
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	5 DECEMBER 2011
PRESENT	COUNCILLORS JEFFRIES (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON, STEWARD AND WATSON

31. **DECLARATIONS OF INTEREST**

At this point in the meeting, Members were asked to declare any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

32. **MINUTES**

RESOLVED: That the minutes of the last meeting of the Audit and Governance Committee held on 29 September 2011 be approved and signed by the Chair.

33. **PUBLIC PARTICIPATION**

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

34. **FORWARD PLAN.**

Consideration was given to the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2012.

Officers confirmed that a number of changes had been made since its presentation in September to reflect the planned work of the Council's External Auditors over the next 12 months.

Following the Audit and Governance training for members on 14 November, it was reported that the under mentioned issues required adding to the plan:

- Review of Audit and Governance Committee's Terms of Reference
- Update to Whistle blowing Policy – February 2012

RESOLVED: That the Committee's Forward Plan for the period up to September 2012 be received and noted subject to the addition of the above mentioned reports.

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

35. KEY CORPORATE RISK MONITOR QUARTER 3.

Members considered a report which presented them with an overview of the risks associated with the councils Key Corporate Risks (KCRs) as at November 2011.

It was reported that the monitor also now provided directorates the opportunity to present an overview of their own High and Critical risks. This was being delivered on a rolling programme with risk registers at monitor three being presented by City Strategy and Communities and Neighbourhoods, with their overviews being included at Annexes A and B of the report.

There had been no change in the number of critical KCRs since monitor 2 for 2011/12. Comments in respect of the following three critical risks corporately were detailed at paragraph 5 of the report:

- Capital Programme – Access York Phase 1
- Safeguarding
- Financial Pressures – Reduction in Revenue Budget

The remaining 14 high key corporate risks reported to the Committee in September 2011 were again reported at paragraph 6.

Officers confirmed the success of their bid for funding for the Access York Phase 1 scheme for the Park and Ride site.

Officers from City Strategy and Communities and Neighbourhoods presented their reports at Annexes A and B respectively.

Members commented on a number of aspects of the reports including:

- Concern that the council did not hold deeds for some of its assets.
- Delays in move to West Offices and any resultant rent/fees incurred.
- Other risks incurred in respect of the Community Stadium e.g. raising of communities expectations. Need to widen impact.
- Personal emergency plans, particularly egress issues in current council buildings and staff training/awareness for Fire Marshalls. Officers confirmed that they would investigate the issues raised and report back to the Chair.¹
- Need for the authority to engage with the voluntary sector to ensure that they have adequate notice of any changes in funding to try and alleviate employment issues.
- Confirmation that there was ongoing dialog with GP Commissioners.

Following further discussion it was

- RESOLVED:
- i) That the key corporate risks as set out at paragraphs 5 and 6 of the report be received and noted.
 - ii) That the directorate risks for City Strategy and Communities and Neighbourhoods as set out at Annexes A and B of the report be received and noted.

- REASON:
- i) To provide assurance that risks to the council are continuously reviewed and updated.
 - ii) To provide assurances that risks to the council are continuously reviewed and managed at directorate level.

Action Required

1.Report back to Chair following investigation of issues raised.

MS

36. ANNUAL AUDIT LETTER.

Members received a report which introduced the Annual Audit Letter for 2010/11 prepared by the Audit Commission together with the council's response.

The letter had been included in full at Annex A of the report and provided the District Auditor's independent opinion of the Council's arrangements based on an annual programme of work which was required to meet standards set out in the Code of Audit Practice. Comments had also been provided on the current and future challenges facing the Council.

Details of the strengths and improvements identified by the Commission and the areas which required review were outlined at paragraph 5 of the report.

Representatives of the Audit Commission went through the letter in detail and members raised a number of issues including:

- Training requirements relating to HRA funding and Treasury Management.
- Quality assurance.
- Alternate methods of delivery of some services was required.
- Need to be selective in the authorities to which we were compared to, as referred to at page 49, paragraph 2.
- Further information on audit fee.

