
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	21 DECEMBER 2009
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), JAMIESON-BALL, KIRK AND GUNNELL (SUBSTITUTE)
APOLOGIES	COUNCILLORS BOWGETT, SCOTT AND R WATSON
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) COUNCILLOR CRISP MIKE NEWBURY (AREA LEAD FOR CAA) ALISTAIR NEWALL (LOCAL AUDIT MANAGER)

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

38. 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.

39. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex B to agenda item 10 (Key Corporate Risk Monitor Quarter Three 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).

40. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 4 November 2009 be approved and signed by the Chair as a correct record.

41. PUBLIC PARTICIPATION

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

42. COMPREHENSIVE AREA ASSESSMENT 2009

Members considered a report which presented the Audit Commission's final reports for the 2009 Comprehensive Area Assessment (CAA) of the City of York. The Area Lead for the CAA and the Local Audit Manager were in attendance to introduce the report and answer any questions.

The CAA had been introduced in April 2009 as the new framework for the independent assessment of local public services in England. It included two main elements; an area assessment of the delivery of agreed priorities across the whole area and an organisational assessment of the council. On the area assessment, green flags indicated exceptional performance, while red flags represented significant concerns about outcomes or future prospects. York had been awarded a Green Flag (one of only seven awarded in the Yorkshire and Humber region), for its achievements and innovative working with disabled children, and no red flags. On the organisational assessment, the council had received a score of 3 for 'Managing Performance' within its services and a score of 2 for its 'Use of Resources'.

Members queried the definition of some of the indicators used in the assessment and the Area Lead agreed to provide more information on these if required. Concerns were also raised about the format of the CAA report, which had been designed for publication on the 'One Place' website. Some Members felt this had resulted in an overly simplistic presentation of complex information. It was also unclear where some of the data in the report had come from and which issues were for the Council to address and which for partners. Members commented that it would be helpful to have more information about this before the refresh of the CAA in summer 2010.¹

RESOLVED: That the content of the report and the annexes be noted, in conjunction with the Council's response to the CAA at the next item on the agenda, and that Officers note Members' comments on the CAA.

REASON: So that Members are aware of inspection and audit outcomes and recognise the achievements and areas for improvement identified in the report, and to highlight additional information required to enable the Committee to carry out its role in relation to the CAA.

Action Required

1. Make arrangements to supply further information to members prior to receipt of the refresh report in July 2010

MN

**43. RESPONSE TO COMPREHENSIVE AREA ASSESSMENT 2009
(INCLUDING IMPROVEMENT PLAN 2009/10 UPDATE)**

Members considered a report which provided an initial response to the findings highlighted in the 2009 Comprehensive Area Assessment (CAA) reports, as presented in the previous item.

The Council was delighted with the CAA reports, which had highlighted a number of areas of high and excellent performance and placed the City in a strong position nationally. However, statements made on pages 4 and 11 of the CAA report regarding the following matters had been raised with the Area Assessment Lead, as they presented an inaccurate picture of performance within the City:

- Lack of physical activity of adults, contributing to increased obesity
- Increasing binge drinking and alcohol-related hospital admissions
- Negative statements regarding the City's mental health services

Officers confirmed at the meeting that the Audit Commission had now amended their report in order to correct these inaccuracies.

With regard to Members' questions on the statistics for alcohol-related admissions to hospital, the Area Lead confirmed that the Audit Commission intended to examine more closely how this data was measured and make comparisons between authorities sharing similar characteristics with regard to population mix etc.

RESOLVED: That the response to the CAA reports, and the progress and planned improvements to date and related monitoring and reporting arrangements, be noted.

REASON: So that Members are aware of the Council's response to inspection and audit outcome and recognise the achievements and action taken and planned to address the areas for improvement identified in the report.

44. ASSET MANAGEMENT REPORT 2008/09 - AUDIT COMMISSION

Members considered a report which presented the Audit Commission's Asset Management Report (the Report), produced as part of the 2008/09 audit.

The Report reviewed the Council's arrangements for a strategic approach to asset management, the management of assets to deliver value for money and partnership and community involvement in asset management. It concluded that these arrangements met minimum requirements and noted that:

- a strategic approach had been developed but was not consistently applied throughout the organisation;
- the Council's ability to demonstrate value for money was undermined by limited financial resources and lack of understanding of how assets contributed to corporate priorities;

- the Council was developing a more strategic approach towards sharing assets with partners, building on examples already in place.

