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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	27 SEPTEMBER 2012
PRESENT	COUNCILLORS CUNNINGHAM-CROSS (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, WATSON, STEWARD AND RUNCIMAN (SUBSTITUTE FOR COUNCILLOR CUTHBERTSON)
APOLOGIES	COUNCILLOR CUTHBERTSON

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## 16. DECLARATIONS OF INTEREST

At this point in the meeting Members were asked to declare any personal, prejudicial or disclosable pecuniary interests they may have in the business on the agenda. The following interests were declared:

- Councillor Barnes declared a personal interest in agenda item 5a (minute 20 refers) (Statement of Accounts 2011/12) as a trustee of York Museums Trust, which was referred to in the report.
- Councillor Brooks declared a personal interest in agenda item 5a (minute 20 refers) (Statement of Accounts 2011/12) as a member of the Teachers' Pension Fund, which was referred to in the report.

## 17. MINUTES

RESOLVED: That the minutes of the meeting of 25 July 2012 be approved and signed by the Chair as a correct record.

## 18. PUBLIC PARTICIPATION

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

## 19. FORWARD PLAN

Consideration was given to a paper which presented the future plan of reports expected to be presented to the Committee during the forthcoming year to July 2013. Members noted the four amendments that had been made to the plan since it had

last been considered by the Committee, as detailed in paragraphs 3-6 of the report.

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

RESOLVED: That the Committee's Work Plan be approved.

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.

## 20. FINAL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE REPORT

### (i) Final Annual Financial Report – Statement of Accounts 2011 -12

Members considered a report that presented a revised and final set of Accounts for 2011/12, which reflected the changes that had been made since the draft pre-audit accounts were presented to Audit and Governance Committee for review on 25 July 2012.

The following issues were raised:

- Clarification was sought as to whether the increased frequency of meetings with accountants across all Directorates to prepare the Statement of Accounts would have financial implications for the Council. Members were informed that there should be no additional cost as, by carrying out more preparatory work, there should be greater accuracy and hence less time needed to address errors.
- Clarification was sought as to whether there would be an increased cost to the Council for the appointment of the new external auditors (Mazars). Members were informed that the new arrangements should be more efficient and result in significant savings.
- Members asked about progress in ensuring that there was a consistent approach from all accountants when the accounts were prepared. Officers stated that regular meetings were being held with the accountants to ensure a common approach. Work was also taking

place to see how the financial system could be better used. When the move to West Offices took place all accountants would be working in the same area which would also be beneficial.

- Clarification was sought as to the accounting in respect of ward budgets. Officers stated that, as with other expenditure, the purchasing of goods and services should be in accordance with procurement procedures and the finance processes set up across the Council.
- At the request of Members, details were given as to the arrangements that were in place when the Authority borrowed for capital purposes. An update was also given on the situation in respect of surpluses i.e. reserves held on the Balance Sheet.
- Members requested that in the Annual Financial Report – Statement of Accounts, Note 49 – Defined Benefit Pension Schemes, the first paragraph be reworded to ensure greater clarity.
- Councillor Runciman sought clarification of the Annual Financial Report – Statement of Accounts, Note 1 Accounting Policies section XIV – Interests in Companies and Other Entities – York Business Development Ltd regarding Accounting Policies XIV - York Business Development Ltd. She asked whether CYC still had an interest. Officers agreed to email this information to her following the meeting.<sup>1</sup>
- Referring to section XVII of Note 1 in the Annual Financial Report – Statement of Accounts, Members asked if account had been taken of the fact that a number of leases were due to come to an end in the next few years. Confirmation was given that this had been taken into account.
- In the Annual Financial Report – Statement of Accounts, Note 1 Accounting Policies section XIV Councillor Runciman sought clarification as to this year's contribution from the Yorkshire Purchasing Organisation. Officers agreed to email this information to her following the meeting<sup>1</sup>.
- Members requested that a training session be held on the Local Government Pension Scheme to enable them to gain a greater understanding as to how it worked<sup>2</sup>. Officers agreed to make the necessary arrangements.
- In the Annual Financial Report – Statement of Accounts, Collection Fund, Members noted the position in respect of income from business rates and

questioned if there had been a fall from previous years. Officers confirmed that collection rates remained as high as previously. Members also noted the changes in the regulations to occur in NNDR/Business Rates to come into effect next year.

- In the Annual Financial Report – Statement of Accounts, Note 50 Contingent Liabilities, at the request of Members, details were given of the situation in respect of Municipal Mutual Insurance Ltd and the implications of a recent court ruling in relation to employers' liability for occupational disease claims.
- In the Annual Financial Report – Statement of Accounts Glossary, Members requested that the details in respect of the Monitoring Officer be updated.
- Members requested that, when accounts were presented in future, every effort was made to ensure that correct grammar was used and that the type face and font size was easier to read.

Members expressed their appreciation of the work that Louise Branford-White and her colleagues had carried out to prepare the accounts.

(ii) Annual Governance Report 2011/12

Members also considered a report that brought to their attention the Audit Commission's Annual Governance Report. The report asked Members to agree the Council's response in the Letter of Representation and sought approval to changes to the 2011/12 Financial Statement.

The representative from the Audit Commission stated that this year's audit process had gone smoothly and the quality of the accounts and the supporting work was of a higher standard than previously. She paid tribute to the way in which the service accountants had responded to requests for information.

Members' attention was drawn to the value for money conclusion on pages 12 and 13 of the report and to the Audit letter. It was noted that documents referred to on page 6 of the Annual Governance Report had now been received and hence an unqualified opinion on the financial statements would be issued.

