

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	12 DECEMBER 2012
PRESENT	COUNCILLORS CUNNINGHAM-CROSS (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON, STEWARD AND WATSON

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**25. DECLARATIONS OF INTEREST**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on this agenda. None were declared.

**26. MINUTES**

RESOLVED: That the minutes of the meeting of 27 September 2012 be approved and signed by the Chair as a correct record.

**27. PUBLIC PARTICIPATION**

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

**28. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN TO SEPTEMBER 2013**

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 September 2013.

It was agreed that there was a need to schedule an additional meeting of the Committee in order to make timely progress in implementing the recommendations of the Audit and Governance Effectiveness Task Group (minute 33 refers).

RESOLVED: (i) That the Committee's Forward Plan be updated to reflect the recommendations of the Audit and Governance Effectiveness Task Group<sup>1</sup>.

- (ii) That an additional meeting of the Committee be scheduled to take place in the Spring of 2013.
- (iii) That future meetings of the Committee commence at 5.00pm.

REASON: To ensure that the Committee has a Forward Plan in place to enable it to carry out the functions of an effective audit committee.

Action Required

1. Update committee's Forward Plan

EA

**29. KEY CORPORATE RISK MONITOR QUARTER 3**

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

Officers gave details of the council's critical key corporate risks and stated that the council was intending to review its risks and risk management processes during the 2012/13 financial year. This work would be supported by Zurich Municipal's Risk Management Services. Members would be invited to participate in an event focussing on identifying and reviewing key corporate risks. Members reiterated their comments made at previous meetings that Adult and Social Care should be designated as a key corporate risk in view of the changing demographics and the resulting financial implications.

The risks in respect of Communities and Neighbourhoods and City and Environmental Services were attached to the report as Annexes A and B respectively. Officers from these directorates responded to Members' queries in respect of the risks and, in particular, the issues in respect of:

- The impact of reduced funding on front-line services delivered by Communities and Neighbourhoods and on income generation
- The transition of public health responsibilities from the Primary Care Trust to the Local Authority
- Air quality targets
- Reduced funding for adaptations

- The risks posed when horses on verges became untethered
- The Community Stadium
- Income generation in respect of City and Environmental Services, including consideration of generating further income from the provision of pre-application advice
- Emergency Planning, flooding and business continuity planning
- The York North West Development and developments in other parts of the city
- Appeals following planning decisions
- 106 agreements
- Waste PFI

A request was made that the detailed Key Corporate Risk Monitor be included in the published agenda papers for future meetings rather than being emailed separately as was currently the case. Officers confirmed that this could be actioned but explained that, although the document was a useful tool in enabling Members to identify risks for which they would wish to receive more detailed information, the present arrangements ensured that the focus was on specific risks and hence officers with specialist knowledge of those issues were in attendance at the meeting to respond to Members' questions.

RESOLVED: (i) That the report be noted.

(ii) That Adult and Social Care be designated as a key corporate risk.

REASON: To provide assurance that the authority is effectively understanding and managing its key risks.

### **30. EXTERNAL AUDIT FEE LETTER 2012/13- MAZARS**

Members considered a report that presented the External Audit 2012/13 fee planning letter prepared by Mazars.

Members noted that the final fee for 2011/12 was £265,067 for the audit and certification work. The proposed fees for 2012/13 totalled £155,356. The reduction in fee was due to the change in audit arrangements and the fact that previously the fees had

covered not only the cost of local audit work but also contributed to the cost of the Audit Commission's national functions.

Referring to paragraph 6 of the report, Members queried whether it was likely that the fee would be higher. Officers stated that, although there was a risk that the fee would be higher if the quality of the working papers provided was not to a suitable standard, they were confident that it would not be necessary to increase the fee.

**RESOLVED:** That the contents of the report and the Fees Letter be noted.

**REASON:** To ensure that Members are aware of the proposed external audit fee and arrangements.

**31. CERTIFICATION OF CLAIMS AND RETURNS 2011/2012 - AUDIT COMMISSION**

Members considered a report that presented the Certificate of Claims and Returns Report 2011/12 produced by the Audit Commission. The report reviewed the council's arrangements for the preparation and administration of grant claims within the council. Members were pleased to note that the council's arrangements had continued to improve over the last few years.

**RESOLVED:** That the Audit Commission's Certification of Claims and Returns report be noted.

**REASON:** To enable Members to consider the effectiveness of the council's grant administration activity and comment on the current arrangements.

