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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	15 FEBRUARY 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), BOWGETT, JAMIESON-BALL, KIRK, R WATSON AND GUNNELL (SUBSTITUTE)
APOLOGIES	COUNCILLOR SCOTT

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**55. 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. None were declared.

**56. MINUTES**

RESOLVED: That the minutes of the Audit and Governance Committee held on 21 December 2009 be approved and signed by the Chair as a correct record.

**57. PUBLIC PARTICIPATION**

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

**58. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN**

Members considered a report which presented an indicative rolling forward plan of items expected to be brought to the Committee to December 2010.

As previously proposed, the forward plan attached as an annex to the report now reflected the increase to 6 meetings in each municipal year. The taster session which was to be held before the meeting had been deferred due to the addition of four reports to the agenda. The plan reflected the deferral of the Audit and Fraud Update to April 2010 and also a report in the same month to inform Members of the Draft Annual Governance Statement. Officers pointed out that the Treasury Management Strategy would be brought to the next meeting of the Committee.

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

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

**59. AUDIT COMMISSION OPINION AUDIT PLAN 2009/10**

Members considered a report which presented the Audit Commission's Opinion Audit Plan for 2009/10.

The Audit Commissions Opinion Audit Plan was set out as an Annex to the report. It detailed the work to be conducted by the District Auditor in relation to the audit of financial statements 2009/10. The Plan had taken account of:

- National risks
- The inherent audit risks arising from previous audit work carried out at the council including Internal Audit work and previous inspection findings.
- The requirements of the Code of Audit practice in discharging their statutory responsibilities in the conduct of the audit.

The current Audit Commissioner advised that the way the Audit Commission requires audit work to be planned was an ongoing process and that any changes between the present time and June would be incorporated into a refreshed document and would be reported back to Members in order to keep them in the picture.

Officers introduced Lynne Hunt, who would be the new Audit Commissioner.

RESOLVED: (i) That the matters set put in the Opinion Audit Plan be noted.

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

RESOLVED: (ii) That Members agree that the plan sufficiently reflects 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.

**60. GRANT CLAIMS CERTIFICATION REPORT 2008/09 (AUDIT COMMISSION)**

Members considered a report which introduced the Certificate of Claims and Returns Report 2008/09 as produced by the Audit Commission. The report reviewed the council's arrangements for the preparation and administration of grant claims within the council.

The Audit Commission's report was attached at Annex A. The report identified that the Audit Commission was responsible for certifying claims and returns to the value of £140.3m in 2008/09, this certification work being charged on an hourly basis to the council. The report concluded that the council had improved its grant claim arrangements from 2007/08. Although similar propositions of grant claims had been amended or qualified, more submission deadlines had been met and fewer delays occurred in those where the deadline was not met.

Further improvements would be taken on board through the action plan at appendix 3 of the report. A further report would be brought to the Committee in April to keep Members informed on any changes implemented.

RESOLVED: (i) That the content of the Certification of Claims and Returns report 2008/09 be noted.

REASON: To enable Members to consider the effectiveness of the council's grant administration activity, and in particular the areas for improvement identified within the report.

## **61. KEY RISK UPDATE**

Members considered a detailed risk paper which responded to their request in December 2009 for further information in relation to the risk surrounding the University Swimming Pool and an update in relation to Member Risk Management training.

The Member Risk Management training would be going ahead on the 16 March 2010 at the Guildhall and would assist Members in understanding the council's risk management system and risk reports to assist them in identifying opportunities for effective challenge which would enhance the council's system for internal control.

The report advised that the University Swimming Pool formed one of the key risks contained within the council's corporate risk register in relation to the Capital Programme. A report provided by the Director of Learning Culture and Children's Services which outlined the key issues and challenges presented by the University Pool was attached at Annex A. The city currently had demand for an additional twelve, 25m lanes of swimming space and the University project was the agreed vision for delivering this. A £4m funding gap currently remained and work was continuing to evaluate opportunities that might be presented by different funding arrangements.

