
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	26 APRIL 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), BOWGETT, SCOTT, FIRTH (SUBSTITUTE) AND HYMAN (SUBSTITUTE)
APOLOGIES	COUNCILLORS JAMIESON-BALL, KIRK AND R WATSON

68. DECLARATIONS OF INTEREST

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

No interests were declared at this point. However, Cllr Scott declared a personal and prejudicial interest in that part of Annex 1 to agenda item 12 (Audit and Counter Fraud Mid-Term Monitor) relating to music tuition fees when that matter came under discussion, as his wife worked in the Council's music tuition department.

69. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex B to agenda item 8 (Key Corporate Risk Monitor Quarter Four 2009/10), on the grounds that it contains information relating to negotiations in connection with a labour relations matter arising between the authority and employees of the authority. This information is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government Access to Information) (Variation) Order 2006).

70. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 15 February 2010 be approved and signed by the Chair as a correct record.

71. PUBLIC PARTICIPATION

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

72. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO FEBRUARY 2011

Members considered a report which presented a plan of reports expected to be brought to future meetings of the Committee up to February 2011, including any training / briefing events to support Members in their role.

It was noted that more detailed training might be required should new members be appointed to the Committee at the Annual Council in May.

RESOLVED: That the Committee's Forward Plan for the period up to December 2010 be noted.

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

73. AUDIT COMMISSION AUDIT PLAN 2010/11

Members considered a report which presented the Audit Commission's Annual Audit Plan for 2010/11 and associated fee structure. The draft Inspection Plan, covering the Comprehensive Area Assessment, was still under discussion and would be presented to the Committee in June. The Audit Manager was in attendance to respond to any questions.

The Audit Plan, attached as Annex A to the report, set out the work to be conducted by the District Auditor, who had taken account of inherent risks arising from previous audit work at the Council and the requirements of the Code of Audit Practice.

In response to Members' questions on the National Fraud Initiative, the Audit Manager explained that this was a data matching exercise that took place every 3 years, concentrating mainly on Housing Benefit fraud.

RESOLVED: (i) That the matters set out in the Audit Plan presented by the District Auditor be noted.

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

(ii) That the Audit Plan be agreed as sufficiently reflecting the audit needs and interests of the Council.

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

74. REVIEW OF INTERNAL AUDIT

Members considered a report which introduced a report by the Audit Commission setting out their findings from a recent review of the Council's arrangements for internal audit.

The Audit Commission's report was attached as Annex 1. The review had concluded that the internal audit service provided by Veritau continued to meet its professional and statutory duties. No significant areas of concern had been identified and no recommendations for improvement made.

RESOLVED: That the contents of the report be noted.

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

75. KEY CORPORATE RISK MONITOR QUARTER FOUR 2009/10

Members considered a report which presented details of the revised risks associated with the refreshed Key Corporate Risks (KCRs), as at the fourth quarter of 2009/10.

The position on the revised KCRs was detailed in Annex A and exempt Annex B to the report. Members were invited to consider in more detail some highly scored risks in the following areas and to request more detailed information from the relevant department, if required:

- KCR 0003 Waste Management Strategy Partnership
- KCR 0010 Emergency Planning & Business Continuity
- KCR 0014 Equal Pay
- KCR 0015 Fairness & Inclusion
- KCR 0016 Capital Programme
- KCR 0017 More for York
- KCR 0018 Impact of an Ageing Population

Following a report to Corporate Management Team (CMT) on the initial findings of the York Local Climate Impact Profile Study, CMT had suggested adding Climate Change to the KCRs. Members might wish to invite the report author to their meeting in July to provide more details on this.

In considering the information presented in the annexes, Members commented that in a number of cases it was not clear whether the information provided was up to date. They asked that future reports include the date on which each risk was last reviewed.¹

RESOLVED: (i) That the risks set out at Annex A, exempt Annex B and in paragraph 4 of the report be noted and agreed and that Officers note Members' comments thereon.¹

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

(ii) That further details on the Climate Change risk be provided to the meeting in July, as suggested in paragraph 8 of the report.²

REASON: To provide assurance that key risks are regularly monitored and reviewed.

(iii) That it be recommended that the Climate Change KCR be approved by the Executive and added to the recently refreshed KCR Register.³

REASON: To provide assurance that key risks are being appropriately managed by the organisation.

Action Required

1. Ensure that future reports include the date on which each risk was last reviewed DW
2. Bring report on climate change risk to next meeting DW
3. Add climate change to the KCR Register (subject to Executive approval) DW

76. THE ROLE OF THE AUDIT & GOVERNANCE COMMITTEE IN THE SCRUTINY OF THE TREASURY MANAGEMENT STRATEGY

Members considered a report which provided an update on the new requirements for the Council to comply with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (the Code).

