group

H&S – Health and Safety

ICO – Information Commissioner's Office

JHSC – Joint Health and Safety Committee

KCR – Key Corporate Risk

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 1 FINANCIAL PRESSURES: The ongoing government funding cuts will continue to have an impact on council services. Over the course of the last 4 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities. In addition other partner organisations are facing financial pressures that impact on the council.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Reduction in government grants leading to the necessity to make savings</p> <p>Increased service demand and costs (for example an aging population).</p> <p>Financial pressures on other partners that impact on the council</p>	<p>Potential major implications on service delivery</p> <p>Impacts on vulnerable people</p> <p>Spending exceeds available budget</p>	Probable	Major (20)	<p>Regular budget monitoring</p> <p>Effective medium term planning and forecasting</p> <p>Chief finance officer statutory assessment of balanced budget</p> <p>Regular communications on budget strategy and options with senior management and politicians</p> <p>Skilled and resourced finance and procurement service, supported by managers with financial awareness</p> <p>Efficiency Plan agreed by Executive June 2016</p> <p>NEW: Financial Strategy 2018/19 approved</p>	Possible	Moderate (14)	New control and action added	<p>Development of budget strategy for 2018-19 (Ian Floyd, 31/01/2018) – COMPLETED</p> <p>NEW: Development of budget strategy for 2019-20 (Ian Floyd, 31/01/2019)</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 2 GOVERNANCE: Failure to ensure key governance frameworks are fit for purpose. With the current scale and pace of transformation taking place throughout the organisation it is now more important than ever that the council ensures that its key governance frameworks are strong particularly those around statutory compliance including information governance, transparency and health and safety.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increased interactions in relation to FOIA and transparency</p> <p>Failure to comply with data protection and privacy legislation</p> <p>Serious breach of health and safety legislation</p> <p>Failure to comply with statutory obligations in respect of public safety</p>	<p>Increases in cases held or fines levied by Information Commissioner</p> <p>Failing to meet the legal timescales for responding to FOIA may result in reduced confidence in the council's ability to deal with FOIA and in turn, its openness and transparency</p> <p>Individuals will be at risk of committing criminal offences if they knowingly or recklessly breach the requirements of the GDPR legislation.</p> <p>Potential increased costs to the council if there are successful individual claims for compensation as a result of a breach of GDPR legislation.</p> <p>Impact on the end user/customer</p> <p>Public and staff safety may be put at risk</p> <p>Possible investigation by HSE</p> <p>Prohibition notices might be</p>	Probable	Major (20)	<p>Electronic Communication Policy</p> <p>IT security systems in place</p> <p>Governance, Risk and Assurance Group (GRAG)</p> <p>Ongoing Internal Audit review of information security</p> <p>Health and Safety monitoring</p> <p>Regular monitoring reports to Audit & Governance committee and Executive Member decision sessions</p> <p>Open Data platform providing Freedom of Information (FOI) requested data</p> <p>Regular review of transparency code legislation and compliance</p> <p>Ongoing management of data architecture to provide de-personalised data to open data platform</p> <p>NEW: Public Protection Annual Control Strategy</p>	Possible	Major (19)	<p>Revised timescales for ongoing actions</p>	<p>Ongoing Action - Health and Safety training programmes at all levels (Ian Floyd, 31/03/2018) REVISE TIMESCALE TO 31/03/19</p> <p>Ongoing Action: regular review of internal audit reviews and recommendations (Ian Floyd 31/03/18) REVISE TIMESCALE TO 31/03/19</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	<p>served preventing delivery of some services</p> <p>Prosecution with potential for imprisonment if Corporate Manslaughter</p> <p>Further incidents occur</p> <p>Adverse media/ social media coverage</p> <p>Reputational impact</p>			<p>NEW: Additional resource, training and improved processes to deal with FOIA requests</p> <p>NEW: Additional resource, training and improved processes to deal with the implementation of GDPR</p>				

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 3 EFFECTIVE AND STRONG PARTNERSHIPS: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes. In order to continue to deliver some services the council will have to enter into partnerships with a multitude of different organisations whether they are third sector or commercial entities. There needs to be robust, clear governance arrangements in place for these partnerships as well as performance monitoring arrangements to ensure delivery of the objectives.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively monitor and manage partnerships, and Council owned organisations</p> <p>Partner (especially NHS, Academies) financial pressures may effect outcomes</p> <p>Unilateral decisions made by key partners may effect CYC budgets or services</p>	<p>Key partnerships fail to deliver or break down</p> <p>Ability to deliver transformation priorities undermined</p> <p>Adverse impact on service delivery</p> <p>Funding implications</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>Account management approach to monitoring key partnerships</p> <p>Safeguarding Board revised governance in place</p> <p>Shareholder Committee to monitor Council owned companies</p> <p>York Central Partnership</p>	Possible	Moderate (14)	Revised timescale for ongoing actions	<p>Ongoing action - Monitoring of controls (CMT, 31/03/2018)</p> <p>REVISE TIMESCALE TO 31/03/19</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 4 CHANGING DEMOGRAPHICS: Inability to meet statutory deadlines due to changes in demographics. York has a rapidly changing demographic in relation to both residents and business. This brings with it significant challenges particularly in the delivery of adult social care and children's services. There has also been significant migration and as such the council needs to ensure that community impacts are planned for and resourced.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Baby boom impact on schools Inward migration to York Development and regeneration makes York more desirable and accessible to residents and business An aging population requiring services from the council placing significant financial and delivery challenges Increased ethnic diversity Growing SEND - in particular autism Popularity of universities Increase in complexity of needs as people get older Increase in people living with dementia Demographic of workforce unable to meet demand	Increased service demand from residents; school placements, SEN, emotional mental health, adult social care and environmental services (eg waste collection) Increased service demand in relation to business (eg Regulation, Planning) Impact on reducing budgets and resources Statutory school places have to be found Rise in delayed discharges Impact on service users Reputational impact Insufficient capacity for workload - need right people in the right place	Probable	Major (20)	Analysis of need and work around options Stakeholder and officer group DfE returns Inclusion review Caseload monitoring Local area working restructures in frontline services, including Early intervention initiatives and better self-care Place planning strategy in place School population reported every 6 months Direct access to support and services Investment in support brokerage work with NHS integrated commissioning Creating Resilient Communities Working Group (CRCWG)	Possible	Major (19)	Revised timescale for ongoing action and revised date for early intervention and prevention	Ongoing Action - Ensure adequate supply of schools places (CYC Place Planning Strategy, Governance Structure) (Jon Stonehouse, 31/03/2018) REVISE TIMESCALE TO 31/03/19 Further redesign and implementation of new arrangements for early intervention and prevention (Jon Stonehouse, 31/12/2018)- REVISED DATE Assessment and care management Review (Martin Farran, 31/03/2019) Advise and Information Strategy and Action Plan (Martin Farran, 31/12/2018)

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to plan for the impact of a rapid change in demographics to front line service provision								Undertake a review to link the Local Plan and Major development projects to demographic data to determine the impact on all CYC services, start date Dec 18 (CMT, 31/03/18) REVISE DATE - 31/12/2019

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KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 5 SAFEGUARDING: A vulnerable child or adult with care and support needs is not protected from harm. Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organisational and reputational implications of ineffective safeguarding practice are acute.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)	<p>Vulnerable person not protected</p> <p>Children's serious case review or lessons learned exercise</p> <p>Safeguarding adults review</p> <p>Reputational damage</p> <p>Serious security risk</p>	Probable	Major (20)	<p>Safeguarding sub groups</p> <p>Multi agency policies and procedures</p> <p>Specialist safeguarding cross sector training</p> <p>Quantitative and qualitative performance management</p> <p>Reporting and governance to lead Member, Chief Executive and Scrutiny</p> <p>Annual self assessment, peer challenge and regulation</p> <p>Audit by Veritau of Safeguarding Adults processes</p> <p>Children's and Adults Safeguarding Boards (LSCB & ASB)</p> <p>Ongoing inspection preparation & peer challenge</p> <p>National Prevent process</p> <p>DBS checks and re-checks</p> <p>Effectively resourced and well managed service</p> <p>Safeguarding Board annual plan</p>	Possible	Major (19)	Completed control and action added, ongoing action revised timescale	<p>Restructure Children's Social Care Services (Jon Stonehouse, 31/12/2017) - COMPLETED</p> <p>New Children's Social Care records system (Jon Stonehouse, 30/09/2018)</p> <p>Ongoing action Safeguarding Board annual action plan 2019/20 (Martin Farran, 31/03/2019) REVISE TIMESCALE TO 31/03/19</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>2018/19 is approved - UPDATED</p> <p>Controls implemented from peer review action plan</p> <p>CORAG (Chief Officer Reference and Accountability Group) which brings together Chief Officers from relevant organisations in relation to safeguarding eg police, CYC</p> <p>Community Safety Plan 2017 to 2020 agreed by Executive 28 Sep 17</p> <p>NEW – Completed restructure of Children’s social care services</p>				

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KCR 6 HEALTH AND WELLBEING: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected. The Council has the responsibility for the provision of public health services, which is a statutory requirement. The Health & Wellbeing Board, brings together local organisations to work in partnership to improve outcomes for the communities in which they work. Poor governance or financial pressures (partners or Council) may lead to failure to adequately perform these functions, resulting in the health and wellbeing of communities being adversely affected.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Outcomes may be difficult to evidence due to longevity</p> <p>Lack of resources: numbers and/or specialist skills</p> <p>Other Council priorities may result in less focus on Health and Wellbeing outcomes</p> <p>Failure to deliver Health and Wellbeing responsibilities</p> <p>Failure to integrate Public Health outcomes</p> <p>Reliance on partners outside of the council's control</p> <p>Partner (eg NHS) financial pressures may effect outcomes</p>	<p>Health and wellbeing of the community adversely affected</p> <p>Key objectives are not delivered</p> <p>Reputational damage</p>	Probable	Major (20)	<p>The Council have oversight of the Health and Wellbeing Board, which has ownership of the Joint Health and Wellbeing Strategy for 2017-2021 and is responsible for monitoring of outcomes through regular progress reports and a performance management framework.</p> <p>A governance structure is in place for delivery of the Joint Health and Wellbeing Strategy</p> <p>The Health and Wellbeing Board is responsible for producing a Joint Strategic Needs Assessment setting out the priorities for health and wellbeing which is regularly refreshed</p> <p>A Public Health Strategy which helps to embed the Health and Wellbeing Board priorities across all areas of the Council's business</p> <p>Embedding the One Planet York's better decision making tool into strategic planning and policy developments to evidence the consideration of potential health and wellbeing impacts.</p>	Possible	Moderate (14)	Updated controls and new action	NEW - Development of a Public Health Strategy for 2018 to 2021 (Sharon Stoltz, 01/08/2018)

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KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 7 CAPITAL PROGRAMME: Failure to deliver the Capital Programme, which includes high profile projects. The capital programme currently has approximately 85 schemes with a budget of £215m from 2017/18 to 2021/22. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Complex projects with inherent risks</p> <p>Large capital programme being managed with reduced resources across the Council</p>	<p>Additional costs and delays to delivery of projects</p> <p>The benefits to the community are not realised</p> <p>Reputational Damage</p>	Probable	Major (20)	<p>Project boards and project plans</p> <p>Regular monitoring of schemes</p> <p>Capital programme reporting to Executive and A&G</p> <p>Financial, legal and procurement support included within the capital budget for specialist support skills</p> <p>Revised Project Management Framework</p> <p>Additional resource approved to support project management</p> <p>NEW: Capital Strategy 2018/19 to 2022/23 approved in Feb 2018</p>	Possible	Moderate (14)	New control and action added	<p>Development of capital strategy for 2018-19 (Ian Floyd, 31/01/2018)- COMPLETED</p> <p>NEW: Development of capital strategy for 2019-20 (Ian Floyd, 31/01/2019)</p>

