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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	31 MARCH 2009
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS (VICE-CHAIR), CRISP, JAMIESON-BALL, SCOTT, KIRK AND HYMAN (SUBSTITUTE)
APOLOGIES	COUNCILLOR R WATSON
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES)

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### **38. DECLARATIONS OF INTEREST**

The Chair invited Members 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.

### **39. MINUTES**

With reference to Minute 27 (The Audit of the Financial Statements 2007/08 – A Progress Report), the Chair reported that he had now had two meetings with the new Assistant Director of Corporate Finance, who had shown him the protocol drawn up in consultation with the Audit Commission to ensure the implementation of the project plan.

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 13 January 2009 be approved and signed by the Chair as a correct record.

### **40. PUBLIC PARTICIPATION**

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

### **41. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN 2009**

Members considered a report which presented a forward plan of reports expected to be presented to the next four meetings of the Committee, up to March 2010, together with planned training and briefing events.

Members were invited to note the plan, which had been discussed with the Chair and key corporate Officers, and to identify any further items they wished to add.

It was reported at the meeting that the date for the interactive training event had now been confirmed as 19 May.

RESOLVED: That the Committee's Forward Plan for the period up to March 2010 be noted and approved subject to the addition of the following items to the agenda for the meeting in June 2009:<sup>1</sup>

- a) Investigation of a corporate approach to handling petitions (as recommended in the report to Full Council on the Restructure of Scrutiny and the Decision Making Process);
- b) Clarification of arrangements regarding the granting of landlord's consent in respect of planning applications on Council owned land;
- c) The alarm system in the Mansion House / risks in relation to contents of the Mansion House (to be included in the Risk Management Quarterly Monitoring Report / Annual Report)

REASON: To ensure that the Committee receives regular reports in accordance with the functions of an effective audit committee and to ensure that issues raised by Members of the Committee are dealt with appropriately.

Action Required

1. Make arrangements to prepare reports on these items for SA inclusion on the agenda for the June meeting

**42. ANNUAL AUDIT LETTER 2007/08 - AUDIT COMMISSION**

Members considered a report which introduced the Audit Commission's Annual Audit Letter for 2007-2008, together with the Council's response. The District Auditor and the Comprehensive Area Assessment (CAA) Lead Officer were in attendance to present the Letter and to answer any questions.

The Letter, attached as an annex to the report, gave the District Auditor's opinion of the Council's corporate governance arrangements and summarised key findings and matters arising from the annual inspection programme, including the Council's refreshed Comprehensive Performance Assessment (CPA) scorecard and Direction of Travel (DoT) statement. A full report on the refreshed CPA score and DoT statement had been presented to the Executive meeting on 17 March 2009.

Key matters raised in the Letter were listed in paragraph 5 of the report, together with the actions and monitoring processes planned to ensure that they were resolved.

In presenting the Letter, the District Auditor outlined the new, outcome-based approach to performance reporting that would come into effect under the CAA system. This approach would also be more flexible, allowing for judgements to be made in the light of specific local circumstances. In the current economic climate, the key message for all local authorities was to remain focused and maintain the impetus towards improvement. In response to questions from Members, it was confirmed that the comment on 'effective political leadership' at page 6 of the Letter was intended to refer to the Council membership in general rather than a particular administration or political group.

RESOLVED: (i) That the contents of the report and the Annual Audit Letter be noted.

REASON: To comply with the statutory requirements for the external audit of the Council.

(ii) That the Council's response to the issues raised by the District Auditor, to be monitored by the Audit & Governance Committee at future meetings, be acknowledged.

REASON: To ensure the effective management and follow up of key action to be taken to support on-going development and improvement work at the Council.

#### **43. FINANCIAL PLANNING AND MONITORING: AUDIT COMMISSION REPORT**

Members considered a report which introduced the Audit Commission's summary of their findings from a review of the Council's financial planning and financial monitoring procedures. The review report was attached as an annex and its findings were summarised in paragraph 3 of the cover report.

Medium term financial planning and budget monitoring was one of seven areas highlighted by the Audit Commission as needing attention in preparation for the new Use of Resources Assessment under the Comprehensive Area Assessment (CAA) regime due to begin this year.