The revised Code had been published in November 2009 and included 15 key changes, as listed in Annex A to the report. These included requirements for Audit & Governance Committee to ensure effective scrutiny of the treasury management statement and policies. Specific requirements for scrutiny were detailed at points (j) and (k) in the list and reporting requirements at points (h) and (i). The remaining revisions to the Code, and action taken to comply with these, were set out in paragraphs 10 to 19 of the report. It was noted that points (l) and (m), relating to the necessary skills and training of Officers, also gave Members the opportunity to access training. Members were invited to receive a training presentation to provide an overview of treasury management and how borrowing and investments were managed in the Council, and to request further training in the future if required.

Reports to be brought to the Committee in its scrutiny role had been detailed in the Treasury Management Strategy report approved by Full Council in February 2010. The comprised the annual Treasury Management Strategy, quarterly monitoring reports on treasury management performance and the annual out-turn report.

RESOLVED: (i) That the requirements of the revised 2009 CIPFA Treasury Management in the Public Services Code of Practice, approved at Full Council on 26 February 2010, be noted.

(ii) That the monitoring reports be received on a regular basis and that this Committee's ultimate responsibility for the treasury function be acknowledged and the implications of treasury management policies and activities be full appreciated.

(iii) That Members' requirement for a training presentation by Officers to provide an overview of treasury management, as detailed in paragraph 18 of the report, be confirmed.¹

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

Action Required

1. Arrange training presentation for Members on treasury management PS

77. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE

Members considered a report which provided the third update on progress towards implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

The change to IFRS would be fully implemented in the 2010/11 Statement of Accounts. The report set out progress made in those significant areas for change detailed as priorities in the previous update report to the Committee in December 2009, namely; Private Finance Initiatives, Group Accounts, Leases, Assets & Investment Properties and Employee Benefits. A more detailed report setting out other aspects of change would be brought to the meeting in July.

It was noted that collaborative working with all departments across the authority was proving positive in assisting progress towards attaining the changes required by IFRS.

RESOLVED: That the progress contained in the report be noted and that the continuing work being undertaken for a smooth transition to IFRS be recognised.

REASON: So that those responsible for governance arrangements are updated on a regular basis to ensure that the implementation

of IFRS is proceeding in a timely manner for completion on 30 June 2011.

78. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2009/10

Members considered a report which informed them of the process and outcomes of the 2009/10 review of the effectiveness of the Council's system of internal audit, as part of the review of the overall system of internal control required for the draft Annual Governance Statement.

The review had been undertaken jointly with North Yorkshire County Council (NYCC) by the Shared Service Contract Board (SSCB), in consultation with the Audit Committee Chairs of both councils, in accordance with the procedures agreed by the Committee in December 2009.

Work carried out as part of the review was detailed in paragraphs 15 to 22 of the report. Based upon the results, the Council's system of internal audit was considered to be operating in accordance with accepted professional best practice and remained effective.

In response to questions from Members on the main areas for development in 2010/11 (paragraph 19), Officers confirmed that:

- Joint working with NYCC meant there was more scope for the regular rotating of staff
- Cost and quality benchmarking would have been less meaningful if undertaken in the previous year as it would have involved comparing an external service with in-house provision instead.

RESOLVED: That the results of the review of the effectiveness of the Council's system of internal audit be noted.

REASON: To confirm that Members have considered the adequacy and effectiveness of the Council's control environment.

79. AUDIT AND COUNTER FRAUD MID-TERM MONITOR

Members considered a report which provided details of the progress made in delivering the Council's internal audit and counter fraud work plan for 2009/10, approved by the Committee on 29 June 2009.

Two of the priorities for the shared audit service, Veritau Ltd., were to deliver at least 90% of the audit plan and to ensure that the service continued to operate to recognised professional standards. By 23 March 2010 80% of the plan had been completed, and based on the current work programme it was anticipated that the 90% target would be achieved. Details of audits completed and reports issued were attached at Annex 1 to the report. Details of variations made to the plan to accommodate a shortfall in resources and changes in priorities were attached at Annex 2.

Information on the counter fraud work undertaken and investigations completed was provided in Annex 3 to the report. Additional work in 2009/10 had included a fraud awareness survey of council managers and supervisors and a project to investigate housing tenancy related fraud. Breaches of financial regulations identified since the last report, in December 2009, were set out in Annex 4.

In response to Members' questions on the detail of the completed audits in Annex 1, Officers confirmed that:

- Further control measures may be needed in individual directorates in respect of backlogs of creditor payments
- Control issues in respect of income arrangements (including music tuition fees) had been identified by a Council-wide review of fees and charges and would be addressed by centralising these arrangements.

RESOLVED: That the results of the audit and fraud work undertaken to date in 2009/10 be noted.

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

Note: Cllr Scott left the room during the discussion on music tuition fees in respect of this item, having declared a prejudicial interest as recorded under Minute 68.

80. FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS

Members considered a report which set out the progress made by directorates in implementing those agreed audit recommendations due for implementation by 1 March 2010.

A total of 86 recommendations had been followed up by Veritau Ltd. since the last progress report, in December 2009. Of these, 12 (14%) had been superseded and 63 (73%) had been satisfactorily implemented. In 11 cases (13%) the agreed recommendations had not been implemented by the due date. However, satisfactory explanations for the delay had been received from departments in all these cases and revised implementation deadlines had been agreed. In general, good progress had been made to rectify control weaknesses identified in audit reports.