Following a full discussion on the content of the reports, Members requested a further information report on the review which had been undertaken by the Council and the University to identify further funding, as outlined in paragraph 8 of the report at Annex A. Members also requested whether an individual could attend on behalf of the University to address the Committee at a future meeting.

- RESOLVED: (i) That Members note the risks set out in the report and the report attached at Annex A.
- (ii) That a further report be brought to the Committee following the review referred to in paragraph 8 of the report attached at Annex A and Officers to look into a representative of University attending a future Committee meeting.<sup>1</sup>

REASON: To provide assurance that risks to the council are continuously reviewed and managed.

Action Required

1. Arrange to bring information to a future meeting.

PS

## 62. PETITIONS REPORT

Members considered a report which outlined details of current definitions contained within the petitions guidance. It updated Members on the latest legislative position, with regard to the introduction of e-petitions and corporate practices surrounding the handling of petitions with local authorities.

The report informed Members of the current legislative position. Officers advised that further guidance was expected later in the month and pointed out that the definition of petitioners outlined at paragraph 6 of the report, could be subject to change.

Members queried the definition of 'lives in the local authority area' and whether this would be based on the Electoral Roll, and if second home owners could be petitioners. Officers advised this would be looked into.

RESOLVED: (i) That the guidance relating to petitioners and who can be one, as outlined in paragraph 6 of the Officer's report, be noted.

(ii) That a further report will be received in due course on the implementation of a petitions scheme and e-petitions facility when more information is available from the Department of Communities and Local Government, as the duty to respond to petitions progresses.<sup>1</sup>

REASON: In order to comply with the legal requirements for introducing this duty.

Action Required

1. That a further report be brought back to the Committee.

PS

**63. DRAFT INFORMATION GOVERNANCE POLICY AND STRATEGY**

Members considered a report which asked them to discuss and comment on the proposed framework for improving Information Governance arrangements in the council as laid down in the draft policy and strategy documents which were attached at Annex A and Annex B to the report.

The draft Information Governance had been developed to incorporate the core measures identified in the Government's Data Handling review and the HMG Security Framework.

In response to questions from Members, Officers confirmed that there were technical solutions to stop the downloading of sensitive information alongside the use of IT policies. It would take time to update and introduce such policies but is something that could be done.

Officers advised that if the Council failed to comply with legislative and best practice requirements the associated risk would be the possibility of being fined up to a maximum of £500,00.

RESOLVED: That the content of the draft documents in Annex A and Annex B be noted.

REASON: To ensure future arrangements adequately manage the council's Information Governance risks.

**64. UPDATE ON COUNTER FRAUD POLICIES**

Members considered a report which invited them to comment on the content of the counter fraud and corruption policy and the counter fraud and corruption prosecution policy.

In accordance with best practice, the council maintained policies on countering fraud and corruption and prosecuting in cases where fraud is proven. The approval of these policies was the responsibility of the Executive Member for Corporate Services. The Audit and Governance had a responsibility for overseeing counter fraud work as a part of the council's governance framework, and specifically for monitoring these policies.

RESOLVED: That the proposed changes to the Council's counter fraud and corruption policy and fraud and corruption policies and procedures be noted.

REASON: To ensure counter fraud procedures and policies are up to date as part of their responsibility for overseeing the council's overall governance framework.

**65. INTERNAL AUDIT PLAN CONSULTATION**

Members considered a report which sought their views on the priority of internal audit work for 2010/11 so as to inform the preparation of the

annual audit plan. In addition the report sought approval for the adoption of a new internal audit strategy. The finalised audit plan would be presented to the next meeting of the Committee for approval.

