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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	24 SEPTEMBER 2008
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS (VICE-CHAIR), CRISP, SCOTT, KIRK, MOORE AND R WATSON
IN ATTENDANCE	ALISTAIR NEWALL (AUDIT COMMISSION) JOHN PRENTICE (DISTRICT AUDITOR)

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#### **9. CHAIR'S REMARKS**

The Chair welcomed Ian Floyd, the Council's new Director of Resources, to the meeting. He also noted that this was the last meeting to be attended by Cllr Moore, who would shortly be standing down from the Audit and Governance Committee and taking up a post on the Executive.

#### **10. 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. However, Cllrs Kirk and Brooks left the room when discussion arose under agenda item 9 (Annual Monitoring Report: Breaches and Waivers) regarding the Derwenthorpe site, in view of their respective connections with Derwenthorpe.

#### **11. EXCLUSION OF PRESS AND PUBLIC**

RESOLVED: That the press and public be excluded from the meeting during consideration of Annexes 1 and 2 to agenda item 9 (Annual Monitoring Report: Breaches and Waivers of Financial Regulations 2007/08), on the grounds that they contain information relating to the financial or business affairs of particular persons. Such information is 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).

#### **12. MINUTES**

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 26 June 2008 be approved and signed by the Chair as a correct record.

### **13. PUBLIC PARTICIPATION**

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

### **14. ANNUAL GOVERNANCE REPORT OF THE EXTERNAL AUDITOR**

Members considered a report which presented the Annual Governance Report (AGR) of the External Auditor in respect of the 2007/08 audit year.

The Auditor's report, attached as Annex A, had been approved in draft by the Council's Section 151 Officer. It highlighted a number of areas for improvement, all of which would be built into a Governance and Use of Resources Action Plan to be developed and monitored by a Governance Group chaired by the Director of Resources. It was noted that the audit of financial statements was still under way, having been delayed by difficulties with the Council's supporting working papers. It was intended to issue an unqualified opinion on the financial statements by 30 September.

Members expressed concern at the issues highlighted in the report, particularly the recurring problems in finalising the accounts, which had not been adequately addressed in response to the 2006/07 audit report. The District Auditor confirmed that these had been exacerbated by the Council's current system of approving the accounts at Full Council, via the Executive, after consideration by the Audit and Governance Committee. In most authorities, approval was delegated directly to the Audit and Governance Committee, enabling the process to be managed more smoothly.

RESOLVED: (i) That the matters set out in the Annual Governance Report be noted

REASON: To ensure the proper consideration of the opinion and conclusions of the External Auditor in respect of the annual audit of accounts and review of the Council's arrangements for ensuring value for money.

(ii) That the action plan arising from the report, as set out in Appendix 3, be noted.

REASON: To ensure that appropriate action is being taken by Officers to address any matters raised by the External Auditor further to his report.

(iii) That a further report be received at the next meeting on the Council's response to the recommendations in the External Auditor's 2006/07 report and action being taken to address any outstanding matters.<sup>1</sup>

REASON: So that Members can be reassured that there will not be a further recurrence of the difficulties experienced in finalising the Council's accounts at the end of the last financial year.

(iv) That the Monitoring Officer be requested to examine paragraphs 28 to 32 of the External Auditor's report and to consider whether these matters could be addressed by using his delegated powers to make appropriate changes to the Constitution.<sup>2</sup>

REASON: To facilitate better management of the process of approving the Council's end of year accounts.

Action Required

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| 1. Bring a report on this to the next meeting (13/1/09) | SA |
| 2. Refer matter to Monitoring Officer for consideration | SA |

**15. DEBT RECOVERY ARRANGEMENTS FOLLOW-UP REVIEW: AUDIT COMMISSION REPORT**

Members considered a report which introduced the Audit Commission's findings from their follow-up review of the Council's debt recovery arrangements, with specific reference to Council Tax and National Non-Domestic Rates (NDR).

The Audit Commission's summary report was attached as Annex 1. It made some further recommendations relating to the income collecting policy, setting and monitoring targets for debt collection and improving the use of best practice guidance for collecting monies via direct debit. It concluded that the Council's own follow-up arrangements had not been robust enough to monitor implementation of the original action plan.

RESOLVED: (i) That the report, and the revised agreed action plan at Annex 1, be noted.

REASON: To ensure the maintenance of an effective internal control environment at the Council.

(ii) That a follow-up report be received from the Council's Internal Audit and Fraud Manager regarding progress made on the Audit Commission's recommendations.<sup>1</sup>

REASON: To ensure that the recommendations are properly followed up.

Action Required

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| 1. Schedule follow-up report for a future meeting | SA |
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## **16. SICKNESS ABSENCE**

Members considered a report which provided an update on the Council's controls relating to sickness absence.

The update had been requested following consideration of the Action Plan arising from the Annual Audit Letter 2006/07, at the meeting on 13 May 2008. It was reported that the 2007/08 figures had shown considerable improvement in sickness levels and that the external auditor's recommendations, to adopt best practice arrangements for managing sickness absence and to raise the profile of data quality across the Council, were being carried out.

The introduction of the Attendance at Work policy had been recognised by the auditor as one of a range of actions to enhance the Council's capacity for further improvement. The HR Corporate Development Team was continuing to work to achieve these improvements, by facilitating shared learning across directorates and leading on a range of initiatives and actions.

**RESOLVED:** That the work undertaken in this area, and the improvements made, be noted with appreciation.

**REASON:** For information and to ensure significant and sustained improvements in attendance levels.

## **17. FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS**

Members considered a report which outlined progress made by departments in implementing those agreed audit recommendations that were due to have been implemented by 31 August 2008.