**32. INTERNAL AUDIT AND FRAUD PLAN PROGRESS REPORT**

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.

Members questioned officers about the controls that were in place in respect of the use of procurement cards. Officers

explained that it was intended that the cards would be rolled out more widely across the council but, before that occurred, action was being taken to ensure that effective controls were in place. This included ensuring that VAT receipts were produced, putting in place clear guidance on the use of the cards and appropriate sanctions when the cards were not used appropriately.

In response to questions from Members, details were given of the arrangements that were in place across the council to prevent, detect and report potential money laundering. Members stressed the importance of ensuring that the arrangements that were being made to raise staff awareness and deliver training included all aspects of money laundering and not just placement. It was noted that it was intended to update the current policy as well as identifying particular aspects of the council's work which were most vulnerable to money laundering activity.

**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 enable Members to consider the implications of audit and fraud findings.

### **33. AUDIT AND GOVERNANCE COMMITTEE EFFECTIVENESS - SELF ASSESSMENT**

Members considered a report that presented the outcomes of the review of the committee's own effectiveness.

Referring to the task group's suggestion that induction training and an annual training update should be made compulsory for all members of the committee, discussion took place as to ways of improving Member engagement with training in general. Suggestions put forward included greater consultation with Members regarding the dates of training sessions, designating two days each year as Member training days and offering more on-line training.

Members suggested the following amendments to the recommendations detailed at Annex 1 of the report:

- Include an additional column to include the person responsible for delivering the proposed action.

- The appointment of an independent member to the committee to be designated as a priority, as this was a longstanding aim.
- The committee's terms of reference to be reviewed on an annual basis rather than every three years.
- Consideration to be given as to how to raise the public's awareness of the work of the committee.

Max Thomas was thanked for his work in supporting the committee through the self-evaluation process.

RESOLVED: That, subject to the inclusion of the additions listed above, the recommendations of the Effectiveness Task Group be approved.

REASON: To ensure that the Audit and Governance Committee remains effective.

#### **34. SCRUTINY OF THE TREASURY MANAGEMENT MONITOR 2 REPORT 2012/13 AND REVIEW OF PRUDENTIAL INDICATORS**

Members considered a report that provided an update of treasury management activity for the first six months of 2012/13.

Officers went through the key issues. It was noted that the environment in which treasury management operated remained volatile due to the continued economic uncertainty. The council's treasury management advisers had forecast that the first rise in Bank Rate would be in Quarter 4 2014 or Quarter 1 2015. Members' attention was also drawn to the fact that no loans had been taken in 2012/13. This was due to loan rates remaining higher than investment rates and also the interest rate forecast predicting that borrowing rates would continue to stay low. Details were given of the "Certainty Rates" introduced by the Government.

RESOLVED: (i) That the Treasury Management Monitor 2 and Prudential Indicators 2012/13 be noted.

(ii) That a training session on Treasury Management be arranged<sup>1</sup>.

REASON: To ensure that those responsible for scrutiny and governance arrangements are updated on

a regular basis and to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Action Required

1. Arrange training session

LBW

**35. ANNUAL FINANCIAL UPDATE FOR 2012/13**

Members considered a report that provided an update on the approach being taken for the Annual Financial Report (Statement of Accounts) for 2012/13 and which also responded to the comments made in the Annual Governance Report (AGR).

Members' attention was drawn to the references in the 2011/12 AGR in respect of the council's Fixed Asset Register, specific accounting treatment in relation to cash and bank and the date of reconciliation for schools' balances. The proposed actions which were to be taken in response to the comments were detailed in the report. It was noted that the committee's recommendation that school's balances should perhaps be reconciled on 31 March had been considered but, because of the timing of school holidays, this would have placed considerable pressure on the close down timetable and hence the preferred option was for schools to be reconciled a week early.

Officers gave details of changes to measure transport infrastructure assets.

- RESOLVED:
- (i) That it be noted that only minor changes are required in the 2012/13 Annual Financial Report compared to last year.
  - (ii) That the accounting treatment for the Fixed Asset Register and Cash and Bank and the approach taken to the reconciliation of school bank accounts be noted.

REASON: To ensure that those responsible for governance arrangements are updated and made aware as to the approach taken to the Annual Financial Report 2012/13, for their approval by 30 June 2013.

Councillor Cunningham-Cross, Chair  
[The meeting started at 4.30 pm and finished at 7.00 pm].