In accordance with the CIPFA Code of Practice for Internal Audit (the Code of Practice), audit plans were prepared on the basis of a risk assessment process. The risk assessment methodology was designed to ensure that the limited audit resources available were prioritised towards those systems and areas which were considered to be the most risky and/or which contribute the most to the achievement of the council's corporate priorities. Consultation with members and with senior council officers was an essential part of the risk assessment process, to ensure that their views on the risks facing the organisation were taken into account.

Members queried why Section 106 agreements, particularly in reference to the University Pool, were classed as medium risk. Officers advised that in relation to other areas, Section 106 agreements were a medium risk. Individual directorates looked at their own risks and reviewed them frequently.

RESOLVED: (i) That the relative risks of the audits set out in Annex 1 be noted and Members comments regarding Section 106/University Pool be noted.

REASON: To ensure scarce audit resources are used effectively.

RESOLVED: (ii) That the audit strategy at annex 2 of the report be approved.

REASON; To ensure compliance with proper practice.

## **66. SUMMARY OF AUDIT COMMISSION NATIONAL REPORTS**

Members considered a report which provided a brief overview of the national reports produced by the Audit Commission (AC). The last summary, presented to the Audit and Governance Committee in June 2009, covered reports up to 17 June, and the current report continues from then to 31 January 2010. Whilst the report was for information only, Members may require a more detailed response from Officers regarding how the content of specific reports may impact on the governance or internal control arrangements of the council.

A report produced by the Audit Commission entitled 'Protecting the Public Purse' was attached as an Annex to the report as it was considered relevant to the Committee.

Members queried the checklist contained in the annexed report on page 159 of the agenda, in particular question 19 on page 160 of the agenda which referred to recruitment fraud. Officers advised that the Executive Member for Corporate Services had requested a checklist to see what the Council is doing against the Government recommendations in April and

that this Committee would also receive a report to that effect around the same time.

RESOLVED: That Members noted the report and annex and noted that a further report would be brought back in April 2010.<sup>1</sup>

REASON: To ensure that the council can benchmark, learn from and meet best practice requirements derived from external audit national activity and enhance its governance frameworks as a result.

Action Required

1. That a further report be brought to the Committee. PS

**67. AUDIT & GOVERNANCE COMMITTEE'S RELATIONSHIPS WITH OTHER COMMITTEES**

Further to the meeting of the Audit and Governance (A&G) Committee on 21 December 2009, as part of the review of the terms of reference of the Committee, the following was considered:

“Under the Comprehensive Area Assessment, in the Organisational Assessment (Use of Resources Key Lines of Enquiry), a ‘performing well’ local authority will have an audit committee which ensures it is aware of the work undertaken by other committees for example the scrutiny committee, so it can take account of any significant internal control issues.”

This follow up report was requested to consider how an approach to the above may be developed in City of York Council. The report summarised the key committees with which A&G had a relationship and how key internal control issues could be communicated to A&G members.

Paragraphs 3 to 8 of the report outlined the committees and the current relationship with each and method of liaison. In particular the Standards Committee had been identified as a committee which shared the same work area. Officers advised that the Assistant Director of resources had already made contact with the Chair of the Standards Committee with a view to arranging a meeting with both Chairs to discuss a way forward.

RESOLVED: (i) That it be agreed that existing relationships with Executive and Council should continue as laid down in the council’s constitution.

(ii) That it be agreed that the Assistant Director of Resources (Customer Service & Governance) discusses future liaison arrangements between the Standards and A&G Committees with the respective Chairs, and brings back proposals for future working to the April committee;<sup>1</sup>

(iii) That it be agreed that future arrangements for reporting the internal control-related outcomes of Overview and Scrutiny Committee work by selecting both either option(s) in paragraph 8 of the Officer's report.

REASON: To improve committee members' awareness of activity and outcomes from other committees work where it could influence the work and opinion of the A&G Committee.

Action Required

1. That the further proposals be brought to the April meeting PS  
for consideration.

B Watson, Chair

[The meeting started at 5.30 pm and finished at 7.20 pm].