The review report concluded that the Council had an established and well understood financial planning and monitoring system in place but now needed to focus on more corporate and cross-cutting issues. The Council was already responding to the majority of these findings in terms of efficiency, budget monitoring and regulation, the only recommendation not adopted being that relating to zero based budgeting.

In response to questions from Members, Officers explained that the decision not to adopt zero based budgeting did not amount to a significant disagreement with the Audit Commission. The Council aimed to achieve the same results via a different method, namely the appointment of an efficiency partner to help implement a major efficiency programme.

RESOLVED: That the report, and the progress the Council is making in addressing the areas for improvement, be noted.

REASON: To ensure the improvement of financial planning and monitoring arrangements within the Council.

#### **44. CORPORATE GOVERNANCE REVIEW 2009**

Members considered a report which outlined the background and early draft outcomes of the recently completed Corporate Governance review.

The review had consisted of a self assessment against the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework, the requirements of which had been reported to the Committee in September 2007.

Results of the work carried out to date indicated that areas likely to be highlighted for improvement in the Annual Governance Statement (AGS) and the Single Improvement Plan were: HR, Equalities, Scrutiny, Partnership Governance, Business Continuity, Project Management, Customer Strategy and Ethical Agenda & decision-making. Detailed outcomes would be reported to the Committee in June.

RESOLVED: (i) That the early findings of the Corporate Governance Review be noted.

REASON: So that Members understand the Council's internal control environment and potential areas for attention.

(ii) That it be acknowledged that the developing AGS and the Corporate Governance detailed findings and action plans will be brought to the Committee's meeting in June 2009 and to future meetings.

REASON: To ensure that relevant assurances are provided for Members to support the AGS, including the effective management and follow up of key action to be taken to support on-going development and improvement work at the Council.

#### **45. RISK MANAGEMENT MONITOR QUARTER 4 2008/09**

Members considered a report which presented the corporate risk management monitor for the fourth quarter of the 2008/09 financial year.

The monitor, attached as Annex A to the report, set out the position on key corporate risks (KCRs) at the end of the fourth quarter. This reflected work undertaken by Officers to update their risks, in accordance with comments made by Members at the meeting on 13 January. Attention was drawn to the following risks identified as 'critical' in the monitor:

- KCR 0001 – implementation of new pay and grading structure
- KCR0002 – unsuccessful delivery of accommodation review project
- KCR 0003 – failure of waste management strategy partnership

At the January meeting, Members had requested further information in respect of the risk issues around Child Protection and details of the risks associated with the Waste PFI project. This information was supplied in Annexes B and C to the report. As requested, the Director of City Strategy was in attendance to answer any questions from Members on the Waste PFI project information at Annex C. In responding to these questions, he explained that the balance of the capital costs of the project would come from the provider, who would charge a gate fee for every tonne of waste, at a rate yet to be fixed. Although the project was expensive, not to proceed would be more costly to the Council.

RESOLVED: (i) That the contents of the report and the progress made during 2008/09 be noted.

REASON: To be aware of progress made to date in respect of the risk management agenda and framework at the Council.

(ii) That the evidence presented for management of the risks relating to child protection and the Waste PFI project be noted.

(iii) That a further detailed risk report on the Administration Accommodation Project be provided to the Committee's meeting in June 2009.<sup>1</sup>

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

Action Required

1. Ask risk owner to produce an update report for the meeting in June SA

**46. FOLLOW UP OF AUDIT RECOMMENDATIONS**

Members considered a report which set out the Council's progress towards implementing agreed internal audit recommendations and addressing recommendations raised by the external auditor.

In respect of the internal audit recommendations, a total of 133 had been followed up, of which 2 (1.5%) had been superseded and 102 (76.7%) had been satisfactorily implemented. In three cases, the reasons given for not progressing the recommendation had not been satisfactory and these issues were now being escalated.

In respect of the external audit recommendations, progress on the review of all Audit Commission reports issued since 2005/06 had been reported to the Committee in January (Minute 31 refers). The findings of that review,

attached as Annex 1 to the report, showed that action had been taken, or was planned or in progress, in every case. However, there was still a significant amount of work required in a number of areas. In future, it was proposed to continue monitoring progress on implementing these recommendations, reporting to the Committee every six months in a format similar to that used for reporting on the internal audit recommendations.