An action plan agreed with the Audit Commission as a result of discussions arising from the review was included as Appendix 1 to the Report.

In response to Members' questions on the report, Officers confirmed that the introduction of component accounting under CIPFA could potentially increase the workload for the management of assets, although the guidance on this was not due until January. They stressed the need for a corporate approach to asset management, which was one of the areas to be examined under the More for York efficiency review.

RESOLVED: That the content of the report, and the agreed action plan at Appendix 1 to the Audit Commission Report, be noted.

REASON: To confirm that Members have had the opportunity to comment on the proposed improvement arrangements.

45. ASSET MANAGEMENT - THE WAY FORWARD

Members considered a report which provided a response to the Audit Commission's Asset Management Report, as presented in the previous item, and their national report *'Room for Improvement – Strategic asset management in local government'*, issued in June 2008.

The summary and recommendations contained in *Room for Improvement* were outlined in paragraphs 14 and 15 of the report, together with details of how the City of York Council had previously responded, and was now planning to respond, to those issues. The report also outlined the objectives of the approved Property Blueprint included in the More for York programme, which addressed the way in which land and property assets were managed across the whole Council and the opportunities for working closely with partners and other public-private sector organisations.

It was considered that the Council's response to the Audit Commission report, though its action plan and the intentions outlined in the Property Blueprint, would contribute enormously to satisfying the recommendations outlined in *Room for Improvement*.

RESOLVED: That the Council's response to the Audit Commission's review of asset management and *'Room for Improvement'* and work planned as part of More for York, together with the associated monitoring arrangements, be noted.

REASON: To be assured of the effective management of the Council's property assets as part of the system of internal control.

46. DATA QUALITY POLICY - PROGRESS REPORT

Members considered a report which outlined the progress made towards implementing and embedding a data quality policy across the Council and provided feedback from the Audit Commission on the Council's Data Quality Arrangements under Use of Resources Key Lines of Enquiry (KLOE) 2.2.

Feedback given as part of the 2008-09 Audit Commission Inspection under KLOE 2.2 was summarised in paragraph 5 of the report. A review of data quality arrangements carried out by Internal Audit (Veritau) had found that all of the 24 indicators had at least moderate assurance except one – Improved Local Diversity, which was given limited assurance. Action had since been taken to improve the system of collection for this indicator. The data quality policy had been expanded upon this year to build on the feedback given by the Audit Commission and Internal Audit. Nearly 90% of the national Indicator set had been reviewed against a self-assessment matrix and the resulting scores were provided in paragraph 8 of the report.

Key issues raised in the self assessments were summarised in paragraph 12 and some examples of actions identified to target future improvements were provided in paragraph 13. An action plan had been developed to move York's overall score from 'performing adequately' to 'performing well'. Benchmarking data would continue to be used to help identify where an indicator had been calculated incorrectly or where the Council was not performing as it should. It was considered that the appointment of a 'data quality champion' at Elected Member level, recognised as best practice in other authorities, would strengthen current arrangements.

Officers suggested that the Executive Member for Resources be appointed as data quality champion; however, Members felt that there should be a more 'independent' appointment, in accordance with the other champion roles within the Council.

RESOLVED: (i) That the progress made to date on improving data quality, including positive audit results which show improvements having an impact, be noted.

(ii) That Officers consult with Democratic Services on the options for nominating and appointing a data quality champion.¹

REASON: To ensure that continual improvement is made to the Council's data quality arrangements, which will also help to improve the reported results in the Use of Resources Assessment as part of the Organisational Assessment within the CAA.

Action Required

1. Consult with Democratic Services re arrangements to appoint a data quality champion

MN

47. KEY CORPORATE RISK MONITOR QUARTER THREE 2009/10

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

This was the first set of risks associated with the revised KCRs to be brought to Audit & Governance Committee. Headline risks were set out in paragraph 4 of the report. Full descriptions of the risks, with details of the controls and actions currently identified to mitigate them, were provided in Annex A. The More for York KCR (no. 0017) was not included in the monitor as this area was continuing to be developed in line with the More for York blueprints. No additional High and Critical directorate risks had been raised by Directorate Management Teams this quarter. Members were invited to request more detailed information on individual risks at a future meeting, if required.