With reference to information requested by Members in December, it was reported that the Sure Start grant claim was on track to meet the submission deadline. Results of follow up work on the Audit Commission's recommendations in relation to financial planning would be reported to the Committee in September, together with progress on recommendations relating to Grant Claims Certification and Asset Management.

Members requested that future reports include more detail in respect of any high priority recommendations which had not been implemented by the due date.¹

RESOLVED: That the progress made in implementing the audit recommendations, as set out in the report, be noted.

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

Action Required

1. Ensure that future reports include more detail on high priority recommendations not implemented by the due date RS

81. DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10

Members considered a report which invited them to comment on the draft 2009/10 Annual Governance Statement (AGS), the final version of which would be presented to the Committee's next meeting, on 29 June 2010.

The draft AGS was attached as Annex A to the report. Sources of evidence reviewed by the Officer Governance Group (OGG) in compiling the draft were listed in paragraph 6. Further information to be considered in preparing the final version was set out in paragraph 7. The draft included six new significant control issues and three areas of ongoing work from the 2008/09 AGS. Once approved and signed, it would be published as part of the 2009/10 Statement of Accounts. To avoid duplication, actions from the AGS would be monitored by the Executive as part of the Corporate Strategy and by the Director of Customer & Business Support Services and the Officer Governance Group.

Members commented that the sections in the draft AGS headed 'Political and Managerial Structures and Processes' should include references to the removal of the Shadow Executive from the Constitution and the role played by Audit & Governance Committee in approving changes to the Constitution.¹

RESOLVED: (i) That the content of the draft AGS 2009/10, particularly the significant control issues identified to inform the final statement to be presented to the Committee on 29 June 2010, be noted.

(ii) That Officers note Members' comments on the draft AGS.¹

(iii) That the monitoring arrangements for the overall AGS action plan items be noted.

REASON: To confirm that Members have had the opportunity to consider the effectiveness of the Council's governance framework and the proposed monitoring arrangements.

Action Required

1. Take into account Members' comments when preparing the final AGS PS

82. INTERNAL AUDIT & COUNTER FRAUD PLAN 2010/11

Members considered a report which sought their approval for a planned programme of audit and fraud work to be undertaken in 2010/11.

The plan had been prepared on the basis of the approved audit strategy and a risk assessment process designed to ensure that limited audit resources were properly prioritised. The majority of resources were required to review high priority and mandatory areas, with less emphasis than in previous years on other service based work. The format of the plan had been amended to reflect this. Further changes included amalgamation of the audit and counter fraud plans and the inclusion of information governance services, to show all the governance related services provided by Veritau in one place.

RESOLVED: That the 2010/121 internal audit and counter fraud plan be approved.¹

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

Action Required

1. Take action to implement the approved plan

MT

83. REVIEW OF OVERVIEW & SCRUTINY WORK 2009/10

Members considered a report which provided information on work and outcomes of the Council's scrutiny committees during 2009/10 which might have an impact on the Committee's opinion of the Council's internal control framework.

A summary of scrutiny activity was attached at Annex A to the report. At their meeting on 15 February 2010, Members had agreed to receive a six-monthly or annual summary of scrutiny reports and outcomes. Following discussion with Scrutiny Officers, it was now proposed to bring an annual report to the Committee each June, in order to inform discussion on the draft Annual Governance Statement, and to present an interim progress report each December.

In response to questions from Members, Officers confirmed that the implementation of recommendations arising from the Planning Enforcement Scrutiny review would be monitored through the Economic Development Overview and Scrutiny Committee.

RESOLVED: (i) That the content of the report be noted.

(ii) That the revised timetable for receiving summary reports on the work of overview and scrutiny committees be agreed.¹

REASON: To improve Members' awareness of activity and outcomes of the work of other committees where it could influence the work and opinion of the Audit & Governance Committee.

Action Required

1. Include these reports on the Committee's forward plan PS

84. PROTECTING THE PUBLIC PURSE - SELF ASSESSMENT CHECKLIST

Members considered a report which presented the results of a self-assessment of the Council's counter fraud arrangements following the publication of the Audit Commission's national report, '*Protecting the Public Purse – local government fighting fraud*', in September 2009.

The Audit Commission's report examined the key fraud risks and pressures facing councils, outlined actions that should be taken to minimise risk and improve detection and included a self-assessment checklist to help councils assess their arrangements against good practice. Details had been reported to the Committee in February, when Members had requested that the checklist be completed and the results reported back to the current meeting. Results of the completed self-assessment were attached as Annex 1 to the report.

In response to Members' queries on aspects of the report, Officers explained that the main area of risk related to benefit fraud. So far there had been no significant increase in fraud as a result of the recession.

RESOLVED: That the results of the completed self assessment, and the actions being taken to further improve the Council's counter fraud arrangements, be noted.

REASON: To ensure that the Council maintains effective counter fraud arrangements and complies with relevant best practice to minimise risk.

B Watson, Chair

[The meeting started at 5.30 pm and finished at 6.55 pm].