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KCR 8 LOCAL PLAN: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding. The council has a statutory duty to develop a Local Plan, a city wide plan, which helps shape the future development in York over the next 20 years. It sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address our increasing population needs.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Fail to adopt and agree a Local Plan</p> <p>Local Plan adoption process delayed</p> <p>Significant opposition to the plan that may impede its progression</p>	<p>Significant negative impact on the council's strategic economic goals</p> <p>Council continues to have no adopted development plan/framework</p> <p>Legal and probity issues</p> <p>Reputational damage</p> <p>Increased resources required to deal with likely significant increase in planning appeals</p> <p>Development processes and decision making is slowed down</p> <p>Widespread public concern and opposition</p> <p>Inability to maximise planning gain from investment</p> <p>Adverse impact on investment in the city</p> <p>Unplanned planning does not meet the authority's</p>	Probable	Major (20)	<p>Develop strategy for cross party working on long term strategic issues</p> <p>CMT and DMT to work closely with key Members on Local Plan issues</p> <p>Proactive communication strategy</p> <p>Effective programme and project management to ensure timescales and milestones are met</p> <p>Effective project resourcing</p> <p>Continued close liaison with neighbouring authorities</p> <p>Continued close liaison with DCLG, Planning Advisory Services and Planning Inspectorate</p>	Possible	Major (19)	Revised timescale for ongoing action	<p>Ongoing action - Monitoring of controls (Mike Slater, 31/03/2018)</p> <p>REVISE TIMESCALE TO 31/03/19</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	aspirations of the city Ongoing costs of the preparation of the Local Plan Potential loss of funding if Plan is not approved							

**ANNEX A
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KCR 9 COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services. The council needs to engage in meaningful consultation with communities to ensure decisions taken reflect the needs of residents, whilst encouraging them to be empowered to deliver services that the council is no longer able to do. Failing to do this effectively would mean that services are not delivered to the benefit of those communities or in partnership.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively engage with the communities we serve</p> <p>Failure to contribute to the delivery of safe communities</p> <p>Failure to effectively engage stakeholders (including Members and CYC staff) in the decision making process</p> <p>Failure to manage expectations</p> <p>Communities are not willing/able to fill gaps following withdrawal of CYC services</p> <p>Lack of cohesion in the planning and use of CYC and partner community based assets in the city</p>	<p>Lack of buy in and understanding from stakeholders</p> <p>Alienation and disengagement of the community</p> <p>Relationships with strategic partners damaged</p> <p>Impact on community wellbeing</p> <p>Services brought back under council provision – reputational and financial implications</p> <p>Budget overspend</p> <p>Create inefficiencies</p> <p>Services not provided</p> <p>Poor quality provision not focused on need, potential duplication, ineffective use of resources, difficulty in commissioning community services e.g. Library services</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>New service delivery models</p> <p>Revised Community Safety Plan</p> <p>Devolved budgets to Ward Committees and delivery of local action plans through ward teams</p> <p>Local area working restructures for Children’s, Adults and Housing Services</p> <p>Improved information and advice, Customer Strategy and ICT support to facilitate self service</p> <p>CYC Staff and Member training and development</p>	Possible	Major (19)	Revised action date	<p>Develop a Community Engagement Strategy (Jon Stonehouse, 31/7/2018) – REVISED DATE</p>

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KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 10 WORKFORCE/ CAPACITY: Reduction in workforce/ capacity may lead to a risk in service delivery. It is crucial that the council remains able to retain essential skills and also to be able to recruit to posts where necessary, during the current periods of uncertainty caused by the current financial climate and transformational change. The health, wellbeing and motivation of the workforce is therefore key in addition to skills and capacity to deliver.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>The necessity to deliver savings has resulted in a reduced workforce requiring new and specialist skills</p> <p>Recruitment and retention difficulties as the council may be seen as a less attractive option than the private sector</p> <p>Lack of succession planning</p> <p>HR Policies may not be consistent with new ways of working (eg remuneration policy)</p>	<p>Increased workloads for staff</p> <p>Impact on morale and as a result, staff turnover</p> <p>Inability to maintain service standards</p> <p>Impact on vulnerable customer groups</p> <p>Reputational damage</p> <p>Single points of failure throughout the business</p>	Probable	Major (20)	<p>Workforce Strategy/ People Plan</p> <p>Stress Risk Assessments</p> <p>PDRs</p> <p>Comprehensive Occupational Health provision including counseling</p> <p>HR policies e.g. whistleblowing, dignity at work</p> <p>Development of coaching/ mentoring culture to improve engagement with staff</p> <p>Corporate Cost Control Group monitoring of absence and performance reporting</p> <p>Apprenticeship task group</p> <p>Agency and Interim Staffing Policies</p>	Possible	Moderate (14)	Revised timescale for action and ongoing action	<p>Develop a comprehensive health and wellbeing policy consolidating all current and planned actions. (Sharon Stoltz, 31/03/2019) – REVISED DATE</p> <p>Ongoing action: Review of HR policies to ensure they compliment the new ways of working in the future (Ian Floyd 31/03/18) REVISE TIMESCALE TO 31/03/19</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 11 EXTERNAL MARKET CONDITIONS: Failure to deliver commissioned services due to external market conditions.
 The financial pressures experienced by contracted services (in particular Adult Social Care providers) as a result of increases to the living wage could put the continued operation of some providers at risk. The Council has a duty to ensure that there is a stable/diverse market for social care services delivery to meet the assessed needs of vulnerable adults/children.
 Some services provided by the Council cannot be provided internally (eg Park and Ride) and must be commissioned. External market conditions such as the number of providers willing to tender for services may affect the Council's ability to deliver the service within budget constraints.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Increases to the national living wage. Recruitment and retention of staff If failure occurs, the Council may remain responsible for ensuring the needs of those receiving the service continue uninterrupted.	Vulnerable people do not get the services required or experience disruption in service provision Safeguarding risks Financial implications: Increased cost of alternative provider Increased cost if number of providers are limited Reputational damage	Unlikely	Major (18)	Clear contract and procurement measures in place Ongoing review of operating and business models of all key providers and [NEW] putting further mitigation in place, such as more robust contract monitoring and commissioning some 'enhanced' credit checks CYC investment in extra care OPHs has reduced recruitment pressure Revised SLA with independent care group and quarterly monitoring meetings with portfolio holder Increase in homecare fees to reflect actual cost of care Local policies in place for provider failure	Unlikely	Moderate (13)	Revised timescale for ongoing action and new control	Ongoing action: Ongoing attendance at Independent Care Group Provider Conference (Martin Farran 31/03/18) REVISE TIMESCALE TO 31/03/19

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

KCR 12 MAJOR INCIDENTS: Failure to respond appropriately to major incidents. Local Authorities are required by law to make preparations to deal with emergencies. Local Authorities have four main responsibilities in an emergency 1. to support the Emergency Services, 2. to co-ordinate non-emergency organisations, 3. to maintain their own services through a robust Business Continuity Management process and 4. to facilitate the recovery of the community. The Council must ensure that its resources are used to best effect in providing relief and mitigating the effects of a major peacetime emergency on the population, infrastructure and environment coming under its administration. This will be done either alone or in conjunction with the Emergency Services and other involved agencies, including neighbouring authorities.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>An uncoordinated or poor response to a major incident such as:</p> <ul style="list-style-type: none"> • Flood • Major Fire • Terrorist Attack • Outbreak of Communicable disease 	<p>Serious death or injury</p> <p>Damage to property</p> <p>Reputational damage</p> <p>Potential for litigation</p> <p>Potential for corporate manslaughter charges if risks are identified and proposed actions not implemented</p>	Probable	Catastrophic (24)	<p>Emergency planning and Business Continuity Plans in place and regularly reviewed</p> <p>Strong partnerships with Police, Fire, Environment Agency and other agencies</p> <p>Support to Regional Resilience forums</p> <p>Support and work in partnership with North Yorkshire local resilience forums</p> <p>Investment in Community Resilience Officer (re Flooding)</p> <p>Work with partners across the city to minimise the risk of a terrorist attack</p> <p>Implemented physical measures for certain events</p> <p>Review of city transport access measures (Exec Feb 18)</p>	Possible	Major (19)	New KCR	<p>Ongoing action: Regular review of emergency and business continuity plans (Neil Ferris, 31/3/19)</p> <p>Director of Public Health Annual Health Protection Assurance Report to the Health and Wellbeing Board (Sharon Stoltz, 31/03/19)</p>

**ANNEX A
KEY CORPORATE RISK REGISTER AT MARCH 2018**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				Strong partnerships with Public Health England and the NHS via the Local Health Resilience Partnership and Director of Public Health (DPA) Health Protection Assurance Committee				

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Annex B

Analysis of Key Corporate Risk 2 – Governance

Summary

1. This Annex provides a more detailed analysis of KCR2, Governance.
2. The description of this risk is as follows; Failure to ensure key governance frameworks are fit for purpose. With the current scale and pace of transformation taking place throughout the organisation it is now more important than ever that the council ensures that its key governance frameworks are strong particularly those around statutory compliance including information governance, transparency and health and safety.

Risk Detail

Increased interactions in relation to FOIA and transparency

3. The Freedom of Information Act (FOIA) 2000, which came into effect in January 2005, provides an enforceable right to access recorded information held by around 100,000 public sector organisations. The council has received the following volume of requests under FOIA.

2013/14	1384
2014/15	1864
2015/16	1670
2016/17	1719
2017/18 year to date – April 2017 to December 2017	1305

4. Whilst there is no significant and sustained uplift in volume of requests received, there has been an increase in the caseload. This is as a result of the improvements made in ensuring FOIA requesters understand their rights to seek a review and informing them of their rights to contact the Information Commissioner's Office. There has also been a rise in the complexity of FOIA requests.

Failure to comply with data protection and privacy legislation

5. Legally compliant and excellent information management covers both information governance and information security.
6. For information governance, the General Data Protection Regulation (GDPR) will take effect in the UK from 25 May 2018. It replaces the existing law on data protection (the Data Protection Act DPA 1998) and gives individuals more rights and protection regarding how their personal data is used by councils and we must comply with its requirements, just like any other organisation. It introduces increased monetary fines the regulator can impose for breaches of the data protection and privacy legislation as well as the right to compensation for damage (material or non-material) by individual(s) as a result of a breach.

Annex B
Analysis of Key Corporate Risk 2 – Governance

7. Whilst the GDPR's main concepts and principles are very similar to those contained in the current DPA, there are some changes and additions, as well as some things that we have to do for the first time or differently. This will impose new burdens on the council, including new reporting requirements, the risk of increased fines and penalties and the potential increased resource required for reduced timescales for responding to individuals who request access to their records.
8. The Information Commissioner's Office (ICO) is still the regulator in charge of data protection and privacy issues and as their audit of the council in 2015, included recommendations that had looked ahead at the implications of the GDPR; we have been better placed than many organisations to start to meet the new challenges.
9. We have been working to ensure arrangements are in place to prepare for and meet the requirements of the GDPR across all services. These include adapting our approaches, procedures, and policies as well as embedding strong controls around personal information and full accountability for these controls such as the introduction of a breach management procedure, the information asset register and maintaining external accreditations such as the Payment Card Industry (PCI).

Serious breach of health and safety legislation or Failure to comply with statutory obligations in respect of public safety

10. Responsibility for health and safety in the council extends to our role as employers, service providers and as major procurers and commissioners of goods and services. The legislation that sets out the duties and responsibilities of local authorities, including duties of care, is spread out over many different Acts of Parliament and other instruments of legislation.

Implications

11. The implications for the Council include;
 - Increases in cases held or fines levied by Information Commissioner
 - Failing to meet the legal timescales for responding to FOIA may lead to reduced confidence in the council's ability to deal with FOIA and in turn, its openness and transparency
 - Individuals will be at risk of committing criminal offences if they knowingly or recklessly breach the requirements of the GDPR legislation.
 - Potential increased costs to the council if there are successful individual claims for compensation as a result of a breach of GDPR legislation.
 - Impact on the end user/customer
 - Public and staff safety may be put at risk

Annex B
Analysis of Key Corporate Risk 2 – Governance

- Possible investigation by HSE
- Prohibition notices might be served preventing delivery of some services
- Prosecution with potential for imprisonment if Corporate Manslaughter
- Further incidents occur
- Adverse media/ social media coverage
- Reputational impact

Controls

12. The controls in place include;

Electronic Communication Policy

13. The Electronic Communications Policy (ECP) sets out how CYC employees must use information technology, computer systems and all electronic forms of communication appropriately in the workplace. The ECP applies to all information technology users, whether working within a CYC building or remotely, including staff, Elected Members and third parties. This policy must be communicated to all Information technology users and applies to all users of CYC's infrastructure whether accessed from within a CYC building or remotely. Managers have a key responsibility in ensuring adherence to this policy and must discuss the requirements with their staff to ensure compliance within their Directorate, department or team. The requirement to do so is included in the corporate induction obligation for all new staff members. This policy is reviewed on a biannual basis (or as required if a major change occurs) to take into account changes in legislation, instances of abuse or misuse and concerns from staff and unions.

IT security systems in place

14. This policy sets out how anyone using CYC Information Systems are to use the corporate ICT facilities provided to them, what responsibilities they have and what is acceptable and what is not acceptable when using these ICT facilities. This policy is in place to protect both CYC and its employees as inappropriate use exposes all parties to risks and can compromise the integrity and security of the corporate ICT systems, compromise the network systems and services and may have legal implications. This policy is reviewed every 12 months.

