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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	29 JUNE 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), HYMAN, SCOTT, VASSIE AND GUNNELL
APOLOGIES	COUNCILLOR FIRTH
IN ATTENDANCE	COUNCILLOR GALVIN (AS CHAIR OF SMC) LYNN HUNT (AUDIT MANAGER, DISTRICT AUDIT)

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## 1. DECLARATIONS OF INTEREST

Members were invited to declare at this point any personal or prejudicial interests they might have in the business on the agenda.

Cllr Brooks declared a personal, non prejudicial interest in agenda item 6 (Annual Report of the Head of Internal Audit), as a member of the teachers' pension fund.

Cllr Hyman declared a personal, non prejudicial interest in agenda item 6, as his wife was an employee of the Council.

Cllr Scott declared a personal, non prejudicial interest in agenda item 6, as his wife was an employee of the Council's education service.

Cllr Vassie declared a personal, non prejudicial interest in agenda item 6, as his partner was a teacher.

## 2. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 26 April 2010 be approved and signed by the Chair as a correct record.

## 3. PUBLIC PARTICIPATION

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

## 4. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO FEBRUARY 2011

Members considered a report which presented a draft plan of items expected to be brought to the Committee up to February 2011.

It was reported that the update on the Comprehensive Area Assessment (CAA), previously scheduled for the July meeting, had been removed from the forward plan due to the recent abolition of the CAA by the new government.

RESOLVED: (i) That the Committee's forward plan for the period up to February 2011 be noted.

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

(ii) That an update report be scheduled on the plan to inform the Committee of any developments in respect of proposals to replace the CAA.<sup>1</sup>

REASON: To ensure that the Committee is kept informed on this matter.

Action Required

1. Schedule update report on proposals to replace the CAA PS  
on forward plan

## **5. ANNUAL SCRUTINY REPORT 2009-10**

Members considered a report which presented the annual report from Scrutiny Services for the period May 2009 to May 2010. A revised version of the annual report, incorporating the introduction that was missing from the previous published version, was circulated to Members at the meeting.

The annual report was the first to incorporate information on the new cross-cutting overview and scrutiny committees. It also explained how to get involved in the scrutiny process, what to expect from overview and scrutiny in the next twelve months and how each scrutiny review carried out during the past year had supported the Council's Corporate Strategy.

The annual report had already been considered in detail by the Scrutiny Management Committee (SMC) and would be presented to Full Council on 15<sup>th</sup> July. The Chair of SMC was in attendance to answer any questions. The Audit & Governance Committee was being presented with the report in light of the fact that Overview and Scrutiny represented a key part of the Council's governance arrangements. Members drew attention to two errors in the report in respect of calling-in and Councillor Calls for Action.<sup>1</sup>

RESOLVED: That the report be noted.

REASON: To confirm that Members have satisfied themselves as to the adequacy of this part of the governance framework.

Action Required

1. Make any necessary amendments to the Annual Report DS  
before taking it to Council

## 6. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT

Members considered a report which summarised the outcome of audit and fraud work undertaken in 2009/10 and provided an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

The report covered the first year of the new arrangements for the provision of internal and counter fraud services by Veritau Ltd. In respect of internal audit, 94.9% of the 2009/10 internal audit plan had been delivered and actions agreed to address 100% of high priority issues identified. Counter fraud work had been undertaken in accordance with the approved plan and a summary of work completed during the year had been presented to the Committee as part of the last monitoring report on 26 April 2010. Further service developments during the year were set out in paragraphs 4 and 5 of the report.

The opinion of the Head of Internal Audit, set out in Annex 1, confirmed that the Council's internal controls provided Substantial Assurance. In giving this opinion, attention was drawn to a number of significant control weaknesses in respect of bank reconciliations, the creditor payments system and fraud awareness. Details of these, and action taken to address them, were set out in paragraph 11 of the report. A summary of breaches of financial regulations identified during audit work was provided in Annex 3. Many of these related to matters identified as part of the recent petty cash project, additional guidance on which had subsequently been issued by the Assistant Director of Customer & Business Support Services.

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

REASON: To confirm that Members have considered the implications of the audit and counter fraud findings.

(ii) That the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's internal control environment be accepted.

REASON: To confirm that Members have considered the opinion of the Head of Internal Audit.

(iii) That the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement be noted.

REASON: To enable the Annual Governance Statement to be approved.

## 7. ANNUAL GOVERNANCE STATEMENT 2009/10

Members considered a report which invited them to examine and approve the 2009/10 Annual Governance Statement (AGS), which formed part of the Statement of Accounts for 2009/10. The AGS document was attached as Annex A to the report.

As previously reported, in order to streamline the number of improvement plans involving the same actions and outcomes, there would not be a separate plan for the AGS. Items included in the Corporate Strategy would be monitored quarterly by the Executive and items covered by Directorate Plans would be monitored by the Director of Customer & Business Support Services. The Officer Governance Group would have oversight of the AGS.