Some Members were concerned to note that schools' balances had been reconciled on 23 March 2012 rather than 31 March 2012. Officers stated that this situation had arisen because of the timing of the school Easter holidays and that there had been no material difference. Members' view was that, in the future, schools' accounts should perhaps be reconciled on 31 March.

Members sought assurances that the work that was planned on the valuation of assets would be completed within the proposed timescale. Officers confirmed that a new fixed asset system would be in place and that this would assist in the process.

- RESOLVED:
- (i) That the Final Annual Financial Report – Statement of Accounts for 2011/12 be noted.
  - (ii) That the Annual Governance Report be noted.
  - (iii) That the items identified as material misstatements on pages 6 and 7 of the Annual Governance Report (errors adjusted by management) be noted and the 2011/12 Statement of Accounts be amended for those items.
  - (iv) That the amended Annual Financial Report – Statement of Accounts 2011/12 be approved for signature by the Chair in accordance with the Accounts and Audit Regulations 2003 (as amended)
  - (v) That the letter of representation – Appendix 2 of the Audit Commission's Annual Governance Report be approved.
  - (vi) That the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2011/12

and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources be noted.

- (vii) That the Draft Annual Audit Letter, which would be published on the Council's and Audit Commission's website at the conclusion of the audit, be noted.

REASONS:

- (i) It is a statutory requirement that a committee of the Council or Full Council approves the Statement of Accounts for 2011/12 by 30 September 2012.
- (ii) To ensure the proper consideration of the opinion and conclusions of the External Auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.
- (iii) – (v) To ensure compliance with International Auditing Standards and relevant legislative requirements.
- (vi) To ensure Members of the Audit and Governance Committee are aware of any matters arising from the annual audit of the Statement of Accounts.
- (vii) To ensure Members are aware of the contents of the Annual Audit Letter.

Action Required

- 1. Send information to Cllr Runciman LBW
- 2. Arrange training session in consultation with Tracy Wallis LBW

## 21. KEY CORPORATE RISK MONITOR QUARTER 2

Members considered a report that gave an update on the key corporate risks, and highlighted in more detail any emerging risk issues with a view to Members considering any further information they would wish to receive.

It was noted that the two critical Key Corporate Risks (KCRs) had not changed since Monitor 1 - i.e. Safeguarding and Financial Pressures. Views were expressed that the KCR in respect of safeguarding should encompass adults and not focus solely on children. Members also stressed the wider risks associated with adult social care, including the financial implications associated with the demographic. They requested that the Committee receive regular updates on the risks associated with social care.

Members noted that the number of high KCRs had increased due to the inclusion of some new high level risks around the Community Stadium project.

Consideration was given to the risks relating to the Accommodation Programme, as detailed in paragraphs 7 to 11 of the report.

Consideration was also given to the directorate risk reporting agenda set out at paragraph 17 of the report.

- RESOLVED:
- (i) That the risks relating to the Accommodation Programme be noted.
  - (ii) That the directorate risk reporting agenda set out in paragraph 17 of the report be approved.
  - (iii) That the Committee receive regular updates on the risks associated with social care<sup>1</sup>.

- REASONS:
- (i) To provide assurance that the authority is effectively understanding and managing its key risks.

- (ii) To ensure that directorates bring forward updated risk reports providing assurance that risk is being properly managed through 2012/13.

Action Required

- 1. Include regular updates on reports presented to the committee LN

**22. INTERNAL AUDIT FOLLOW UP REPORT**

Members received a report that was presented on a six monthly basis to set out progress made by council departments in implementing actions agreed as part of internal audit work.

Clarification was sought regarding the issue that had now been escalated to the relevant director. Officers stated that this was a priority 3 action. The action related to a Human Resources issue and would be brought to the Committee's attention if the situation escalated.

**RESOLVED:** That the progress made in implementing internal audit agreed actions, as reported in paragraphs 5-12 of the report, be noted.

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

**23. AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE**

Members considered a report that provided an update on progress made in delivering the internal audit work plan for 2012/13 and on current counter fraud and information governance activity.

Officers reported that good progress was being made on the delivery of the Audit Plan. Members noted that, in line with the situation in other local authorities, there had been an increase in the number of Freedom of Information requests.

Members expressed concern about the weaknesses identified in respect of health and safety issues. Officers confirmed that action plans were in place to address the issues and to ensure that health and safety was given sufficient priority.



Clarification was sought in respect of the weaknesses that had been identified regarding debt chasing for the Commercial Waste service. Officers stated that there had been instances when the service had continued to be delivered although payments had ceased. Action had now been taken to address this matter. There were no concerns regarding the general arrangements that the Council had in place for debt recovery.

**RESOLVED:** That the progress made in delivering the 2012/13 internal audit work programme and current counter fraud and information governance activity be noted.

**REASON:** To ensure that Members are aware of the implications of audit and fraud findings.

#### **24. DIRECT PAYMENTS UPDATE REPORT**

Members considered a report that provided an update on action taken by officers to address weaknesses identified in monitoring direct payments during a 2011/12 audit.

Officers stated that there had been an improvement in the situation although there was still work to be done. They would be assisting the department to further develop the systems that were in place.

**RESOLVED:**

- (i) That the progress made to date to implement actions agreed following the audit of personalisation and direct payments in 2011/12 be noted.
- (ii) That a further report be presented to the Committee to update them on progress<sup>1</sup>.

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

#### Action Required

1. Include on Committee's Workplan

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Councillor Cunningham-Cross, Chair

[The meeting started at 4.30 pm and finished at 6.00 pm].