Out of a total of 69 recommendations, 8 (12%) had been superseded and 49 (71%) of the remainder had been satisfactorily implemented. In 9 cases (13%), the recommendations had not been implemented and had been referred back to the relevant service manager or assistant director. These would be followed up again after the revised deadline.

In three cases, the reasons given for not progressing the recommendation had not been considered satisfactory and the escalation process for these recommendations had now commenced. Details of that process were annexed to the report. The cases were currently at stage 3 of the process. It was noted that all three had originated from the same service area.

**RESOLVED:** (i) That the progress made in implementing the audit recommendations be noted.

(ii) That Members record their concern regarding the fact that three cases have been escalated in the same service area.

REASON: In accordance with the Committee's role in providing independent assurance on the Council's control environment.

**18. ANNUAL MONITORING REPORT: BREACHES AND WAIVERS OF FINANCIAL REGULATIONS 2007/08**

Members considered a report which informed them of unauthorised breaches of the Council's Financial Regulations that had taken place during the 2007/08 financial year and of waivers of Financial Regulations approved by the Section 151 Officer during the year.

It was noted that the total number of breaches had continued to fall and that most of the new breaches identified were of a technical nature, rather than ignorance of procedures or deliberate failure to follow them. Details of new breaches were contained in Annex 1 to the report. Departments had also made good progress in addressing outstanding breaches from previous years. A total of 41 applications for waivers had been received by the S151 Officer in 2007/08, as compared to 42 in the 2006/07. All had been approved.

Members raised a number of questions regarding the specific breaches listed in the exempt annex to the report. They congratulated Officers for their success in reducing the number of breaches. It was suggested that future reports might also indicate the number of waivers refused, in order to present a more balanced picture.

RESOLVED: (i) That the breaches of Financial Regulations identified or otherwise notified to the S151 Officer during 2007/08 be noted.

(ii) That the actions taken to address outstanding breaches and waivers of Financial Regulations be noted and that further information be provided at the next meeting with regard to current contractual arrangements for the audit of asbestos surveys at schools.<sup>1</sup>

(iii) That the waivers of Financial Regulations approved by the S151 Officer under the Council's Scheme of Delegation be noted.

REASON: In accordance with 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.

Action Required

1. Provide further information on this for next meeting  
(13/1/09)

SA

## 19. RISK MANAGEMENT MID-TERM REPORT 2008/09

Members considered a report which informed them of the progress made by the Council's Risk Management Section during the 2008/09 financial year, including achievements in relation to embedding the Risk Management framework across the organisation.

Embedding the framework, to ensure compliance and consistency across the Council, was the primary focus of the 2008/09 Risk Management work plan, details of which were attached as Annex B. Critical deliverables of this plan were the establishment of a risk review and reporting framework and the delivery of actions essential to improving the Council's CPA/CAA score. A major piece of work delivered by the team this year had been the formal introduction of quarterly Key Corporate Risk (KCR) monitors to Corporate Management Team. The Quarter 2 KCR monitor was attached as Annex A. It was recommended that the Committee review the monitor and consider receiving it on a quarterly basis for comment.

Further ongoing work included:

- Organising Member training sessions, on completion of which 32% of Members would have received the awareness training they required;
- Rolling out a risk review and reporting process to directorates;
- Monitoring the quality and content of the Risk Management paragraphs contained in Council reports, in compliance with the protocol.

RESOLVED: (i) That the contents of the report, and progress made during 2008/09, be noted.

REASON: For information in respect of progress made to date in respect of the risk management agenda and framework at the Council.

(ii) That quarterly risk monitors be received as a standing item on the Audit and Governance Committee agenda for comment and challenge.<sup>1</sup>

REASON: To help promote and embed the risk reporting process and to ensure compliance with the Council's Risk Management Policy and help improve the CPA score.

### Action Required

1. Bring Risk Monitor report to next meeting (13/1/09)

SA

## 20. APPLICATION OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Members considered a report which proposed a response to a letter from the Chairman of the Local Government Association following media

comment on councils' application of the Regulation of Investigatory Powers Act 200 (RIPA).

The letter, a copy of which was attached as Annex A to the report, asks councils to satisfy themselves "*that the use of [RIPA] powers is only being authorised...at the appropriate senior political level*" and commented that public confidence in councils' proper use of their powers was at risk.

Members were asked to consider the following options to address this issue:

**Option 1** – devise a set of non-trivial matters, against which surveillance might be authorised by qualified officers;

**Option 2** – devise a set of trivial matters, against which surveillance might *not* be authorised *or* (Option 2b) only permitted in exceptional circumstances;

**Option 3** – leave matters as they are; i.e. allow certain senior officers to authorise surveillance and record their reasoning about necessity and proportionality in the central record;

**Option 4** – review the list of delegations to authorise surveillance, perhaps to include Directors or Members in place of the identified service managers.

In view of the fact that current procedures had been independently inspected and appeared to be working well, together with the disadvantages of the alternative options identified in paragraph 12, Option 3 (no change) was recommended.

RESOLVED: (i) That Option 3 be approved and that no change be made to the current procedure and decision-making structure.

REASON: In view of the fact that existing procedures are working well and there have been no complaints of abuse of power.

(ii) That it be noted that Members have the opportunity to challenge the use made of RIPA.

(iii) That a response be sent to the LGA to confirm that a review of the existing procedure has taken place.<sup>1</sup>

REASON: In order to respond appropriately to the letter from the Chairman of the LGA.

#### Action Required

1. Send response to the LGA in the terms agreed

SA

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 7.35 pm].