Officers confirmed that the Audit letter was a key milestone for the authority, details of which had been circulated to all members and officers. The letter would also be considered by Cabinet at their meeting on 10 January 2012 .

The Chair thanked the representatives of the Commission for their work on the report and attendance at the meeting.

RESOLVED: That the Annual Audit Letter 2010/11 as set out at Annex A be received and noted.

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

37. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2011/12.

Consideration was given to a report which requested members to agree the arrangements for the 2011/12 review of the effectiveness of internal audit.

The 2010/11 annual review had been jointly undertaken with the North Yorkshire County Council by the Shared Service Contract Board (SSCB), in consultation with the respective Audit Commission chairs. It was confirmed that the role of audit committees may change in the future as a result of the government's proposals for the future of public audit and the expectation that local authorities would be given responsibility for the appointment of their own external auditors. However, in the meantime and to ensure consistency and avoid duplication of work it was proposed that the SSCB should again undertake this work.

Officers confirmed that the review would also include the effectiveness of the Audit and Governance Committee.

Following discussion it was

RESOLVED: That the proposed review arrangements for internal audit for 2011/12 be endorsed.

REASON: To enable members to consider the adequacy and effectiveness of the council's control environment.

38. INTERNAL AUDIT AND FRAUD PLAN PROGRESS REPORT.

Members considered a report which updated them on progress made in delivering the internal audit work plan for 2011/12 and on current counter fraud and information governance activity.

Details of progress to date on the 2011/12 internal audit plan was reported at paragraphs 4 to 6, freedom of information requests and breaches of financial regulations at paragraphs 9 and 10 of the report and details of counter fraud investigations at Annex 2.

Further information in respect of the final proposals for the integration of the North Yorkshire Audit Partnership with Veritau

Limited were set out at paragraphs 11 to 33 of the report. The outline dates necessary to establish Veritau North Yorkshire were timetabled at paragraph 34 with the transfer of the internal audit and counter fraud services scheduled for 1 April 2012.

Members questioned further details of the fraud detection and investigation cases, in particular blue badge fraud and benefits fraud. The significant increase in the value of fraudulent benefit overpayments identified was raised by members. A request was made for future reports to include details of the number of cases involved in the reported fraudulent benefit figures. ¹.

Following further discussion it was

RESOLVED: i) That the Committee note the progress made in delivering the 2011/12 internal audit work programme, and current counter fraud and information governance activity.

ii) That the proposals to establish Veritau North Yorkshire to undertake work transferred from the North Yorkshire Audit Partnership be noted.

REASON: i) To enable members to consider the implications of audit and fraud findings.

ii) As part of the committee's responsibility to consider reports dealing with the management of internal audit.

Action Required

1. Future reports to include number of benefit overpayment cases.

KB

39. SCRUTINY OF THE TREASURY MANAGEMENT MONITOR 2 REPORT 2011/12 AND REVIEW OF PRUDENTIAL INDICATORS.

Consideration was given to the Treasury Management Monitor 2 Mid Year Review and Prudential Indicators for 2011/12 as attached at Appendix A of the report.

The report reviewed the economic market conditions in which the treasury management activities of the council currently operated. The highlights detailed were:

- Bank base rate would remain low for the foreseeable future.
- Investment rates would remain low with the investment of surplus funds being limited due to the uncertainty surrounding the euro zone and the impact on world markets.
- Borrowing rates were continually monitored with there being some good opportunities to take loans at favourable rates.
- Further information on the proposed reform of the Housing Revenue Account subsidy arrangements.

In reply to members questions on the present returns on investments, officers confirmed that their main priority was security of the Councils funds.

RESOLVED: That the Committee note the Treasury Management Monitor 2 and Prudential Indicators 2011/12 as set out at Appendix A of the report.

REASON: So that those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

40. CHAIRS COMMENTS

The Chair, members and officers expressed their thanks to Helen Malam, Systems Accountant, for her work with the Audit and Governance Committee prior to her taking maternity leave.

CLLR L JEFFRIES, Chair
[The meeting started at 5.30 pm and finished at 7.00 pm].