Annex B
Analysis of Key Corporate Risk 2 – Governance

Governance, Risk and Assurance Group (GRAG)

15. The Governance, Risk and Assurance Group (GRAG) monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Chief Executive, Leader and Audit & Governance Committee.
16. The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. In preparation of the Annual Governance Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control is undertaken and co-ordinated by GRAG. The review includes consideration of:
- the adequacy and effectiveness of key controls, both within individual directorates and across the council
 - any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
 - disclosure Statements signed by Directors identifying control weaknesses or significant issues
 - any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
 - significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies
 - the results of internal audit and fraud investigation work undertaken during the period
 - the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
 - the council's risk registers and any other issues highlighted through the council's risk management arrangements
 - the outcomes of service improvement reviews and performance management processes
 - progress in dealing with control issues identified in the previous year's Annual Governance Statement.
 - the council's counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption
17. The Annual Governance Statement is available on the Council's website.

Annex B
Analysis of Key Corporate Risk 2 – Governance

Information security checks and ongoing Internal Audit review of information security

18. Information security checks were undertaken at West Offices, Hazel Court and 30 Clarence Street in November 2017 by Internal Audit. The purpose of these checks is to assess the extent to which confidential, personal or sensitive data is stored securely and to ensure that data security is being given sufficient priority within council departments. The audit gave an overall opinion of 'Reasonable Assurance'.
19. The agreed actions from the previous audit in March 2017 included the implementation of a secure key storage system at West Offices and that further audit checks would take place in 2017/18 once this had been implemented. At the time of the November 2017 audit, the secure key storage system had recently been implemented and was being used by 13 teams based in West Offices. These teams participated in piloting the system to ensure it worked well and the plan is to roll it out to all teams.
20. The expectation is for Internal Audit to conduct their next round of checks in Summer 2018, once new secure storage is in place at Hazel Court and the secure key cabinets are being used by all teams at West Offices and Hazel Court. The 2018/19 audit plan will include an allocation for information security, although this is subject to agreement by A&G committee.

Health and Safety monitoring

21. The council's Health & Safety Policy drives CYC's commitment to health and safety and is reviewed by the Chief Executive annually. The latest version was adopted in August 2017. The policy is implemented through the work of the CMT, individual directors and the Health and Safety Champions for each Directorate. This is further improved by elected member oversight of the management of health and safety undertaken by the Portfolio Holder for the Environment, and the Audit and Governance Committee who have requested reports in the past year in order to effectively scrutinise the activities of the council in relation to health and safety.
22. Most of the Health & Safety work is driven through the Joint Health and Safety Committee (JHSC) which consists of the champions for each department with Trade Union colleagues. The membership of and attendance at this committee has been improved and will continue to drive forward the health and safety agenda.
23. To support the work of the JHSC the shared H&S service is working with Department Management Teams to develop health and safety action plans that will focus on key priorities for up to the next 3 years. This not only allows the shared H&S service to ensure it is adequately resourced to undertake this work but ensure departments are fully engaged in the process to ensure that the plans are effective.

Annex B
Analysis of Key Corporate Risk 2 – Governance

24. There have been two recent audits of H&S related areas. The H&S follow up report (to follow up previous H&S actions) was discussed at A&G Committee on 7 February 2018. The second audit report covers Safety at Public Events, which is not just a council issue but looks at a key H&S risk area for the city, will be discussed at a future A&G.

Regular monitoring reports to Audit & Governance committee and Executive Member decision sessions

25. A&G Committee receive the following types of reports:

- Annual Governance Statement
- Policies and procedures covering governance
- Head of Internal Audit Report
- Regular reports on the results of internal audit work
- Internal Audit Follow up reports
- Treasury Management Strategy
- Annual Financial Report
- External Audit report
- Finance and Performance Monitoring
- Monitoring of Key Corporate Risks

26. In addition Executive Member Decision Sessions will cover more service specific follow up actions or updates to policies and procedures.

Open Data platform providing Freedom of Information (FOI) requested data

27. The Open data platform, www.yorkopendata.org continues to expand as the home for the councils and external partners raw data and transparency information. The platform now contains over 1000 datasets, mainly from the council, and covers a huge variety of thematic issues around council services and resident's lives, in a depersonalised or aggregated machine readable format. The Business Intelligence team since the setting up of the platform, have worked with internal council departments who have historically receive a large amount of data related FOI's, to make sure this information is already provided upon the platform.

28. Examples of data provided to the platform to mitigate some of the residents needs to request information via a FOI are; footfall data, business rates information, data on licensed premises, and cleansing and waste information. Work continues to pre-release information to the platform that is likely to be required or requested by residents and businesses.

Annex B
Analysis of Key Corporate Risk 2 – Governance

Regular review of transparency code legislation and compliance

29. The Business Intelligence Hub regularly review the statutory data requirements from the Transparency code for Local government, Transparency code for other bodies, and other transparency legislation such as Inspire (a requirement to publish geographic datasets), to make sure that there is compliance with the legislation and that the information is available to residents through the Open data platform. Compliance on the transparency code has been created in to performance measures and scorecards, so that it is alongside other performance information of the council and can have the necessary profile when required.
30. The Open data platform has been designed to have a specific section for transparency that this information is provided to, and we have worked to make sure the information is provided as quickly, regularly and automatically as possible. Where provision of information is challenging, and/or residents have asked for further clarity on information through FOI's (such as ones recently received on members expenses) we have re-looked at our processes to make sure information can be provided in a timely and accurate fashion.

Ongoing management of data architecture to provide de-personalised data to open data platform

31. The Business Intelligence Hub is responsible for the end to end data processes within the organisation and therefore requires relevant data architecture to manage the flow of information throughout the internal organisation. During the build of this data architecture, the council in conjunction with the Local Government Association (LGA) breakthrough fund implemented technology to provide information held centrally quickly and efficiently to the open data platform. This means that unlike the majority of Local Authorities, CYC is able to provide and update regularly, at the touch of a button, and does not have expensive data manipulation and publishing processes. This has allowed CYC to publish over 1000 depersonalised or geographic datasets.

Public Protection Annual Control Strategy

32. This is a new control which has been added. The Public Protection Service (encompassing Environmental Health, Licensing and Trading Standards) devises an annual business plan (or control strategy) based on strategic assessment of York's current economic, social and political situation. This enables the service to effectively prioritise resources for the forthcoming financial year. Resources are devoted to proactive measures, intelligence gathering and enforcement and performance is measured by a number of indicators. All other statutory duties are performed on a reactive basis.

Annex B
Analysis of Key Corporate Risk 2 – Governance

Additional resource, training and improved processes to deal with FOIA requests

33. This is a new control to deal with the risks in relation to the increased caseload and complexity of dealing with FOIA requests. The following controls are in place:
- Additional funding provided to increase capacity in the team dealing with FOIA requests. The recruitment has just closed on this and interviews will be held in the next few weeks.
 - Continuous learning and development of team members to ensure we deal with FOIA requests including reviews and ICO cases appropriately and within the legal timescales.
 - Improving the current management and performance monitoring reports to encourage more timely scrutiny from all levels in the council, as well as from Elected Members and Committee(s).
 - Implementing an upgrade to the current system used to record and manage FOIA requests which will in turn provide opportunities for a more streamlined handling process, including customer contact and improved reporting capabilities.

Additional resource, training and improved processes to deal with the implementation of GDPR

34. This is a new control. To help mitigate the risk we are underway with the following:
- Implementing corporate mechanisms to coordinate arrangements which are done by :
 - Using the ICO's checklists and other resources
 - Using the new guidance and other tools as they are released from the ICO
 - Using guidance from the Article 29 Working Party that is produced at the European level
 - Working closely with other authorities and organisations in the Yorkshire and Humberside region to share knowledge about implementation in our sector.
 - Additional funding provided to increase capacity in the team dealing with information governance. The recruitment has just closed on this and interviews will be held in the next few weeks.
 - Continuous learning and development of team members
 - Training and guidance provision for staff across the council
 - Improving the current management and performance monitoring reports to encourage more timely scrutiny from all levels in the council, as well as from Elected Members and Committee(s).
 - Implementing an upgrade to the current system used to record and manage information governance which will in turn provide opportunities for more streamlined processes, including customer contact and improved reporting capabilities.

Annex B
Analysis of Key Corporate Risk 2 – Governance

Outstanding Actions

35. Ongoing actions have been identified, which are reviewed annually. These are the provision of health and safety training programmes for all levels of staff and a regular review of internal audit reviews and recommendations.

Risk Rating

36. The gross risk score is 20 (likelihood probable, impact major). After applying the controls detailed above the net risk score is reduced to 19 (likelihood possible, impact major).

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Annex C- Risk Matrix

		Likelihood				
		Remote	Unlikely	Possible	Probable	Highly Probable
Impact	Catastrophic	17	22	23	24	25
	Major	12	18	19	20	21
	Moderate	6	13	14	15	16
	Minor	2	8	9	10	11
	Insignificant	1	3	4	5	7

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Audit & Governance Committee**11 April 2018**

Report of the Deputy Chief Executive / Director of Customer & Corporate Services

Mazars Audit Update Report**Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

Background

2. The report covers:
 - a) A summary of audit progress
 - b) Wider update and national publications

Consultation

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

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Council Plan

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

Implications

7. There are no implications to this report.

Risk Management

8. Not relevant for the purpose of the report

Recommendations

9. Members are asked to note the matters set out in the Progress report presented by Mazars.

Reason: To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

Contact Details

Author:

Emma Audrain
Technical Accountant
Corporate Finance

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/ Director of CCS

**Report
Approved**



Date 29/03/2018

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report.

Background Papers:

None

Annexes:

Mazars CYC Audit Update Report April 2018

Audit Update Report

City of York Council

April 2018



CONTENTS

1. Audit progress
2. Wider update and national publications

This document has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents.

1. AUDIT PROGRESS

2017/18 audit planning and interim testing

Our Audit Strategy Memorandum (included on the agenda for this meeting) sets out our audit plan for the year including the identified significant risks and our proposed response to these, as well as matters that we are required to report to you under International Standards on Auditing (UK). Our interim work is proceeding well.

In response to the earlier accounts preparation and audit deadlines, we have brought forward a significant proportion of our testing of income and expenditure items to reduce the volume of testing required during the summer peak. We are pleased to report that officers have assisted by providing direct access to the ledger and allocating dedicated officers to respond to our queries and information requests.

We are also planning to carry out early substantive testing on balance sheet items, such as the valuation of the Council's property portfolio, in advance of receiving the draft accounts.

Objection to the 2016/17 statement of accounts

Members will be aware that we received objections to the Council's 2016/17 accounts from a local elector in respect of two separate items of account. Given the nature of the items of account subject to objection, we were satisfied that they did not give us any reason to believe that the items could have led to a material misstatement in the Council's financial statements. We gave our opinion on the financial statements in September 2017 but were not able to issue our certificate formally closing the audit for the 2016/17 financial year as we had not yet discharged our responsibilities to determine the objections.

Since the Committee's last meeting and in line with the required process, we have written to the elector outlining the information that we have gathered that will inform our conclusions on the objections. We are now in the process of finalising our conclusions and will be writing to the Council and the elector.

2. WIDER UPDATE AND NATIONAL PUBLICATIONS

Update areas

1	Northamptonshire County Council s 114 notice
2	Local Authority Public Accounts Committee
3	NAO Report: Financial Sustainability of Local Authorities

1. Northamptonshire County Council s114 notice

Members will be aware of the recent developments at Northamptonshire County Council. The decision to issue a s114 notice has brought the financial difficulties facing some local authorities into sharp focus and has led to increased press focus.

As part of our Value for Money work at the Council we consider the financial position and performance of the Council, including its arrangements to deliver any savings plans that form part of its medium term financial strategy.

2. Local authorities encouraged to consider local public accounts committees

Research published by the Association for Public Service Excellence (APSE) and written and researched by the Local Governance Research Unit at De Montfort University, explores how public services can be held to account by local government as an elected governing body. Moreover, it seeks to understand the developing and expanding role of local government as both a vehicle for public accountability and in influencing and shaping the governance networks within which it exists.