Officers confirmed at the meeting that the More for York risk was still in preparation and that some of the existing risks, such as the effects of the economic downturn, required more work. In response to Members' questions, they agreed to circulate further information with regard to the Safeguarding risk (KCR 0019), where information appeared to have been omitted under one of the risk headings.

RESOLVED: (i) That the risks set out at Annex A to and paragraph 4 of the report be noted and agreed.

REASON: To be assured that risks to the Council are continuously reviewed and updated.

(ii) That a further detailed risk report on the risk of failure to deliver the university pool under KCR 0016 (Capital Programme) be brought to the next meeting, on 15 February 2010.¹

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

Action Required

1. Ensure that detailed information on the university pool risk MN is brought to the meeting on 15/2/09

48. AUDIT AND COUNTER FRAUD MID-TERM MONITOR

Members considered a report which provided details of progress made towards delivering the internal audit and counter fraud work plan for 2009/10 and sought approval for a set of revised Terms of Reference for Internal Audit.

Two of the priorities for Veritau were to deliver at least 90% of the Audit Plan and to ensure that the service continued to operate to recognised professional standards. These were the minimum standards required for a good Use of Resources assessment score. Internal Audit had successfully delivered 94.2% of the 2008/09 Plan and 18% of the 2009/10 Plan had been completed. Based on the current work programme, it was anticipated that the 90% target would be achieved. Details of the audits completed and reports issued since the last progress report in June were provided in Annex 1. Details of variations to the Plan approved by the client manager to date were provided in Annex 2. Details of counter fraud work undertaken in accordance with the approved Plan were set out in Annex 3. As in previous years, most of this work related to suspected fraudulent Housing and Council Tax benefit claims.

Paragraphs 10-15 of the report summarised changes made to audit working practices to ensure consistency in service delivery to both City of York Council and North Yorkshire County Council, together with service developments in respect of counter fraud arrangements. A number of changes were required to the Internal Audit Terms of Reference (ToR), following transfer of audit and counter fraud services to Veritau Ltd. The proposed revised ToR were attached at Annex 5 to the report.

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

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

(ii) That the variations to the 2009/10 Audit Plan approved to date by the Internal Client Manager and set out in Annex 2 to the report, be noted.

REASON: To confirm that Members have considered the delivery of the Internal Audit Plan.

(iii) That the updated Internal Audit Terms of Reference set out in Annex 5 be approved.¹

REASON: To ensure that the Council complies with the CIPFA Code of Practice.

Action Required

1. Make arrangements to implement the updated Internal Audit Terms of Reference MN

49. FOLLOW UP OF AUDIT RECOMMENDATIONS

Members considered a report which set out progress made by departments in implementing those agreed audit recommendations due to be implemented by 31 October 2009.

A total of 157 recommendations had been followed up. 11 (7%) of these had been superseded. Of the remainder, 133 (84.7%) had been satisfactorily implemented. In one case, the recommendation had not been fully implemented and this was being followed up as part of the current audit. In the remaining 12 cases, satisfactory reasons had been given for the delay in implementation and revised deadlines had been agreed.

The response of the Technical Finance Manager to the concerns raised by Members on 21 September regarding submission of the Sure Start grant claim was reproduced in paragraph 11 of the report. This indicated that the delay in submission had been due to a lack of clarity from government over the deadline dates and that the checklist and recommendations contained in Appendices 4 and 5 of the Audit Commission's report would be taken on board.

RESOLVED: (i) That the progress made by management in implementing agreed internal audit recommendations, as set out in paragraphs 5-9 of the report, be noted.

(ii) That the progress made by management in implementing recommendations arising from Audit Commission reports received in the period, as set out in paragraphs 10-12, be noted.

(iii) That information on whether work on the Sure Start grant claim is on track to meet submission deadlines be included in the internal audit progress report which is due to be brought to the Committee in April 2010.¹

REASON: To fulfil the Committee's role in assessing the adequacy of the Council's internal control environment.

Action Required

1. Take action to ensure information on the Sure Start grant MN is included in the report to the meeting on 26/4/10

50. REVIEW OF THE AUDIT & GOVERNANCE COMMITTEE'S TERMS OF REFERENCE (ARTICLES & FUNCTIONS)

[See also under Part B Minutes]

Members considered a report which outlined proposed revisions to the Audit & Governance Committee's Terms of Reference (described as Articles and Functions in the Council's Constitution).

