
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	24 SEPTEMBER 2007
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS, CRISP, HOLVEY, B WATSON AND R WATSON (FOR AGENDA ITEMS 1-8)
APOLOGIES	COUNCILLOR MOORE

9. 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.

Councillor Brooks declared a personal non-prejudicial interest in agenda item 5 (Statement of Accounts 2006/07) as a member of the Teachers' Pension Agency.

Councillor Pierce declared a personal non-prejudicial interest in agenda item 5 (Statement of Accounts 2006/07) as a member of the North Yorkshire Pension Fund.

Councillor Richard Watson declared a personal prejudicial interest in agenda item 5 (Statement of Accounts 2006/07), regarding the related parties section of the statement of accounts, as one of the parties listed. As this section of the statement of accounts was not discussed, he did not withdraw from the room.

10. EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting during consideration of the following:

Annexes 1-3 to Agenda Item 8 (Annual Monitoring Report: Breaches and Waivers of Financial Regulations 2006/07) (minute 16 refers) on the grounds that they contained information relating to the financial or business affairs of any particular person (including the authority holding that information). This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

11. MINUTES

RESOLVED: That the minutes of the Audit & Governance Committee held on 25 June 2007 be approved and signed by the Chair as a correct record.

12. PUBLIC PARTICIPATION

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

13. STATEMENT OF ACCOUNTS 2006/07

Members received a report which set out the changes that had been made to the Statement of Accounts since their approval at Council on 28 June 2007, explained the reasons for the changes and sought recommendation for the revised Statement of Accounts to be referred to Urgency Committee for approval.

Annex 1 of the report provided details of all the changes made to the Statement of Accounts and copies of the revised Statement of Accounts had also been circulated to Members for consideration.

The report was being brought to the Audit and Governance Committee so that there could be a review of the changes prior to submitting the revised Accounts to Urgency Committee for approval. There was a statutory requirement that the representative of the Audit Commission, the District Auditor, gave his opinion on the latest set of Accounts that had been approved by Members, and the District Auditor had to give his opinion before 30 September 2007.

Officers reported a correction to paragraph 18 of the report, with the revaluation of sheltered housing and the Hob Moor site representing 0.76% of the total value of fixed assets, rather than 0.076% as stated.

- RESOLVED: (i) That the amendments set out in Annex 1 of the report be noted and Urgency Committee be recommended to approve the revised Statement of Accounts for the financial year 2006/07;
- (ii) That the reliance on a small number of key staff in preparing the Statement of Accounts be noted and a report be brought back to a future meeting on this issue.

- REASON: (i) The revised Accounts have to be formally approved by Members before the District Auditor can give his opinion on them;
- (ii) To inform Members on the staffing issues relating to preparation of the Statement of Accounts.

14. ANNUAL GOVERNANCE REPORT OF THE DISTRICT AUDITOR

Members received a report which summarised the key messages, findings and conclusions set out in the Annual Governance Report of the District Auditor in respect of the 2006/07 audit year and advised them of the action plan arising from the report for forward monitoring and reporting purposes.

The Audit Manager drew Members' attention to the main issues in the Report.

The Annual Governance Report was generally positive and importantly concluded that the Council's arrangements for the Statement of Internal Control (SIC) and for securing Value for Money (VFM) were satisfactory and that the District Auditor anticipated issuing an unqualified opinion on the accounts. These matters were crucial to the Council scoring well in the annual Use of Resources Comprehensive Performance Assessment (CPA) refresh exercise for 2007. The specific matters raised by the District Auditor at paragraphs 12-31 in relation to the final accounts audit were of immediate concern and Members sought the necessary assurances from the relevant officers that all due remedial work had been and/or would be undertaken in accordance with the action plan set out in Appendix 1 of the District Auditor's report.

Members discussed the control weaknesses identified relating to the car parking system and officers confirmed that these had also been raised following a review of the service by Internal Audit. Members requested that a written explanation of the current situation be circulated to them and that a report be brought to the next meeting setting out the Internal Audit recommendations and progress made in implementing them. They also requested that the appropriate Assistant Director be invited to attend this meeting.