The report '*Bringing Order to Chaos. How does local government hold to account agencies delivering public services?*' makes a series of recommendations including:

- A Local Public Accounts Committee should be formed by all councils and be given the same statutory powers over external agencies as has health scrutiny in relation to the NHS.
- Mechanisms must be put in place whereby all councillors are able to challenge, question, seek justification from and influence the actions of arms-length bodies.
- Councils should produce a local 'governance framework' policy document which identifies all those organisations with which the council interacts and which creates a shared vision of the development of public services across the councils area.
- Councils should create a 'governance forum' where all those organisations with which the council interacts, can regularly meet to ensure a co-ordinated approach to public service delivery and long-term planning for service development and contribute to the 'governance framework'.
- There should be a legal requirement – through an extension of the principle of a 'duty to co-operate' - on all public service providers to engage with local government, at the earliest possible time, when developing policy and taking decisions about public services.

The full report is available to download on the APSE website.

<http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/bringing-order-to-chaos-how-does-local-government-hold-to-account-agencies-delivering-public-services/>

2. WIDER UPDATE AND NATIONAL PUBLICATIONS (CONTINUED)

3. NAO report: Financial Sustainability of Local Authorities

On Thursday 8 March, the NAO published its report on the financial sustainability of local authorities. The study assesses financial and demand conditions in the sector and the implications for local authority financial and service sustainability. It also reviews the stewardship role of the Ministry of Housing, Communities and Local Government, and the role of other departments with local service responsibilities, in relation to the local government financial and service sustainability.

The report's main conclusions include:

- The sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the previous study.
- Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax.
- Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced.
- Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings.
- The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.
- The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term.
- The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

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Audit & Governance Committee**11 April 2018**

Report of the Deputy Chief Executive / Director of Customer & Corporate Services

Mazars Audit Strategy Memorandum Report**Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, summarises their audit approach, highlights significant areas of key judgements and provides details of the audit team.

Background

2. The report covers:
 - a) Engagement and responsibilities summary
 - b) Audit engagement team
 - c) Audit scope, approach and timeline
 - d) Significant risks and key judgement areas
 - e) Value for money work
 - f) Fees for audit and other services
 - g) Our commitment to independence
 - h) Materiality and misstatements
 - i) Wider update and national publications

Consultation

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

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Council Plan

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

Implications

7. There are no implications to this report.

Risk Management

8. Not relevant for the purpose of the report

Recommendations

9. Members are asked to note the matters set out in the Progress report presented by Mazars.

Reason: To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

Contact Details

Author:

Emma Audrain
Technical Accountant
Corporate Finance

Chief Officer Responsible for the report:

Ian Floyd
Deputy Chief Executive/ Director of CCS

Report Approved



Date 29/03/2018

Specialist Implications Officers

Wards Affected: Not applicable

All

For further information please contact the author of the report.

Background Papers:

None

Annexes:

Mazars Audit Strategy memorandum April 2018

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Audit Strategy Memorandum

City of York Council

Year ending 31 March 2018





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money work
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance by the Council. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Governance Committee Members
City of York Council
West Offices
York
Station Rise
YO1 6GA

11 April 2018

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2018

We are pleased to present our Audit Strategy Memorandum for the City of York Council for the year ending 31 March 2018.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the City of York Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or our audit approach, please contact me on 020 7063 4310.

Yours faithfully



Gareth Davies
Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the City of York Council for the year to 31 March 2018. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: www.psa.co.uk/audit-quality/terms-of-appointment/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

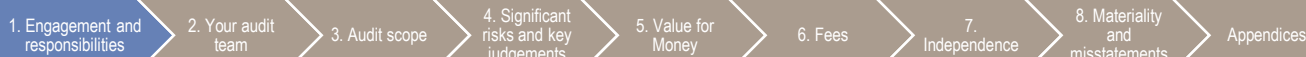
Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.



2. YOUR AUDIT ENGAGEMENT TEAM



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Partner and Engagement Lead

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3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

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

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management 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.

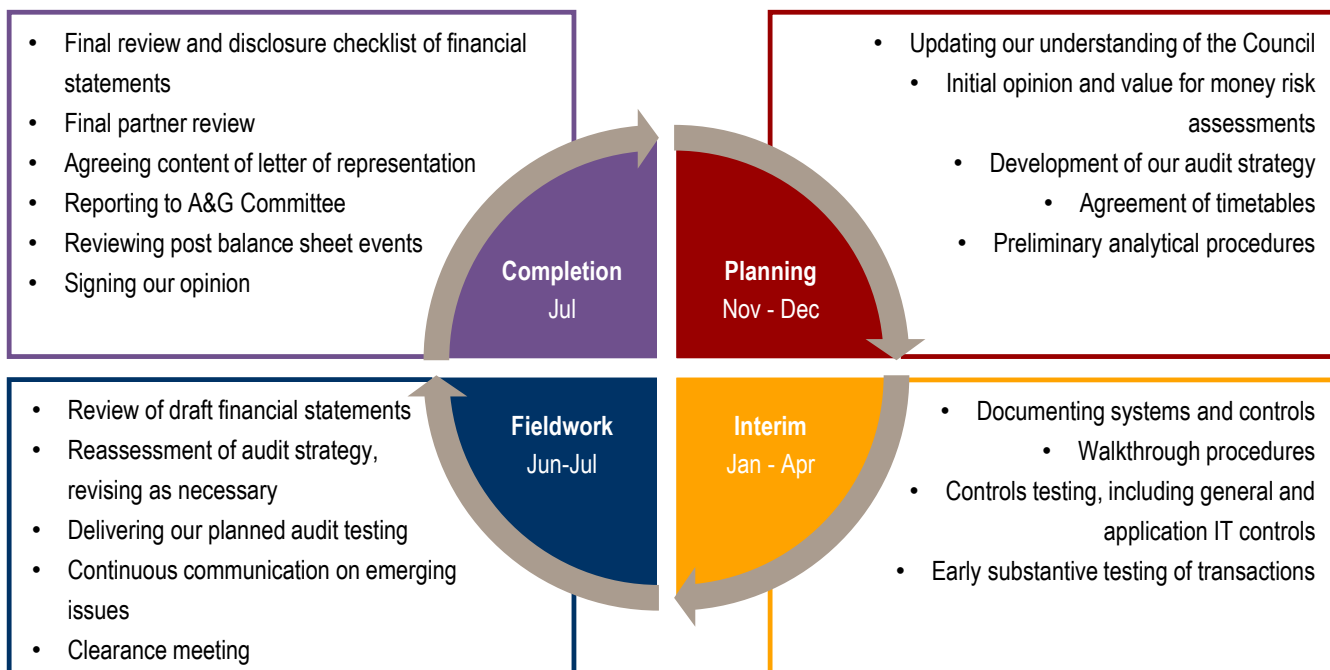
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability valuation and disclosures	Aon Hewitt <i>Actuary for the North Yorkshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuations	The Council's internal valuer	Gerald Eve <i>Valuations expert appointed by the NAO</i>
Financial instrument disclosures	Link Asset Services	Not applicable

Reporting deadlines

As we have previously discussed with the Audit and Governance Committee, the statutory timetable for the production and audit of the Council's financial statements changes for 2017/18. The Council is now required to produce accounts by 31 May 2018 (1 month earlier) and to publish audited accounts by 31 July 2018 (2 months earlier).

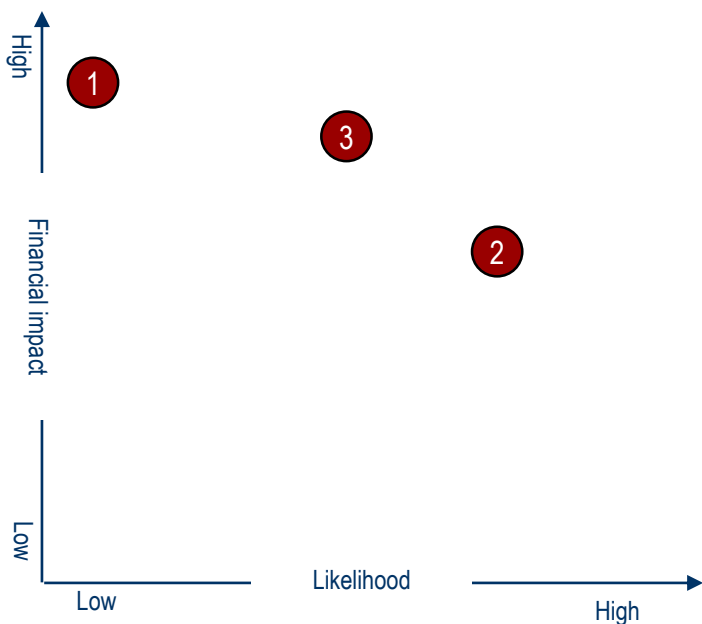
We have been working closely with officers to agree a range of measures to ensure that we and Council are well-placed to meet the revised deadlines.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

- Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.
- Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
 - other audit assertion risks arising from significant events or transactions that occurred during the period.
- Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

Significant risks

Ref	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We will address the risk through performing audit procedures that cover a range of areas, including:</p> <ul style="list-style-type: none"> material accounting estimates journal entries, focussing on those that we determine to contain certain risk characteristics; and any significant transactions outside the normal course of business or otherwise unusual.
2	<p>Property, plant and equipment valuation</p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE), with the majority of property assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.</p>	<p>We will carry out a range of procedures designed to address the risk. These will include:</p> <ul style="list-style-type: none"> assessing the skill, competence and experience of the Council's valuer; using our own valuation expert to provide information on regional valuation trends; and testing the valuations on a sample of properties.
3	<p>Defined benefit liability valuation</p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>We will carry out a range of procedures designed to address the risk. These will include:</p> <ul style="list-style-type: none"> assessing the skill, competence and experience of the Fund's actuary; challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

5. VALUE FOR MONEY WORK

Our approach to value for money work

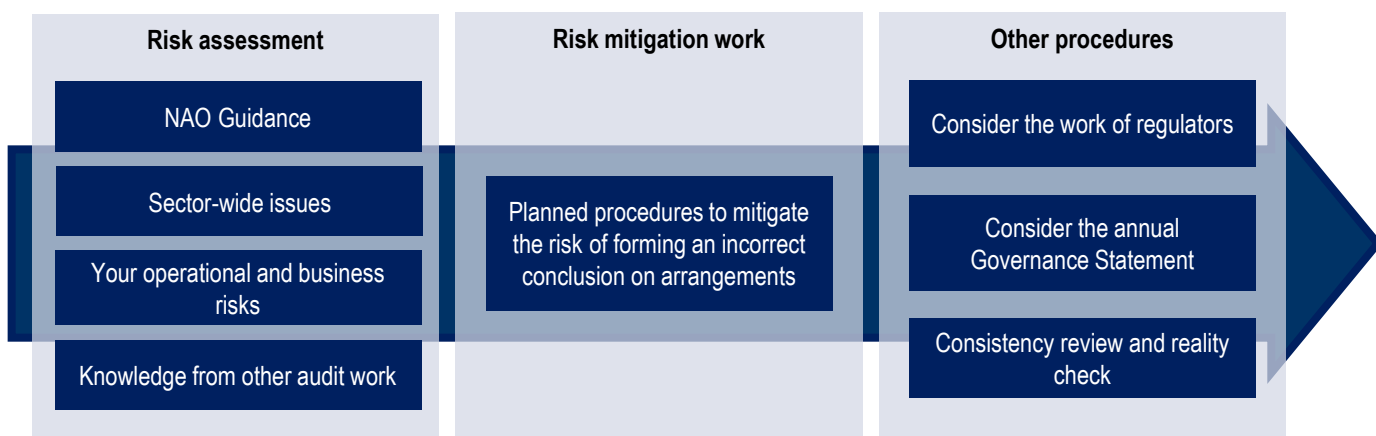
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake is provided below.



Significant value for money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2017/18 financial year, we have not identified any significant risks to our VFM conclusion. We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to the Audit and Governance Committee as part of our Audit Completion Report.



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 24 April 2017.

Service	2016/17 fee	2017/18 fee
Code audit work	£101,607	£101,607
Housing benefit subsidy certification	£11,415	£11,415

Our fees for 2016/17 are not final as we are yet to agree the fee payable in respect of our work to conclude on the two objections to the Council's 2016/17 accounts.

Fees for non-PSAA work

We have not yet been approached by the Council to undertake any non-audit work outside of the scope of the PSAA terms of appointment. The table below outlines the non-audit services we provided to the Council in 2016/17. If we are engaged to carry out the same work in 2017/18 it is likely that the fees will be in line with the prior year.

Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2016/17 fee
Assurance services relating to the Council's Teachers' Pension return	£5,000

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

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.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with your Engagement Lead, Gareth Davies, in the first instance.

Prior to the provision of any non-audit services Gareth will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. No threats to our independence have been identified.