RESOLVED: (i) That the progress made in implementing internal and external audit recommendations, as reported in paragraphs 4-15 of the report, be noted.

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

(ii) That the process for monitoring and reporting on on-going progress in implementing the Audit Commission's recommendations, as set out in paragraph 15, be approved.<sup>1</sup>

REASON: To ensure that a consistent approach is adopted to monitoring and reporting progress on the implementation of external audit recommendations.

#### Action Required

1. Ensure that arrangements are in place to monitor progress and to schedule 6-monthly update reports on the Committee's forward plan SA

## **47. DRAFT AUDIT PLAN CONSULTATION**

Members considered a report which sought their views on the priority of internal audit work for 2009/10, in order to inform the preparation of the annual audit plan for 2009/10.

The annual review of the audit risk assessment and strategic plan had identified a total of 1,233 days of audit work in areas classified as high risk or required audits. These areas, set out in Annex 1 to the report, would form the bulk of the annual plan, subject to Members' views as to whether they had been properly classified. Annex 2 listed all other audit areas, in descending risk score order. Due to the shortfall in resources, only a relatively small number of these audits could be undertaken. Members were asked to consider which, if any, of these should be considered a priority for review.

Members agreed that Section 106 Agreements associated with large development projects should be a priority area for review, in order to determine whether they were being properly adhered to and the money spent for the purposes for which it was intended.

Following the debate on this item, the Chair noted that Max Thomas, Audit & Fraud Manager would shortly be leaving the Council and wished him well in his new post.

RESOLVED: (i) That Officers' assessments of the relative risks of the audit areas, as set out in Annexes 1 and 2 to the report, be noted and accepted, except for Section 106 Agreements (ref. No. 510), which should be treated as a high priority area for audit in 2009/10.<sup>1</sup>

REASON: To ensure that scarce audit resources are used effectively and to address Members' concerns regarding Section 106 Agreements.

(ii) That concerns be raised with the Executive Member for Corporate Services regarding the shortfall in staffing levels within internal audit referred to in paragraph 4 of the report.<sup>2</sup>

REASON: In the interests of ensuring that staffing levels are sufficient to carry out essential audit work.

Action Required

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| 1. Prioritise the audit of S106 Agreements                                 | SA |
| 2. Raise Members' concerns about staffing levels with the Executive Member | SA |

#### **48. RISK MANAGEMENT POLICY AND STRATEGY**

Members considered a report which presented for discussion and comment the Council's Corporate Risk Management Policy and Strategy.

Copies of the Policy and Strategy were attached as annexes A and B to the report. The Policy set out the Council's aspirations and objectives with regard to risk management, while the Strategy provided a framework of practical advice and guidance for implementing risk management practices within all activities of the organisation. Both documents would form an integral part of the risk management training to be delivered to Members and Officers during 2009/10.

RESOLVED: That the format and content of the Risk Management Policy and Strategy attached as Annexes A and B to the report be noted and approved.

REASON: To confirm that the Policy and Strategy meet the Committee's requirements and expectations.

#### **49. CONTROL OF ASSETS AND DRAFT ASSET DISPOSAL PROCEDURE RULES**

Members considered a report which presented for discussion and comment the Council's draft asset disposal procedure rules. It also

outlined the actions planned to improve the control of assets, as agreed at the meeting in January (Minute 35 refers).

The draft procedure rules, attached as Annex A to the report, set out the Council's commitment to good stewardship of its assets, providing detailed guidance to Officers on the action they must take when disposing of Council assets. They would form supplementary guidance to the Council's revised financial regulations, which would be brought to the Committee for approval in June.

The schedule of assets lost or stolen would be reported to the Committee on an annual basis. This information would help to highlight areas where the Council needed to improve the security of its assets.

It was suggested that the procedure rules could be reviewed in the future to ensure their effectiveness once they had been put in place.

**RESOLVED:** That the format and content of the asset disposal procedure rules attached as Annex A to the report be noted and approved.

**REASON:** To confirm that the rules meet the Committee's requirements and expectations.

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 8.10 pm].