Officers clarified that the presence of an auditorium on the Barbican site was not subject to negotiations, as implied in the report on the Statement of Accounts 2006/07, but that the mode of delivery was. Members requested a written explanation to further clarify the position in respect of this issue.

- RESOLVED: (i) That the matters set out in the Annual Governance Report presented for discussion by the District Auditor be noted, in particular:
- The matters raised in the report before the amended Statement of Accounts is approved;
 - The letter of representation to be signed by the Chair of the Committee on behalf of the Council and those charged with its governance;
- (ii) That the action plan arising from the report, as set out in Appendix 1 to the District Auditor's report, be noted and a report back on progress be brought to the April 2008 meeting of the Committee;
- (iii) That the letter of representation be approved for signature by the Chair of the Committee, having confirmed that it sufficiently reflects the views and beliefs of the Committee as those charged with governance at the Council.

- REASON: (i) To ensure the proper consideration of the opinion and conclusions of the District Auditor in respect of the

annual audit of accounts and review of the Council's arrangements for ensuring Value for Money (VFM);

- (ii) To ensure appropriate action is being taken by officers to address any matters raised by the District Auditor further to his report;
- (iii) To ensure compliance with International Auditing Standards and relevant legislative requirements.

15. REVIEW OF INTERNAL AUDIT

Members received a report which informed them of the results of the recent Audit Commission review of Internal Audit.

The Audit Commission had concluded that Internal Audit had met the requirements of all eleven standards set out in the Code of Practice for Internal Audit in Local Government 2006. As a consequence, the Audit Commission had also confirmed that it could continue to rely on the work carried out by Internal Audit. The Audit Commission had highlighted the process followed by Internal Audit to follow up on previous audit recommendations as an example of good practice. The report had also identified a few changes and/or developments in working practices which should enhance existing audit arrangements.

The Assistant Director (Audit & Risk Management) and Members recorded their thanks to officers in Internal Audit for their excellent work and on the result achieved in the review.

RESOLVED: That the results of the Audit Commission's review of Internal Audit be noted.

REASON: To enable Members to consider the adequacy and effectiveness of the Council's internal audit arrangements.

16. ANNUAL MONITORING REPORT: BREACHES AND WAIVERS OF FINANCIAL REGULATIONS 2006/07

Members received a report which informed them about unauthorised breaches of the Council's Financial Regulations during the 2006/07 financial year and any waivers of Financial Regulations approved by the S151 Officer during the year. The report also included a summary of progress made in addressing breaches of Financial Regulations identified and reported in earlier years.

The number of new breaches of Financial Regulations had continued to fall in 2006/07. In addition, departments had made good progress in addressing outstanding breaches from previous years. There had also been an increase in the number of waiver requests in 2006/07. The figures confirmed that overall awareness of Financial Regulations, and EU procurement rules was increasing, and that departments were taking action to address any issues that arose.

Members welcomed the improvements outlined in the report, in terms of the reduced numbers of breaches and increased numbers of waivers.

The Assistant Director (Audit & Risk Management) provided an update to Members on issues relating to aggregation under European Union procurement rules.

Members requested that the relevant Assistant Director be invited to attend the next meeting to discuss financial controls relating to the "New Town Hall" project.

- RESOLVED: (i) That the breaches of Financial Regulations identified or otherwise notified to the S151 Officer during 2006/07, as set out in paragraph 7 and Annex 1 of the report, be noted;
- (ii) That the actions taken to address outstanding breaches of Financial Regulations, as set out in paragraphs 8-10 and Annex 2 of the report, be noted and endorsed;
- (iii) That the waivers of Financial Regulations approved by the S151 Officer under the Council's scheme of delegation, as set out in paragraphs 11-12 and Annex 3 of the report, be noted.

REASON: To fulfil the Committee's role in considering the Council's compliance with its own and other relevant published regulations, controls, operational standards and codes of practice

17. FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS

Members received a report which set out the progress made by departments in implementing those agreed audit recommendations which were due to have been implemented by 31 July 2007. It also included a summary of the progress made in addressing the implementation of recommendations which had been escalated previously.