8. MATERIALITY AND MISSTATEMENTS

Definitions

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.

Summary of initial materiality thresholds

Threshold	Initial threshold
Overall materiality	£7,736,000
Specific materiality – Senior Officer Remuneration	£5,000 per individual
Specific materiality – Termination benefits	£239,000
Specific materiality – Members' allowances and expenses	£126,000
Trivial threshold for errors to be reported to the Audit Committee	£232,000

Materiality

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 about materiality 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. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have 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 consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides 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 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.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

We expect to set a materiality threshold at 2% of Gross Revenue Expenditure.

Based on the audited 2016/17 statement of accounts we anticipate the overall materiality for the year ending 31 March 2018 to be in the region of £7.7m. After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £232,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with your Engagement Lead, Gareth Davies.

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2017/18

There are no significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2017/18. Minor changes to the Code include:

- introduction of key reporting principles for the preparation and publication of the Narrative Report;
- clarification of reporting requirements on accounting policies and going concern; and
- updating the accounting requirements for the Housing Revenue Account to align these with changes to underlying regulations and directions.

None of the above are anticipated to have a significant impact on the Council.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 9 – Financial Instruments	2018/19	<p>The standard will replace IAS 39 and will introduce significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.</p> <p>Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs.</p> <p>For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.</p>
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council and its schools are party to.</p>

The 2018/19 Code will also apply the requirements of IFRS 15 Revenue from Contracts with Customers, but it is unlikely that this will have significant implications for most local authorities.





Audit & Governance Committee**11 April 2018**

Report of the Head of Internal Audit

Internal Audit & Counter Fraud Plans 2018/19**Summary**

1. This report seeks the committee's approval for the planned programme of internal audit work to be undertaken in 2018/19. It also includes details of the planned programme of counter fraud work.

Background

2. The council's internal audit service has to comply with the Public Sector Internal Audit Standards, and the council's own Internal Audit Charter. The standards and charter require that the Head of Internal Audit gives an annual opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control. The basis for the opinion is the programme of work that internal audit carries out. An indicative risk based audit plan is drawn up at the start of each year, setting out what work will be done. The plan is required to be approved by this committee as part of its responsibility for overseeing the work of internal audit.
3. In addition to internal audit, Veritau also provides the council with specialist counter fraud services. In previous years, counter fraud work has been included as part of the internal audit plan. However, to reflect the independent nature of the counter fraud and internal audit services, and for the purposes of transparency, counter fraud work is being reported in a separate plan for the first time for 2018/19.

2018/19 Internal Audit Plan

4. Annex 1 sets out proposed internal audit work for 2018/19. The planned audit work is based on a risk assessment undertaken by Veritau. The plan is also informed by discussions with chief officers and members, risk management arrangements, and by plans for development and change within the council.
5. Total planned days for 2018/19 are 1,210 which is a reduction of 60 days from 2017/18.
6. The 2018/19 plan is similar in focus to previous years. It recognises the continuing change taking place within the council. Veritau will continue to provide support, advice and challenge in relation to major projects in addition to overall plans to meet current needs (eg to achieve savings targets). Whilst the plan reflects the continued need to look at key corporate systems, and to undertake regularity work in areas such as the main financial systems, it also recognises the increasing expenditure and focus in areas such as Adult Social Care.
7. Other audits considered for the 2018/19 plan include the following.
 - Overtime
 - Risk Management
 - Members Allowances
 - Health & Safety
 - Regional Adoption Agency
 - Community Safety Plan
 - Public Health - Delivery of Outcomes
 - Better Care Fund
 - Right to Buy
 - Housing Environment Improvement Programme
 - Ethics
8. These were not included in the plan in order to balance planned work with available resources. Ultimately these areas were considered a lower priority for internal audit for 2018/19. For example because, they were deemed to be a lower risk, were subject to other scrutiny (eg by external audit), or because of timing issues (eg they were likely to be undertaken later in the year and could be considered in 2019/20).

2018/19 Counter Fraud Plan

9. Annex 2 sets out proposed areas of counter fraud work for 2018/19. No estimate of time is made for each area as this will depend on levels of suspected fraud reported to the team. Reactive investigations (determined by allegations of fraud received) accounts for the largest proportion of work. Priorities for work in the remaining areas will be determined in accordance with the council's Counter Fraud Strategy and Counter Fraud Risk Assessment (presented to the committee in February).
10. Total planned days for 2018/19 are 1,060, which is a reduction of 63 days from the previous financial year.

Consultation

11. In preparing the audit and counter fraud plans consultation has taken place with the Audit and Governance Committee and key officers across the council.

Options

12. Not relevant for the purpose of the report.

Analysis

13. Not relevant for the purpose of the report.

Council Plan

14. The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and accountability 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 Assessment

16. The council will be non-compliant with the Public Sector Internal Audit Standards if the internal audit plan is not approved by the committee, and it may be subject to increased scrutiny and challenge.

Recommendation

17. Members are asked to approve the 2018/19 internal audit plan and note the proposed counter fraud plan.

Reason: In accordance with the committee's responsibility for overseeing the work of internal audit and the counter fraud service.

Contact Details

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Chief Officer Responsible for the report:

Ian Floyd
Director of Customer and Corporate Services
Telephone: 01904 551100

**Report
Approved**



Date 28/03/2018

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report.

Background Papers:

None

Annexes:

Annex 1 – 2018/19 Internal Audit Plan

Annex 2 – 2018/19 Counter Fraud Plan

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**CITY OF YORK COUNCIL
INTERNAL AUDIT PLAN 2018/19**





City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

CONTENTS

- 1 Introduction
- 2 2018/19 Audit Plan
- 3 Corporate & Cross Cutting Audits
- 4 Main Financial Systems
- 5 Directorate Audits
- 6 Other Chargeable Work



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

1. INTRODUCTION

- 1.1 This plan sets out the proposed 2018/19 programme of work for the internal audit service provided by Veritau for the City of York Council.
- 1.2 In accordance with proper practice¹, internal audit is required to prepare an indicative annual audit plan. 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. 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. Further details about the approach to audit planning can be found in the Audit Charter (latest version approved by the Audit and Governance Committee in June 2017).

2. 2018/19 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 2018/19 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:

¹ Proper practice is set out in the Public Sector Internal Audit Standards and specific guidance on these standards for local government, issued by CIPFA.



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

- 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 2018/19 plan are set out in sections 3 – 6 below.



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

3. CORPORATE & CROSS CUTTING AUDITS

Days

Annual Governance Statement & Governance Support

5

Advice and support on corporate governance matters and support in preparing the council's annual governance statement.

Asset Management

25

A review of the arrangements for managing the council's fixed assets and systems for accounting for assets. This will include an assessment of arrangements for ensuring the council's assets are being used effectively.

Budgetary Control

25

A review of the arrangements for managing the council's financial budgets.

Corporate Complaints

15

A review of corporate complaints processes focussing on compliance with corporate procedures and standards.

Data Quality

20

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

Equalities

15

A review of the collection and processing of equalities information collected as part of recruitment processes.

GDPR Readiness

15

A review of the council's readiness to meet requirements of the new General Data Protection Regulations.

Governance

20

A review of the council's governance arrangements in relation to CIPFA's latest 'Good Governance' publication.



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

ICT - Asset Management	20
A review of arrangements for managing IT assets, including portable devices such as mobile phones, laptops and tablets. This may include the security of portable devices.	
ICT - Governance and Cyber Security	10
An audit of ICT governance arrangements and controls and risks relating to cyber security. This will follow-up work carried out in 2017/18.	
ICT - Licence Management	20
A review of arrangements for managing ICT software licences across the council.	
Information Security	15
An allocation of time for unannounced audit visits to council offices to ascertain the extent to which personal and sensitive data and information assets are protected.	
Insurance	15
A review of the council's procedures for dealing with insurance claims.	
Multi-Agency Incident Planning	15
A review of procedures to work with partners on areas such as terrorism threats, flooding and pandemics.	
Procurement and Contract Management	50
This will encompass a number of separate audits which may include reviews of specific procurement exercises and contract related issues. This will include a review of arrangements to assess and manage supplier resilience issues, following the collapse of Carillion in 2017/18.	
Project Management	50
An allocation of time for the review of project management arrangements within the council as well as support and advice for specific projects.	



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

Scrutiny	20
A review of the operation and effectiveness of the council's arrangements for scrutiny.	
Workforce Planning	25
An audit of the council's arrangements for workforce planning including succession planning.	
TOTAL – Corporate & Cross Cutting Audits	380



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

4. MAIN FINANCIAL SYSTEMS

Days**Council Tax & NNDR**

25

A review of the systems for calculating Council Tax and NNDR liabilities, and the collection, recording and processing of payments.

Council Tax Support and Housing Benefits

20

A review of the arrangements for paying Housing Benefits and for administering the council tax support scheme. The audit will also consider the transition to Universal Credit.

Debtors

25

A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements.

Housing Rents

25

A review of the systems to collect, record, reconcile and monitor housing rents. The audit will also examine the arrangements for debt recovery.

Main Accounting System

25

A review of the arrangements for managing and maintaining the financial ledger.

Ordering and Creditor Payments

25

A review of the systems for ordering goods and services and processing creditor invoices.

Payroll

25

A review of payroll controls and processing

VAT Accounting

15

A review of key controls to ensure compliance with VAT accounting requirements.

TOTAL – Main Financial Systems

185



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

5. DIRECTORATE AUDITS

Days

Children, Education and Communities (CEC)

Adult Education Service

15

A review of the systems in place to provide education courses to adults via York Learning.

Children's Social Care Funding and Budget Management

20

An allocation of time to review budget management systems within Children's Social Care.

Free Early Education Funding

25

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.

Schools

50

A programme of visits to schools as well as a number of themed audits including a review of Schools Budget Management. The audits are undertaken in accordance with a detailed risk assessment. The number of days for 2018/19 has been reduced due to the decrease in the number of maintained schools.

Schools Funding

20

An audit of the systems in place to allocate funding to schools.

Schools Maintenance Programme

10

A review of the procedures in place to provide maintenance services to schools.

Services to Schools

20

A review of the provision of paid services to schools including a review of income collection systems.



City of York Council's Internal Audit and Counter Fraud Service

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Wenlock Terrace	15
A provision of time to assist in a review of contract arrangements and best value ahead of the contract renewal with the residential accommodation provider.	
<u>Economy and Place (EP)</u>	
Capital Projects	25
A review of key controls and risks in relation to significant capital projects within E&P.	
Clean Air Data	15
An audit of the council's arrangement to review the quality of air within the City of York including data collection and reporting.	
Contract Management – Allerton Park	15
A review of contract management arrangements for the key contract with the Allerton Park Waste Recovery Plant.	
Contract Management – Park & Ride	15
A review of contract management arrangements for the key Park & Ride contract.	
Waste Services	30
A review of key risks in relation to Waste Services. The scope will be agreed with officers during the year and may include attendance management, agency staff, additional payments and personal protective equipment (PPE).	
Waste Services - Procurement	15
A review of procurement within Waste Services. This will build on some initial work carried out in 2017/18.	



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Health, Housing and Adult Social Care (HHASC)

ASC Absence Management	15
A review of the processes and procedures in place to manage absences within Adult Social Care.	
ASC Budget Management	40
An allocation of time to review budget management systems within Adult Social Care. This may encompass more than one audit and will include consideration of delayed discharges, winter funding pressures, care management processes as well as the delivery of agreed savings plans.	
Continuing Healthcare	15
A review of funding arrangements for adults where the NHS is responsible for full or part funding. This will build on some initial work carried out in 2017/18.	
CQC Improvement Plan	20
An allocation of time to support and review the council's response to the recent Care Quality Commission (CQC) review.	
Housing Development	25
A review of strategic arrangements for assessing housing need and managing housing development in the local area.	
Housing Fraud	20
A review of key risks in relation to housing fraud.	
Public Health – Health Protection Standards	15
A review of how well the council is meeting the national public health standards in relation to health protection	
Responsive Repairs	25
A review of the systems in place to provide responsive repairs to tenants of council housing. This will include invoicing for work completed.	