The changes proposed, as explained in paragraphs 5-10 and set out in the tracked changes document at Annex A to the report, would bring the Committee's operation in line with best practice as set down by CIPFA and the Audit Commission. They were mostly minor amendments, but included a significant change to the Committee's role and responsibilities regarding

amendments to the Council's Constitution. This would mean transferring to the Staffing Matters & Urgency Committee responsibility for recommending constitutional amendments to Council, but retaining responsibility for recommending amendments to Financial Regulations and Contract Procedure Rules and certain changes to the Policy Framework.

The document at Annex A incorporated the amendment already agreed regarding the appointment of an independent advisor to the Committee. A person specification for this role was in preparation and a recruitment plan would be discussed with the Chair before the start of the next municipal year.

RESOLVED: That a report be brought to the next meeting to enable Members to consider how the Committee can fulfil its role in relation to Standards Committee and Scrutiny committees.¹

REASON: To ensure that the Committee is fulfilling its functions properly in respect of all the Council's activities.

Action Required

1. Make arrangements to bring a report re Standards / MN
Scrutiny to meeting on 15/2/10

**51. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
UPDATE**

Members considered a report which provided an 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).

A report introducing the implementation of IFRS had been presented to Members on 21 September 2009. 'Significant' areas for change, as defined in that report, were currently being reviewed and progress on these areas was detailed in paragraphs 6 to 12 of this report. Priority had been given to Private Finance Initiatives, Leases, Assets Investment Properties, Employee Benefits and Group Accounts. The remaining three areas (First Time Adoption, Increased Disclosure requirements and Segmental Reporting) would not affect the initial reinstatement of the 1 April 2009 balance sheet and would be the subject of further guidance notes to be issued by CIPFA during December 2009.

Collaborative working with all departments across the authority was key to the preparation of IFRS. Corporate Finance were ensuring that all finance staff understood the change in accounting regulation. They were also participating in consultation and ongoing discussions with other local authorities.

In response to Members' questions, Officers confirmed that the work outlined in the report was being carried out in-house, using existing software, at no additional cost to the Council.

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

REASON: In accordance with the requirement for those responsible for governance arrangements to be updated on a regular basis to ensure that the implementation of IFRS is proceeding in a timely manner for completion by 30 June 2011.

52. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

Members considered a report which sought their views on how best to undertake the annual review of the effectiveness of the Council's system of internal audit in 2009/10 and future years.

The 2008/09 review had been conducted by the Officer Governance Group and the results reported to the Committee on 29 June 2009. From 2009/10 onwards, internal audit and fraud services were being provided under a service agreement, following establishment of a joint service with North Yorkshire County Council and the transfer of service provision to Veritau Ltd. Delivery of the service would be monitored via a Shared Service Contract Board (SSCB).

To maintain independence, it was proposed that the SSCB should undertake the annual review, overseen by the chairs of the Audit Committees of the two councils. For this year, it was proposed that the review be undertaken in February and March 2010 and the results reported to the next meetings of the Audit Committees – in York's case, the meeting in April 2010.

RESOLVED: (i) That the process for conducting the annual review of the effectiveness of the system of internal audit be noted.

(ii) That future reviews be undertaken by the Shared Service Contract Board (SSCB), with the process overseen by the Chair of the Audit & Governance Committee and the results reported to the next meeting of the Committee.¹

REASON: To enable Members to fulfil their role in assessing the adequacy of the Council's internal control environment.

Action Required

1 Make arrangements to implement the revised review process

MN

53. CHAIR'S BUSINESS - FORWARD PLAN

The Chair raised the matter of the forward work plan for the Audit & Governance Committee. A draft plan of the items proposed for the Committee's meetings up to July 2010 had been circulated to Members before the meeting.

Members noted the proposed training / briefing events to be held during the year to support them in their role on the Committee and suggested that a further session on the CAA would be a useful addition to this programme. Officers confirmed that training on the CAA was likely to be included in the general training programme for all Members of Council.

In response to Members' comments on the large number of items on agendas for this Committee, Officers noted that the number of meetings had been increased from 4 to 6 per year in order to address this problem and agreed to keep the matter under review.