Members discussed whether the final version of the AGS, signed by the Leader and Chief Executive, adequately encompassed the Committee's comments on the draft version, as contained in Minute 81 of the meeting on 26 April 2010. Officers advised that amendments could not be made to the AGS at this stage and that if it were not approved then the Statement of Accounts could not be approved either. Cllr Watson then moved, and Cllr Scott seconded, that the AGS not be approved, as the Committee wished to remove the words '*to be recognised*' from the end of the last paragraph of section 5 of the AGS. Three Members voted for and three voted against this proposal. The Chair then used his casting vote in favour of the proposal, which was therefore declared carried.

At Members' request, Officers then contacted the Leader of Council and the Chief Executive, both of whom confirmed that they would consent to the removal of the last three words in section 5 of the AGS, as set out above. In the light of that agreement, Members re-visited their decision and

RESOLVED: (i) That the agreement of the Leader and Chief Executive to remove from the end of section 5 of the AGS the words '*to be recognised*' be noted.<sup>1</sup>

(ii) That the Annual Governance Statement for 2009/10, as so amended, and particularly the significant control issues identified in section 5, be approved.

(iii) That it is regretted that section 5 of the AGS contains no reference to the abolition of the Shadow Executive, which represents a significant change to the Council's governance processes.<sup>2</sup>

REASON: To confirm that Members have considered the effectiveness of the Council's governance framework, and in particular the significant control issues.

### Action Required

1. Obtain signatures of Leader & Chief Executive to the revised AGS

PS

2. Bring this comment to the attention of the relevant parties PS

## 8. STATEMENT OF ACCOUNTS 2009-10

Members considered a report which invited them to examine and approve the Council's pre-audit Statement of Accounts for the 2009/10 financial year. A revised version of the Statement of Accounts (Annex B) published with the agenda was circulated at the meeting; this incorporated the additional information provided to Members by e-mail on 25 June 2010. *[The revised Statement of Accounts, incorporating this information and the agreed amendment to the AGS, has now been made available on the Council's website.]*

It was a statutory requirement for the Council to approve the Statement of Accounts by 30 June 2010. This function had been delegated to the Audit & Governance Committee by resolution of Full Council on 22 January 2009. The Statement had been prepared in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009 and incorporated the changes in accounting treatment required by SORP 2009 and other CIPFA guidance, as set out in paragraphs 9 to 13 of the report.

Following approval, the accounts would be made available for public inspection for 20 working days from 2 August 2010. The District Auditor was required to give his opinion on the accounts as part of the Annual Governance Report to be considered by the Committee no later than 30 September 2010.

Having sought clarification from Officers on a number of points of detail in the accounts, it was

RESOLVED: (i) That the Statement of Accounts be approved.<sup>1</sup>

REASON: In accordance with statutory and constitutional requirements.

(ii) That Officers be asked to consider how information on the amount spent by the Council on consultants can be made visible in the published accounts.<sup>2</sup>

(iii) That it be recorded that this Committee:<sup>3</sup>

- a) recognises that the accounts are prepared in order to satisfy statutory requirements;
- b) notes the need for improvements in organisational leadership and cultural change, as referred to in section 5;
- c) notes that other organisations are including in their annual accounts information relating to environmental sustainability and council performance / expenditure;
- d) calls for future statements of accounts for the City of York Council to include:

- information on expenditure on energy in and across council departments
- information on energy savings and efficiencies, and
- information on expenditure and savings relating to the implementation of the Council's Sustainable Procurement Strategy and Policy.

REASON: To reflect the views expressed by the Audit & Governance Committee in their discussion on the Statement of Accounts.

Action Required

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| 1. Publish the agreed Statement of Accounts, following approval by District Auditor | KB |
| 2. Consider how to make this information available, as requested                    | KB |
| 3. Bring these comments to the attention of the appropriate parties                 | KB |

**9. RISK UPDATE - YORK SPORTS VILLAGE (YSV) SWIMMING POOL**

Members considered a report which invited them to consider and comment upon the financial risks of construction of the new York Sports Village (YSV) Swimming Pool. The Director of Facilities, University of York, was in attendance to answer questions on this matter, as requested by the Committee at their meeting on 15 February 2010.

It was reported at the meeting that the latest information on the construction of the pool was contained in a report to the Executive meeting to be held on 6 July 2010. This set out a proposal from the University of York to provide a competition standard swimming facility which would meet the required specifications and asked Members to recommend that Council approve a £3m capital grant to the project. The University had now approved its own funding contribution of £5m and had received Stage 1 approval from Sport England for external funding of £1m, which meant that the risk of failure to deliver the project had already been significantly reduced. However, delivery was still dependent upon the Council's agreement to increase its agreed capital contribution from £2m to £3m.

RESOLVED: That the update provided on risks associated with the York Sports Village Swimming Pool be noted.

REASON: To provide assurance that risks to the Council are continuously reviewed and managed.

B Watson, Chair

[The meeting started at 5.30 pm and finished at 9.00 pm].