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Section 117 of the Mental Health Act (follow-up)	10
A follow-up of the agreed actions in relation to a previous audit of s117 of the Mental Health Act; specifically the aftercare of individuals and the arrangements with the NHS for this.	
TOTAL – Directorate Audits	475



City of York Council's Internal Audit and Counter Fraud Service

Annual Internal Audit Plan 2018/19

6. OTHER CHARGEABLE WORK

	<u>Days</u>
<p>Audit and Governance Committee Provision to prepare reports for the Audit and Governance Committee, attend meetings and prepare responses to queries on audit reports.</p>	30
<p>Audit Planning Preparation and monitoring of audit plans.</p>	15
<p>Contingency Assignments Provision to undertake additional work in response to:</p> <ul style="list-style-type: none"> • specific requests from the Director of Customer and Corporate Services (the S151 Officer) or the Audit and Governance Committee. • new or previously unidentified risks which impact on Strategic Audit Plan priorities • significant changes in legislation, systems or service delivery arrangements • requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management • urgent or otherwise unplanned work arising from fraud investigations which identify potential control risks. 	25
<p>Data Analysis An allocation of time for the development of data analysis techniques and specific data matching exercises, to enhance the delivery of planned audit work.</p>	10
<p>External Audit Liaison Provision for regular liaison and information sharing with Mazars.</p>	5
<p>Follow Up Audits Provision to follow up previously agreed audit actions.</p>	50



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Freedom of Information Act Requests	10
An allocation of time to provide responses to requests received by the council and to answer queries about audit work from councillors and the public.	
Support, Advice & Liaison	25
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 Audit Work	170

TOTAL DAYS 2018/19	1,210
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**CITY OF YORK COUNCIL
COUNTER FRAUD PLAN 2018/19**





City of York Council's Counter Fraud Service

Annual Counter Fraud Plan 2018/19

CONTENTS

- 1 Introduction
- 2 2018/19 Counter Fraud Plan



City of York Council's Counter Fraud Service

Annual Counter Fraud Plan 2018/19

1. INTRODUCTION

- 1.1 This plan sets out the activities that the counter fraud service delivers for the City of York Council.
- 1.2 A total of 1060 days of counter fraud work has been agreed for 2018/19. A large proportion of this work will comprise reactive investigations which are determined by referrals received from officers and the public about suspected fraud. Other work will be undertaken in accordance with priorities determined by the Counter Fraud Risk Assessment and Counter Fraud Strategy Action Plan (presented to the Audit and Governance Committee in February).

2. 2018/19 COUNTER FRAUD PLAN

- 2.1 A summary of planned areas of work is set out in the table below.

Area	Scope
Counter Fraud General	Monitoring changes to regulations and guidance, review of counter fraud risks, and support to the council with maintenance of the counter fraud framework. This will include completion of the annual counter fraud risk assessment and review of the counter fraud policy and strategy.
Proactive Work	This includes: <ul style="list-style-type: none"> raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues targeted proactive counter fraud work - for example through local and regional data matching exercises support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud.

**City of York Council's Counter Fraud Service****Annual Counter Fraud Plan 2018/19**

Area	Scope
Reactive Investigations	Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud recurring.
National Fraud Initiative (NFI)	Coordinating submission of data to the Cabinet Office for the NFI national fraud data matching programme and investigation of subsequent matches.
Fraud Liaison	Acting as a single point of contact for the Department for Work and Pensions, to provide data to support their housing benefit investigations.



Audit & Governance Committee**11 April 2018**

Report of the Head of Internal Audit

Audit & Counter Fraud Monitoring Report**Summary**

1. This report provides an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.

Background

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

Internal Audit

3. To date (up to 26th March 2018), internal audit has completed 73% of the 2017/18 audit plan based on reports issued. The figures do not reflect audits in progress or recently completed¹. It is anticipated that the 93% target for the year will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits). The current status of audits included in the audit plan is shown in annex 4.
4. Details of the audits completed and reports issued since the last report to this committee in December 2017 are given in annex 1.
5. A number of variations to the audit plan have been approved by the Director of Customer and Corporate Services since the

¹ The figure including work in progress and work completed but not yet reported is 100%.

last report to this committee in December 2017. Details of these variations are included in annex 2.

Counter Fraud

6. Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides a summary of the work undertaken in the period.
7. Up to 28th February, the fraud team had achieved £207k in savings for the council as a result of investigation work (against a target for the year of £100k). Successful outcomes were recorded for 54% of the investigations undertaken (where cases have resulted in some form of action against the perpetrator, recovery of funds or other action by management). The team also identified £41k in notional savings principally derived from housing fraud investigations.

Breaches of Financial Regulations

8. No breaches of the council's financial regulations have been identified during the course of recent audit work.

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. The work of internal audit and counter fraud 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

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 be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could therefore be exposed to increased levels of scrutiny and challenge.

Recommendation

15. Members are asked to note the progress made in delivering the 2017/18 internal audit work programme, and current counter fraud activity.

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

Contact Details

Author:

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01904 552940

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Corporate
Services
Telephone: 01904 551100

**Report
Approved**



Date 29/03/2018

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

2017/18 Internal Audit and Counter Fraud Plan

Annexes:

Annex 1 - 2017/18 Audits Completed and Reports Issued

Annex 2 - Variations to the 2017/18 Audit Plan

Annex 3 - Counter Fraud Activity

Annex 4 - Current Status of Planned Audits

Available on the council's website

The following Internal Audit reports referred to in annex 1 are published on the council's website:

- Access to Key IT Systems (follow-up)
- Concessionary Bus Passes
- Copmanthorpe Primary School
- Financial Transactions & Income Management
- Health & Safety
- Health & Safety (follow-up)
- Information Security Checks
- Ordering and Creditor Payments
- Payment Card Industry Data Security Standard (PCI DSS)
- Performance Management
- Procurement of Contracts (Building Maintenance, Civil Engineering & Public Realm) (follow-up)
- Schools Themed Audit – Electronic Cash Collection
- Supporting Vulnerable People
- Westfield Community Primary School

Information which might increase risk to the council, its employees, partners or suppliers has been redacted.

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

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

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

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

Priority

Long Definition

Short Definition – for use in Audit Reports

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system 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

Eleven 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.

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in December 2017. In all cases the actions have been agreed with management, and will be followed up by internal audit when the due date is reached.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Access to Key IT Systems (follow-up)	No Opinion Given	0	2	0	This audit followed-up the agreed actions from a previous audit finalised in April 2017. It found that the majority of actions had now been completed with the exception of those relating to the housing repairs system which is being replaced.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Concessionary Bus Passes	Substantial Assurance	0	0	7	<p>This audit reviewed the reliability and accuracy of data processing methods as well as analysis of heavily-used passes for possible misuse.</p> <p>No significant concerns were found with data processing methods. Hot-listing had not been implemented at the time of the audit, meaning that pass holders were able to continue using their original pass as well as their re-issued one.</p>
Copmanthorpe Primary School	High Assurance	0	0	4	<p>A routine audit of financial, operational and governance procedures at the school. Processes were found to be operating well but some minor areas of improvement were identified.</p>

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Financial Transactions and Income Management	<p>High Assurance (Financial Transactions)</p> <p>Reasonable Assurance (Income Management)</p>	0	0	1	This audit reviewed the financial transaction processes at the Council as well as cash handling procedures at a sample of satellite sites responsible for taking cash payments. No notable issues were found with financial transaction procedures. Some issues were observed with the cash handling procedures at the satellite sites.
Health & Safety	Reasonable Assurance	0	5	2	The audit reviewed health & safety arrangements in relation to public events. It found that arrangements are adequate, however resourcing of the Safety Advisory Groups and available guidance could be improved. The contract and SLA with Make it York could also be improved, particularly with respect to making responsibilities clear.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Health & Safety (follow-up)	No Opinion Given	0	2	3	This follow-up found that six of the actions raised in 2015/16 audit of Health & Safety had been addressed or that satisfactory progress had been made to address the control weakness while five actions were superseded and replaced with new actions.
Information Security Checks	Reasonable Assurance	0	4	0	A regular check of the extent to which confidential, personal or sensitive data is stored securely. It found that the council remains reasonably well protected against accidental disclosure of information. However, there remain improvements to be made to protect against deliberate unauthorised access by ensuring all personal and sensitive information is locked away across all areas of the council.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Ordering and Creditor Payments	Substantial Assurance	0	1	2	This audit reviewed the processes and procedures in place when placing orders and paying creditors. It was found that FMS permissions are such that is technically feasible for creditors staff to both process and authorise invoices, although no instances of this were noted during the audit. The team are working with the software supplier to address this issue.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Payment Card Industry Data Security Standard (PCI DSS)	Substantial Assurance	0	0	2	This audit reviewed the progress made towards implementing the actions agreed as part of the 2016/17 audit. It was found that significant progress had been made to ensure that the Council is compliant with the PCI DSS, with a PCI DSS Security Policy having been developed, roles and responsibilities clearly defined and an asset register compiled to document and monitor systems and processes subject to the standard. However, PCI DSS training had not yet been provided to all relevant staff and some transaction volume and value totals for merchant machines were not available at the time of the audit.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Performance Management	Reasonable Assurance	0	4	1	The audit reviewed the annual performance appraisal (PDR) process. PDRs completed electronically were of a good quality and effective guidance was available to staff. However, paper PDRs completed were of variable quality and on occasion used the wrong template. Completion rates were improving but were low at the end of the normal window for completing PDRs (May to July).
Procurement of Contracts (Building Maintenance, Civil Engineering & Public Realm) (follow-up)	No Opinion Given	0	2	0	This audit followed-up the agreed actions from a previous audit finalised in August 2016. It found that the majority of actions had now been completed, although some contracts remain to be put in place.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Schools Themed audit - Electronic Cash Collection	Substantial Assurance	0	0	6	This audit reviewed the usage of electronic income systems in council maintained schools. It was found that a number of schools do not use electronic income collection. For those that do, procurement procedures were found to vary; resulting in some schools achieving more favourable contracts than others and only one school had opted to go "cashless".
Supporting Vulnerable People	No Opinion Given	0	0	1	This review examined the council's arrangements for dealing with individuals with no recourse to public funds. The council does not have a large number of these to deal with but is now formulating a policy and procedures.
Westfield Community Primary School	High Assurance	0	0	2	A routine audit of financial, operational and governance procedures at the school. Processes were found to be operating well but some minor areas of improvement were identified.

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VARIATIONS TO THE 2017/18 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 S151 Officer. Details of variations are communicated to the Audit and Governance Committee for information.

2017/18 Audit Plan Variations

The following variations have been approved by the Director of Customer and Corporate Services since the last report to this committee in December 2017.

Audit	Days	Reason For Variation
Additions / Increases to the Audit Plan		
Taxi Licensing	15	An initial request for an allocation of time was approved by the Audit & Governance Committee in September 2017. Following the detailed scoping of the audit, another 10 days is required to ensure it has appropriate coverage.
ICT audit	8	This is a correction to a previous variation approved in September 2017. The original variation for 5 days should have been 13, in order to carry out two ICT audits.
Health & Safety (follow-up)	20	A brief follow-up of previously agreed actions was originally planned, to be undertaken as part of the 2017/18 audit. However, initial work identified that systems had changed significantly - the original agreed actions were no longer relevant and therefore a separate review was required.
Procurement of Contracts (follow-up)	28	An extra allocation of time was needed to review contract arrangements in additional service areas. The follow-up element also incurred more time than expected due to the need to discuss the findings with a range of different officers.

Audit	Days	Reason For Variation
Additions / Increases to the Audit Plan		
Continuing Healthcare (Adults)	15	Following some initial work on this area in Children's Services, it was agreed with the Director of HHASC to commence an equivalent piece of work in relation to Adult Services.
Audit Management	18	An additional allocation for time required during the year to finalise reports and liaise with client officers.
Transfer of Leisure Services	8	This represents a request for urgent work made in November 2017 to support and review the transfer of leisure services from the council to an external company.
Audit & Governance Committee	10	An additional allocation of time required for support to the Audit & Governance Committee, including discussion of final reports with members.
Follow-ups	25	An additional allocation of days to reflect actual time spent on following-up previously agreed audit actions. This is due to an increased focus on following up actions from previous years, additional reporting to the Governance, Risk and Assurance Group (GRAG) and greater emphasis on escalation of incomplete actions to senior officers.
Business Continuity & Emergency Planning	5	This represents additional time required to obtain information required to complete the work, and consultation on findings.
High Needs SEN	8	The work undertaken required visits to a range of establishments, increasing the time required to complete the work.

Audit	Days	Reason For Variation
Additions / Increases to the Audit Plan		
Audit planning	5	An additional allocation of time to represent the time spent formulating the 2018/19 audit plan.
Deprivation of Liberty Assessments	5	The audit included a number of complex issues and the additional time reflects the actual time spent.
Direct Payments	2	The audit required additional time to resolve the issues identified and agree the report with the service areas involved.
	172	

Audit	Days	Reason For Variation
Deletions / Reductions from the Audit Plan		
Community Safety Plan	15	This provision of days for providing support and advice on control issues relating to the formulation of a new community safety plan was not required.
Regional Adoption Agency	10	Some initial work was carried out. However, as the arrangement is still in a formative stage, it was agreed in consultation with the Director of CEC that the remaining time be deferred. An audit is now expected to be undertaken in early 2019/20.
Better Care Fund	25	This audit has been cancelled in order to fund other work above as it is considered a lower priority.