RESOLVED: That the draft plan (annexed to these minutes) be approved, with the following additions already agreed at this meeting:

- Detailed information on the University Pool risk to be included in the Key Risk Update to the meeting on 15 February 2010.
- Report on the Committee's functions in relation to Standards and Scrutiny committees to be brought to the meeting on 15 February 2010.
- Progress information on submission of the Sure Start grant to be included in the follow up report on internal and external audit recommendations to be brought to the meeting on 26 April 2010.
- CAA update report to be brought to the meeting in July 2010.

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

PART B - MATTERS REFERRED TO COUNCIL

54. REVIEW OF THE AUDIT & GOVERNANCE COMMITTEE'S TERMS OF REFERENCE (ARTICLES & FUNCTIONS)

[See also under Part A Minutes]

Members considered a report which outlined proposed revisions to the Audit & Governance Committee's Terms of Reference (described as Articles and Functions in the Council's Constitution).

The changes proposed, as explained in paragraphs 5-10 and set out in the tracked changes document at Annex A to the report, would bring the

Committee's operation in line with best practice as set down by CIPFA and the Audit Commission. They were mostly minor amendments, but included a significant change to the Committee's role and responsibilities regarding amendments to the Council's Constitution. This would mean transferring to the Staffing Matters & Urgency Committee responsibility for recommending constitutional amendments to Council, but retaining responsibility for recommending amendments to Financial Regulations and Contract Procedure Rules and certain changes to the Policy Framework.

The document at Annex A incorporated the amendment already agreed regarding the appointment of an independent advisor to the Committee. A person specification for this role was in preparation and a recruitment plan would be discussed with the Chair before the start of the next municipal year.

RECOMMENDED: (i) That responsibility for amending the Constitution remain with the Audit & Governance Committee and not be transferred to the Staffing Matters & Urgency Committee.

REASON: In accordance with the role of Audit & Governance Committee to oversee governance arrangements within the Council.

(ii) That the following amendments be made to the relevant parts of the Constitution and that authority be delegated to the Interim Head of Civic, Democratic and Legal Services to make the necessary drafting changes, together with any minor changes to other parts of the Constitution consequential upon these amendments:

a) An amendment to paragraph 1.1 of Article 9 to remove the reference to the Shadow Executive, which no longer exists.

b) Amendments to paragraph 8 of Part 3C to reflect the fact that responsibility for producing the Annual Internal Audit Plans, Reports and related annual opinion is now delegated to the Head of Internal Audit, who manages the shared internal audit Provider, Veritau Ltd.

c) An amendment to paragraph 20 of Part 3C, the amended paragraph to read as follows:

'To consider proposals to change the Council's Constitution referred to it by the Executive and / or Officers and, where it agrees or disagrees that amendments to the Constitution are required, to make recommendations to Council as appropriate.'

REASON:

To ensure that the Committee's Articles and Functions properly and accurately reflect its responsibilities and those specifically delegated by Council, and to remove the current ambiguity in the interpretation of paragraph 20 of Part 3C.

B Watson, Chair

[The meeting started at 5.40 pm and finished at 8.55 pm].

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Audit & Governance Committee Draft Forward Plan to July 2010

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **14 January 2010** *Local Government Finance 17.00 –19.00pm*
- **20 January 2010** *Risk Management Training 17:30 - 18:30pm*

- **Committee 15 February 2010**
Pre- Committee Update Training Session

Update of Counter Fraud Policies

Internal Audit Plan Consultation

Internal Audit & Fraud Plan Progress Report

Key Risk Update

Draft Information Governance Policy & Strategy

Audit Commission National Reports Summary

Audit Commission reports as per agreed Audit & Inspection plan

- **16 March 2010** *Risk Management Training 12:00 - 13:00pm*

- **Committee 26 April 2010**

Risk Management Quarterly Monitoring Report

Review of Effectiveness of Internal Audit

Follow up of Internal and External Audit Recommendations

IFRS Update

Draft Annual Governance Statement

Approval of Internal Audit Plan

Audit Commission reports as per agreed Audit & Inspection plan

Audit Commission national reports (if any)

- **June 2010 (to be arranged)**

Separate Statement of Accounts Briefing

- **Committee June 2010 (to be arranged)**

Annual Internal Audit Report 2009/10

Annual Governance Statement 2009/10

Draft Statement of Accounts 2009/10

Audit Commission reports as per agreed Audit & Inspection plan

- **Committee July 2010 (to be arranged)**

Risk Management Quarterly Monitoring Report

IFRS Update

Audit Commission national reports (if any)

Audit Commission reports as per agreed Audit & Inspection plan