The follow up testing undertaken by Internal Audit confirmed that in general, good progress had been made by directorates to rectify the weaknesses in control identified by Internal Audit. However, there were a number of areas where work was still required to address the recommendations made. This was an ongoing process and therefore progress in implementing these recommendations would continue to be monitored, and reported as required through the escalation procedure. There were no specific issues that needed to be brought to the attention of the Audit and Governance Committee at this time.

Officers advised that the first sentence of paragraph 9 of the report should refer to April 2007, rather than January 2007 as stated.

RESOLVED: That the progress made in implementing audit recommendations, as set out in paragraphs 7-10 of the report, be noted.

REASON: To enable Members to fulfil their role in providing independent assurance on the Council's control environment.

18. RISK MANAGEMENT MID-TERM REPORT 2007/08

Members received a report which informed them of the progress made by the Risk Management Team during 2007/08. It considered the achievements in relation to developing and embedding the risk management agenda and framework, and in particular the key deliverables of the 2007/08 work plan, progress against the Comprehensive Performance Assessment (CPA) Key Lines of Enquiry, risk in committee reports and development of a corporate risk management policy.

Members welcomed advances in the area of risk management and thanked officers for their hard work.

RESOLVED: (i) That the contents of the report and progress made during 2007/08 be noted;

(ii) That the draft Risk Management Policy be noted and endorsed.

REASON: (i) To raise awareness of the progress made to date in respect of the risk management agenda and framework at the Council;

(ii) To achieve Audit & Governance Committee's endorsement prior to submission to Corporate Management Team and the Executive.

19. TRAINING PLAN PROPOSALS FOR AUDIT & GOVERNANCE COMMITTEE MEMBERS

Members received a verbal briefing from the Assistant Director (Audit & Risk Management) on training plan proposals for Audit & Governance Committee Members.

She advised that she would be canvassing Members about their training needs over the next few weeks and would then follow this up by producing and circulating a proposed training plan.

RESOLVED: That the verbal briefing be noted.

REASON: To inform the Committee of the training that will be provided.

20. 2006/07 NATIONAL FRAUD INITIATIVE - UPDATE

Members received a report which informed them of the work completed to date in respect of the Audit Commission's National Fraud Initiative (NFI) 2006/07.

The report explained that every two years the Audit Commission organised a national data matching exercise, where data from local authorities was matched against data provided by central government and other organisations, to detect fraud and error. Paragraphs 5-11 of the report set out the results of this exercise in 2006/07 and paragraphs 12-13 outlined future developments in the scope of data matching.

Members expressed some concern regarding the amount of effort required to participate in the exercise, for the results that it produced, and questioned if it provided value for money. They suggested that officers make representations to the Local Government Association on this matter.

RESOLVED: That the results of the 2006/07 NFI exercise to date, and future developments in the scope of data matching be noted.

REASON: To enable Members to consider the results of data matching work undertaken by Internal Audit.

21. THE LOCAL CODE OF CORPORATE GOVERNANCE

Members received a report which presented a draft Local Code of Corporate Governance for their consideration. The report also provided them with details of the new requirement to prepare an Annual Governance Statement, to be published as part of the Statement of Accounts.

In June 2007, the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a revised Framework on Corporate Governance, which recommended that local authorities develop and maintain a local code of governance and report publicly on the extent to which the code had been complied with. A draft Local Code of Corporate Governance (attached at Annex 1 of the report) had therefore been prepared, detailing the arrangements which the Council currently had in place, and an action plan would be developed to address any weaknesses identified in the existing arrangements.

Members supported the draft Code in principle but supported the production of an action plan to make it a more workable document.

RESOLVED: That the draft Local Code of Corporate Governance, as presented at Annex 1 of the report, be endorsed in principle, subject to the Officer Governance Group (OGG) preparing a fully comprehensive action plan to address any identified weaknesses in the Council's existing governance arrangements, with reference to a group of Audit & Governance Committee members, consisting of Councillors

Pierce, Brooks and Holvey, for comments and advice on its content, prior to reporting back to the full Committee.

REASON: To enable the Council to comply with best practice in respect of corporate governance.

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 7.30 pm].