Document Management	25	This audit was cancelled in order to fund other work above as it is considered to be a lower priority.
Asset Management	25	The service requested this work be deferred until after April, due to workload pressures. This has been included in the 2018/19 plan and will be carried out early in the year.
Governance	25	This audit has been deferred to fund other work above (given the agreed contingency has been used). It has now been included in the audit plan for 2018/19 and will take place early in the year.
Scrutiny	25	This audit has been deferred to fund other work above (given the agreed contingency has been used). It has now been included in the audit plan for 2018/19 and will take place early in the year.
	150	

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COUNTER FRAUD ACTIVITY 2017/18

The table below shows the level of savings achieved through counter fraud work during the current financial year.

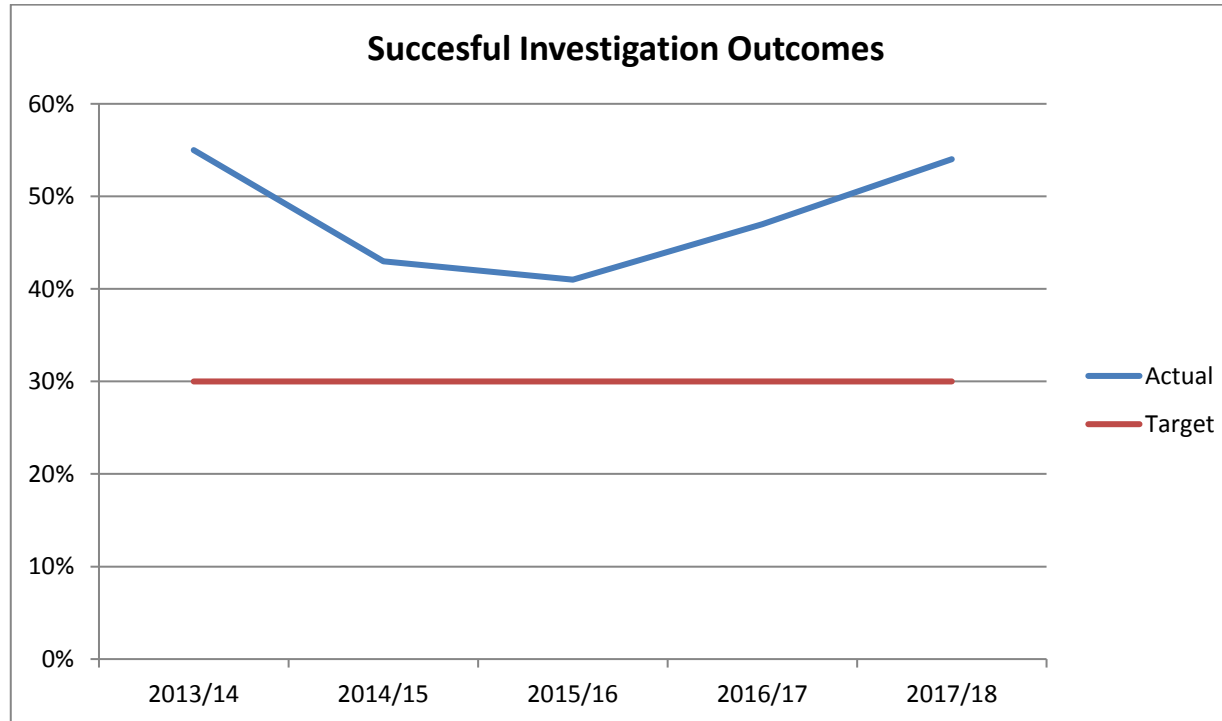
	2017/18 (Actual: 28/02/18)	2017/18 (Target: Full Yr)	2016/17 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£207,928	£100,000	£346,944
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£41,200	£250,000	£144,400

Caseload figures for the period are:

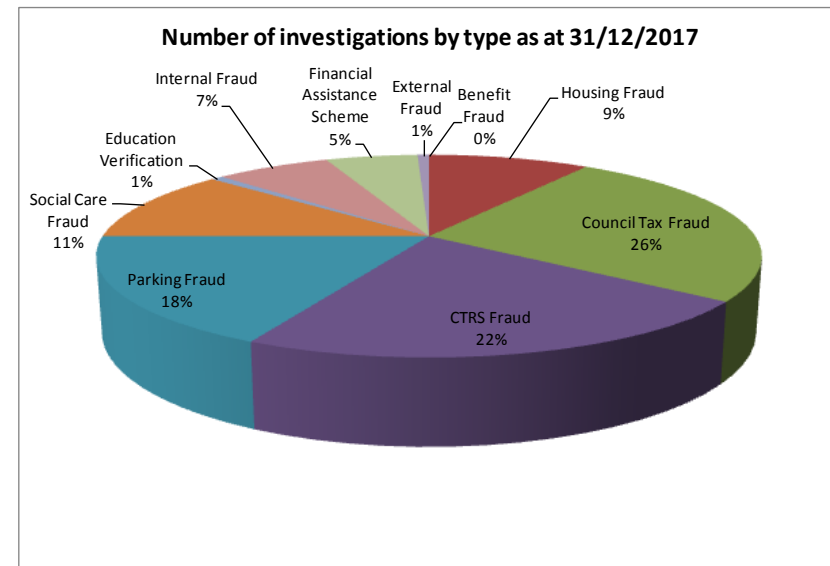
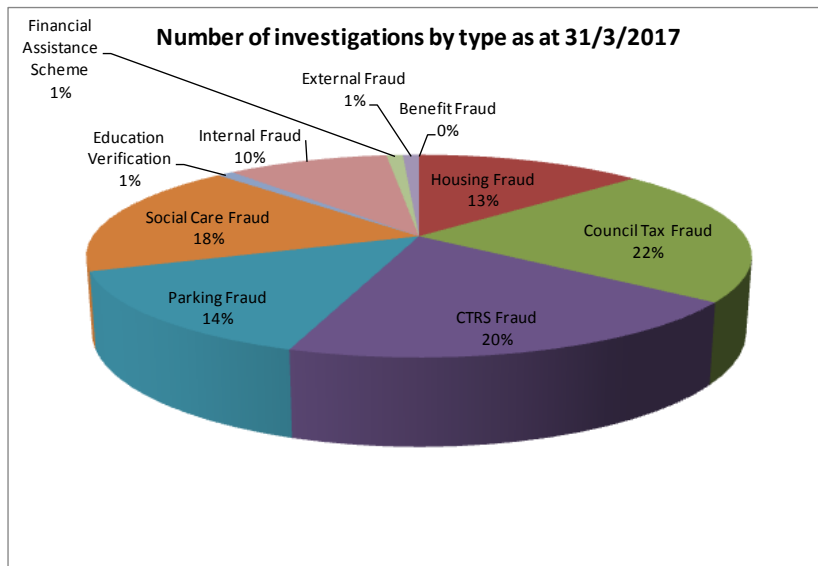
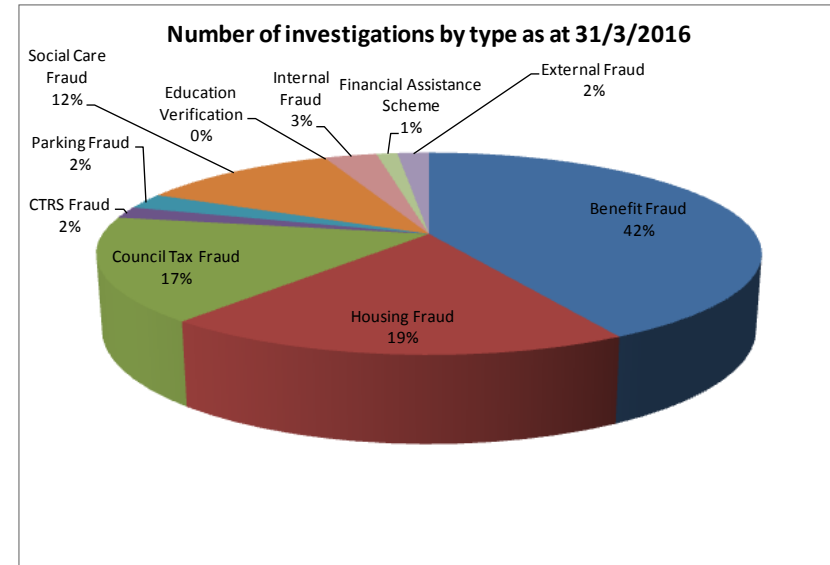
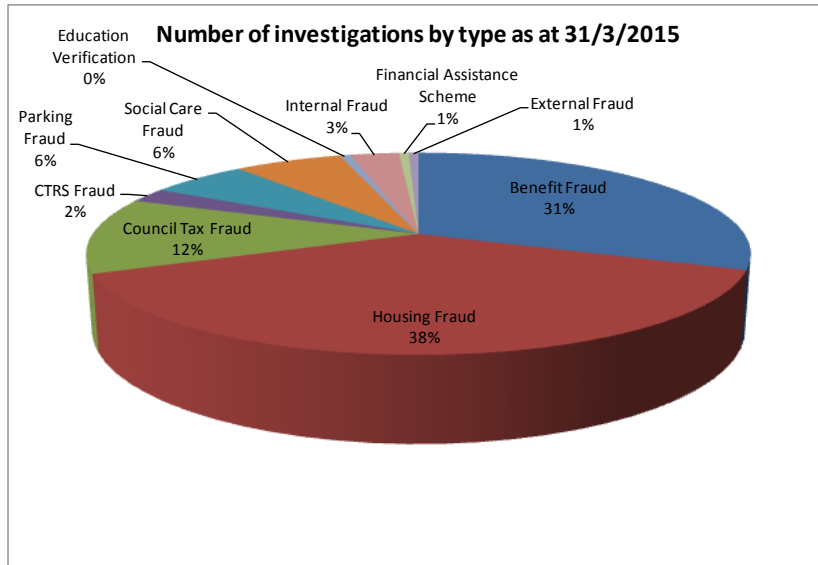
	2017/18 (As at 28/2/18)	2016/17 (Full Year)
Referrals received	325	290
Number of cases under investigation	126	103 ¹
Number of investigations completed	209	155

¹ As at 31/3/17

The agreed target for successful outcomes from investigations is 30%. Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, or management action taken. The graph below shows percentage success rates over the last 5 years.



The charts below show the proportion of different case types under investigation over the last four years. The figures are based cases under investigation at the 2014/15, 15/16 and 16/17 year ends and 31/12/2017 (the latest quarter end data available).



Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Investigation of 2016/17 National Fraud Initiative (NFI) matches is nearing completion. Data for the annual Single Person Discount exercise has been provided and matches have been published. The matches will now be passed to the Council Tax Department.</p> <p>The council, alongside regional partners, has volunteered to participate in a new NFI pilot exercise hoping to identify Business Rates fraud.</p> <p>Veritau have an ongoing programme of internal and regional data matching. The current focus is council tax discounts. Eleven cases are either under investigation or waiting to be investigated. One case has been completed resulting in a £500 saving for the council.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Social Care fraud – The fraud team continue to investigate adult social care fraud alongside council colleagues. This type of fraud is considered to be of one of the highest areas of fraud risk facing local authorities nationally. Following a referral to the Police, two people were recently convicted of fraud offences and given a two year custodial sentence. There are currently 16 ongoing investigations. • Council Tax/Non Domestic Rates fraud – To date the team has received 58 referrals for potential fraud in this area. There are currently 30 ongoing investigations into council tax and non domestic rates fraud. The council has prosecuted two people for council tax fraud this year including the longest running single person discount fraud ever detected at the authority – 17 years. In addition, 3 people have been cautioned for council tax fraud offences and 5 people have received warnings.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Housing fraud – Working in conjunction with housing officers, 2 properties were prevented from being let where the prospective tenants had provided false information in their housing application. There are currently 14 ongoing investigations in this area. • Internal fraud - The team has received 12 referrals for potential internal fraud since April and 11 cases are currently under investigation. • York Financial Assistance Scheme fraud – The fraud team has received 19 referrals since April. Working with the department new procedures have been implemented to help detect and deter fraud against this scheme. To date one person has been cautioned and 11 people have received warnings for misuse of this scheme. There are currently 4 ongoing investigations. • Council Tax Support fraud – The fraud team have completed 26 investigations into potential CTS fraud to date. The team has produced over £13k in savings thus far. There are currently 32 cases under investigation. To date one person has been cautioned and 10 people were issued formal warnings following investigations in this area. • Parking fraud – The fraud team working with the Parking Department has held two ‘days of action’ to help detect and deter blue badge misuse within the city. Six cases of badge misuse were detected over the two days. To date in 2017/18 the council has prosecuted two people, cautioned 12 people and issued 30 warnings for disabled badge or parking permit misuse. There are currently 16 cases under investigation. • Education verification – The fraud team works with the schools team to investigate and deter false applications for school placements. Two false applications have been blocked in 2017/18.

