
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	26 JUNE 2006
PRESENT	COUNCILLORS HYMAN (CHAIR), HILL, MOORE, SCOTT AND R WATSON
APOLOGIES	COUNCILLORS HOLVEY AND JONES

14. DECLARATIONS OF INTEREST

The Chair invited Members to declare at this point any personal or prejudicial interests they might have in the business on the agenda. Cllrs Hyman, Scott and Moore, as school governors, each declared a personal, non-prejudicial interest in agenda item 5 (Statement of Accounts 2005/06) insofar as this item related to schools finances.

15. PUBLIC PARTICIPATION

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

16. MINUTES

RESOLVED: That the minutes of the meeting of the Audit and Governance Committee held on 6 June 2006 be approved and signed by the Chair as a correct record.

17. 2005-06 STATEMENT OF INTERNAL CONTROL

Members considered a report which invited them to discuss and comment upon the draft 2005/06 Statement of Internal Control (SIC) prior to it being reported to the Executive for their approval and recommendation to full Council. The draft SIC was attached as Annex 1 to the report.

It was a legal requirement for all local authorities to publish an SIC as part of their Statutory Accounts. Preparation of the 2005/06 SIC had been co-ordinated by the Officer Governance Group (OGG) and each Directorate had completed a self-assessment of the key controls within their respective areas. A copy of the draft SIC, which included ten significant control issues, was attached as Annex 1 to the report. In future, the OGG would monitor delivery of the action plan to address these issues and the progress made by each Directorate to rectify control weaknesses, through periodic focused reviews. It was also proposed that this progress be reported to the Audit and Governance Committee as part of the OGG monitoring reports.

Members queried the differences between this year's and last year's significant control issues. Officers confirmed that there was some overlap, but that 4 new issues had been identified this year and 5 of last year's

issues had been dealt with. In future, reports would include details of progress on issues from previous years.

RESOLVED: (i) That the contents of the draft 2005/06 SIC be noted.

REASON: In accordance with the Committee's role to consider the SIC prior to its consideration by the Executive and full Council.

(ii) That the monitoring arrangements for the overall SIC action plan and the individual action plans for each Directorate, together with the proposals to update Members on progress through OGG monitors, be noted.

REASON: To enable Members to comment on the proposed monitoring arrangements.

18. STATEMENT OF ACCOUNTS 2005/06

Members considered a report which asked them to review and comment upon the Council's financial accounts for 2005/06 prior to approval of the Statement of Accounts by full Council on 29 June. Copies of the draft Accounts had been circulated separately to Members.

Under the new Comprehensive Performance Assessment (CPA) scoring system a higher score could be given to accounts that had been subjected to a "robust" scrutiny before approval. It was therefore important for the Committee to discuss the accounts in some detail. The report set out some key areas that Members might wish to examine or question further. The Director of Resources, in his role as Section 151 Officer, advised that the main issues for concern were:

- the Council's level of reserves
- the ongoing level of Schools balances
- the size of the pension fund deficit in comparison to the overall budget
- the records and clarity of the Council's overall Section 106 funds and the planned use of those funds.

Members queried and commented on the following aspects of the Accounts:

- Delegated School Reserves and why these were not decreasing fast enough (p.63 of the draft Accounts). Officers referred to a report to the Schools Forum on 22 June which explained the reasons behind this issue. It was noted that "clawback" arrangements were now in place enabling any unused reserves to be redistributed.
- The increased level of Temporary borrowing. Officers explained that this was due to the investment of the increased borrowing that the Council had undertaken in preparation for its forecast capital funding requirements over the coming years
- The use of Finance and Operating Leases (p.64). Officers explained that, although leases were still used in some cases (eg for

vehicles), there was a general move away from leasing and towards Prudential borrowing, which was generally more cost effective.

- The performance and management of the Pension Fund. Officers reported that the next revaluation of the Fund was likely to show a marked improvement, as the last one had been carried out at a time when the stock market was particularly low. City of York was in a better position than the rest of the county in terms of addressing its deficit. The local aspects of the scheme were currently under review and a report setting out a range of options would be brought to Members in due course.
- The valuation of Council properties under the right to buy provisions. It was suggested that the current system, using a single valuer, ran the risk of undervaluing properties. Officers agreed to look into this.
- The potential effects of the government's decision on capping. Officers confirmed that a decision to cap would result in estimated losses of £455k, for which funding would have to be found this year.

There was also some discussion about school bank accounts, interest earned and Council Tax collection rates and methodology.

RESOLVED: That the questions and issues raised be reported to the Executive.

REASON: In accordance with the requirement to undertake a full Scrutiny of the Council's Accounts and to enable the Committee's comments to be taken into account when the Statement of Accounts is considered by the Executive on 27 June.

19. AUDIT COMMISSION REVIEW OF ISSUES RAISED BY COMPLAINANTS RELATING TO OSBALDWICK/DERWENTHORPE DEVELOPMENT PROPOSALS

Members considered a report which informed them of the findings and recommendations of the Audit Commission following their review of aspects of the Osbaldwick / Derwenthorpe development.

The review had arisen from issues raised by John Greenway MP and two residents. These related to the nature of the partnership between the Joseph Rowntree Foundation (JRF) and the Council, the process of selecting JRF as a partner, achieving "best consideration" for the land, the profit share agreement, consultation, and the "model village" approach.

The Audit Commission's recommendations in respect of each issue were detailed in Annex 1 to the report. The Council had not been found to have acted illegally or improperly. The recommendations related mainly to issues of process and documentation, particularly regarding the future selection of partner organisations. "Best consideration" had not been achieved for the land, so the scheme would require Secretary of State consent. It was noted that, at the time JRF was chosen, the partnership concept had been relatively new and formal selection procedures had not been in place.

RESOLVED: That the actions listed in Annex 1 to the report be approved.

REASON: In order to address the recommendations of the Audit Commission.

20. FOLLOW UP REVIEW OF IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (APRIL 05 – SEPT 05 AUDITS)

Members considered a report which set out progress made in departments towards implementing the recommendations made in final internal audit reports issued between April and September 2005.

A total of 176 recommendations had been followed up. Of these, 16 (9%) had been superseded and 149 (84%) had either been satisfactorily implemented or were in the process of being implemented or addressed. 11 recommendations had not been addressed at all and five of these were of a high priority, relating to audits of commercial waste, family support and Edmund Wilson and Yearsley swimming pools. However, Officers were satisfied that plans were now in place to resolve these outstanding issues.

The report outlined a proposed process for following up and reporting on progress against agreed audit recommendations. This would require internal audit to follow up recommendations on a monthly basis and, where no action had been taken, to escalate the issue in accordance with an agreed process. Overall progress would be reported to Audit and Governance Committee on a six monthly basis. Members were asked to approve these procedures.

RESOLVED: (i) That the progress made in implementing audit recommendations made during the period April to September 2005 be noted and that no further action be recommended at this stage.

REASON: In accordance with this Committee's role in providing independent assurance on the Council's control environment.

(ii) That the proposed follow-up reporting arrangements be agreed.

REASON: To enable Members to monitor the work of the Audit and Fraud team effectively and to ensure that outstanding audit recommendations are addressed, to reduce unacceptable risks to the Council.

K Hyman, Chair

[The meeting started at 5.00 pm and finished at 6.25 pm].