Activity	Work completed or in progress
Fraud liaison	The fraud team acts as a single point of contact for the Department for Work and Pensions and is responsible for providing data to support their housing benefit investigations. The team have dealt with 440 requests on behalf of the council to date during this financial year.
Fraud Management	<p>In 2017/18 a range of activity has been undertaken to the support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • In February an annual counter fraud report was brought to the Audit and Governance Committee. As part of the annual report the counter fraud and corruption policy, counter fraud strategy and counter fraud risk assessment were reviewed. No updates were required to the policy and strategy however an associated action plan was updated to reflect current fraud threats facing the council. • A new 0800 number has been launched to allow members of the public to report fraud free of charge. • As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout the week. In addition targeted fraud awareness has been provided within the Housing, Parking, Social Care and Benefit departments in the current financial year. • In February, for Tenancy Fraud Awareness Week, Veritau and the council promoted housing fraud issues to staff and residents. • The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.

CURRENT STATUS OF WORK IN AUDIT PLAN

AUDIT	STATUS
Corporate & Cross-Cutting	
Annual Governance Statement & Governance Support	Complete
Asset Management	Deferred
Business Continuity and Emergency Planning	Draft report issued
Data Quality	In progress
Document Management	Deferred
Governance	Deferred
Health & Safety	Reasonable Assurance
Health & Safety (follow-up)	No Opinion Given
Information Security	Reasonable Assurance
ICT Governance & Cyber Security	In progress
ICT Access Controls (follow-up)	No Opinion Given
Freedom of Information	Draft report issued
Overtime	In progress
PCI DSS	Substantial Assurance
Performance Management	Reasonable Assurance
Procurement – Waivers	Draft report issued
Procurement – Breaches	Draft report issued
Project Management – Miscellaneous Project Support	Complete

AUDIT	STATUS
Project Management – ASC Project Support	Complete
Register of Interests	Draft report issued
Scrutiny	Deferred
Use of Social Media	In progress
Whistleblowing (support)	Complete
Main Financial Systems	
Financial Transactions and Income Management	High Assurance (Financial Transactions) Reasonable Assurance (Income Management)
Council Tax & NNDR	In progress
Council Tax Support and Housing Benefits	In progress
Debtors	In progress
Housing Rents	Deferred
Main Accounting System	High Assurance
Ordering and Creditor Payments	Substantial Assurance
Payroll	In progress
Treasury Management	Draft report issued
Health, Housing and Adult Social Care	
Better Care Fund	Deferred
Community Safety Plan	Deferred

AUDIT	STATUS
Deprivation of Liberty Assessments	Draft report issued
Direct Payments	Draft report issued
Housing Performance	In progress
Public Health (support/advice)	Complete
Savings Plans (HHASC)	Draft report issued
Supporting Vulnerable People	No Opinion Given
Continuing Healthcare – Adults (addition to plan)	In progress
Economy and Place	
Bus Pass Usage Claims	Substantial Assurance
Car Parking	In progress
Procurement of Sub-Contractors	No Opinion Given
Property Income	In progress
Section 106 Agreements	In progress
Trading Standards	In progress
Taxi Licensing (addition to plan)	In progress
Children, Education and Communities	
Contributions to Care	In progress
High Needs SEN	In progress
Regional Adoption Agency	Deferred
Schools: Stockton-on-Forest Primary School	Draft report issued

AUDIT	STATUS
Westfield Community Primary School	High Assurance
Copmanthorpe Primary School	High Assurance
Skelton Primary School	Draft report issued



Audit & Governance Committee**11 April 2018**

Report of the Head of Internal Audit

Internal Audit Follow Up Report**Summary**

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

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 then 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 Feb 2018.

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 98 actions have been followed up since the last report to this committee in September 2017. A summary of the priority of these actions is included in figure 1, below.

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

Priority of actions*	Number of actions followed up
1	2
2	42
3	54
Total	98

* 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	CCS	EP	CEC	HHASC
1 (High)	0	2	0	0
2 (Medium)	25	14	1	2
3 (Low)	15	7	27	5
Total	40	23	28	7

7. Of the 98 agreed actions 66 (67.3%) had been satisfactorily implemented and 20 (20.4%) were either redundant or superseded by a new action¹. The redundant actions all apply to previously maintained schools which are now, or soon to be, academies.
8. In a further 12 cases (12.2%) 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 (e.g. 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 escalation procedure. Figure 3 below shows the priority of these actions.

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

9. Seven Priority 2 actions had an implementation date revised by more than six months during the period. Further details are included in annex 1.

Figure 3: priorities of actions with revised implementation dates

Priority of actions				
	CCS	EP	CEC	HHASC
1 (High)	0	0	0	0
2 (Medium)	0	6	0	1
3 (Low)	0	1	1	3
Total	0	7	1	4

Conclusions

10. 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

11. Not relevant for the purpose of the report.

Analysis

12. Not relevant for the purpose of the report.

Corporate Priorities

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

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

15. The council will fail to properly comply with Public Sector Internal Audit Standards (PSIAS) if it does not establish procedures to follow up on audit recommendations and report progress to the appropriate officers and members.

Recommendations

16. 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 – 9).

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

Contact Details

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**Report
Approved**



Date 28/03/2018

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

For further information please contact the author of the report

Background Papers:

None

Annexes:

Annex 1 – Revised dates longer than six months

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PRIORITY 1 AND 2 ACTIONS WITH IMPLEMENTATION DATES REVISED BY MORE THAN SIX MONTHS

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Car Parking 2015-16	2	July 2017	July 2018	<p>Cash received for parking permits or Penalty Charge Notices (PCNs) are not reconciled between the council's financial management system and the parking system.</p> <p>The Finance team agreed to investigate reconciling the two systems and establishing the level of variance that would then need to be investigated.</p>	<p>The process has been mapped and it was determined that it is not possible to get the total number of PCNs and parking permits or reference numbers from FMS. It is only possible to get the date of payment and total amount paid. Other options are now being discussed; the 17/18 audit of Car Parking is currently ongoing.</p>
Concessionary Bus Passes 2016-17	2	June 2017	April 2018	<p>Significant variations were noted in the data received from NYCC for trips made on two</p>	<p>The discrepancy has been resolved and a document outlining reasonableness checks has been provided.</p>

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
				<p>particular routes in May 2016. The variations were due to be queried with NYCC and payment will not be made until officers are confident that the May 2016 figures are accurate. Reasonableness checks will be conducted in future on returns from NYCC.</p>	<p>A clause regarding data is included in the agreement with NYCC. However, the agreement has not yet been finalised.</p>
Asset Disposals 2016-17	2	September 2017	July 2018	<p>The effectiveness of asset disposal procedures will be reviewed, with emphasis on assessing compliance with the policy and the recording of all asset disposals and sales.</p>	<p>A review of income transactions on the council's financial management system was carried out to compare these to records on the asset register. However, this was inconclusive and a further review is planned for June 2018.</p>
Right to Buy 2016-17	2	March	May 2018	Key documents were	Follow up of this action

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
		2017		not always present when Right To Buy (RTB) files were reviewed as part of the audit. Staff will scan and store the relevant documents electronically to ensure none are missing. A sample of 10 properties will be reviewed each quarter in order to ensure that all RTB documents are present as expected.	has been delayed due to changes in staff and long term absences in the service area.
Fleet Management 2016-17	2	October 2017	October 2018	Four different tracking devices were in use at the time of the audit. It was agreed that the service would review and rationalise the existing arrangements.	Since the audit, a waiver from Financial Regulations was obtained and existing contracts extended until a full procurement exercise could be completed. A new contract is expected to be in place by October 2018.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Waste Disposal Contract (Allerton Park) 2016-17	2	September 2017	May 2018	Cost, payment and usage arrangements between CYC and NYCC reflect the commissioning phase rather than the operational phase. These will need to be updated.	Commissioning principles have been agreed and agreement reached with Yorwaste, but there are issues reconciling what Yorwaste states has been delivered and what Allerton Park states has been received. Further work is required to ensure these figures are accurate.
Waste Disposal Contract (Allerton Park) 2016-17	2	December 2017	May 2018	The partnership agreement between CYC and NYCC requires review and updating to ensure it remains relevant when the site becomes operational.	A review of the agreement is underway and is expected to be completed by April 2018.



Audit & Governance Committee**11 April 2018**

Report of the Deputy Chief Executive / Director of Customer & Corporate Services

Audit & Governance Committee Forward Plan to February 2019**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to February 2019.

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 February 2018. 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 no amendments made since the last version was presented to the Committee in February.

Consultation

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

Options

5. Not relevant for the purpose of the report.

Analysis

6. Not relevant for the purpose of the report.

Council Plan

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

Implications

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

Risk Management

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

Recommendations

10.
 - (a) The Committee's forward plan for the period up to February 2018 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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**Report
Approved**



Date 29/03/2018

Specialist Implications Officers

None

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 2019

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Audit & Governance Committee Draft Forward Plan to February 2019

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

Item	Lead officers	Other contributing Organisations	Scope
Committee June 2018			
Draft Statement of Accounts including Annual Governance Statement	<u>CYC</u> Debbie Mitchell/ Emma Audrain		To present the draft Statement of Accounts to the Committee prior to the 2017/18 Audit including the Annual Governance Statement
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Key Corporate Risk Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.
Treasury Management Outturn Report	<u>CYC</u> Debbie Mitchell		To provide Members with an update on the Treasury Management Outturn position for 2017/18.
Annual Report of the Head of Internal Audit	<u>Veritau</u> – Max Thomas/ Richard Smith		This report will summarise the outcome of audit and counter fraud work undertaken in 2017/18 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
Annual Report of the Audit & Governance Committee	<u>CYC</u> Emma Audrain		To seek Members' views on the draft annual report of the Audit and Governance Committee for the year ended 5th April 2018, prior to its submission to Full Council.
<i>Changes to the Constitution (If any)</i>			

Committee July 2018			
Mazars Audit Completion Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Report from the Councils external auditors setting out the findings of the 2017/18 Audit.
Final Statement of Accounts 2017/18	<u>CYC</u> Debbie Mitchell/ Emma Audrain		To present the final audited Statement of Accounts following the 2017/18 Audit.
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics
Information Governance & Freedom of Information Report (including information security)	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
<i>Changes to the Constitution (If any)</i>			
Committee September 2018			
Mazars Audit Completion Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Report from the Councils external auditors setting out the findings of the 2017/18 Audit.
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – Max Thomas/ Richard Smith		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
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – <u>Max Thomas/</u> <u>Richard Smith</u>		An update on progress made in delivering the internal audit work plan for 2017/18 and on current counter fraud activity
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
<i>Changes to the Constitution (If any)</i>			
Committee December 2018			
Treasury Management Mid Year Review 18/19 and	<u>CYC</u> Debbie Mitchell		To provide an update on treasury management activity for the first six months of 2018/19

review of prudential indicators			
Final Mazars Annual Audit letter	<u>Mazars</u> – Gareth Davies/ Jon Leece		To present a report summarising the outcome of the 2017/18 audit and work on the value for money conclusion.
Internal Audit & Fraud progress report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2018/19 and on current counter fraud activity
Review of the effectiveness of the Audit & Governance Committee	<u>Veritau</u> – Max Thomas/ Richard Smith		
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR6 – Health and Wellbeing: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected
<i>Changes to the Constitution (If any)</i>			
Committee February 2019			
Scrutiny of the Treasury Management strategy statement and Prudential indicators	<u>CYC</u> Debbie Mitchell		To provide an update on treasury management activity for the first six months of 2018/19
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		To present a report summarising the outcome of the 2017/18 audit and work on the value for money conclusion.
Counter Fraud: Risk Assessment & Review of policies	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2018/19 and on current counter fraud activity
Audit & Counter Fraud Plan & Consultation	<u>Veritau</u> – Max Thomas/ Richard Smith		
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs) including: KCR7 – Capital Programme: Failure to deliver the Capital

			Programme, which includes high profile projects
Other Items to be brought to the Committee - date			