
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	13 JANUARY 2009
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS (VICE-CHAIR (PRESENT FOR THE ITEMS UNDER MINUTES 26-37), CRISP, JAMIESON-BALL, SCOTT (PRESENT FOR THE ITEMS UNDER MINUTES 26-37), KIRK AND R WATSON
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) ALISTAIR NEWALL (AUDIT COMMISSION)

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS**21. CHAIR'S REMARKS**

The Chair welcomed Cllr Jamieson-Ball, who had replaced Cllr Moore on the Committee following Cllr Moore's appointment to the Executive.

22. 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, Cllr Jamieson-Ball indicated for the record in respect of agenda item 13 that he had taken the initial decision to progress the Shared Service as Executive Member for Corporate Services (Minute 33 refers).

23. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 24 September 2008 be approved and signed by the Chair as a correct record.

24. PUBLIC PARTICIPATION

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

25. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN 2009

Members considered a report which presented a forward plan of items to be considered by the Audit and Governance Committee during 2009/10.

The plan, attached as Annex A to the report, included items for consideration at the next four meetings of the Committee, plus a general training event to be held in February / March and half day training event on the Statement of Accounts to be held prior to the meeting in June 2009.

Officers confirmed that the dates, times and length of the training events would be arranged to suit Members.

RESOLVED: (i) That the forward plan for the Committee up to January 2010 be noted.

(ii) That the training events be welcomed and that Members look forward to receiving further details of the proposed arrangements.

REASON: To ensure that the Committee can seek assurances on any aspect of the Council's internal control environment, in accordance with its roles and responsibilities.

26. USE OF RESOURCES 2007/08: AUDIT COMMISSION REPORT

Members considered a report which presented the findings of the Audit Commission (AC) following their Use of Resources Assessment for the financial year 2007/08.

The AC's review had focused on five themes – Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. Details of the scores on these themes were under embargo from external publication until 23 February 2009 and consequently were classed as confidential information under Section 100B (3) (a) of the Local Government Act 1972. This item was therefore discussed in private.

In summary, the AC's report concluded that the Council had continued to perform well in its use of resources and highlighted a number of areas to consider in preparation for the new Use of Resources Assessment under the Comprehensive Area Assessment (CAA) regime. The new Assessment and CAA were described in the report at item 9 on the agenda (Minute 29 refers). The Council was already responding to many of the AC's findings in priority areas, as evidenced by other reports brought to the Audit and Governance Committee.

RESOLVED: (i) That the report, and the progress being made by the Council in addressing the areas for improvement, be noted.

(ii) That the Working Group set up to consider the new Scrutiny and decision-making arrangements for the Council be recommended also to review the arrangements for managing the Council's asset base.¹

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

Action Required

1. Inform the Scrutiny working group of this recommendation SA

27. THE AUDIT OF THE FINANCIAL STATEMENTS 2007/8 – A PROGRESS REPORT

[See also under Part B minutes]

Members considered a report which identified the main conclusions of the Audit Commission (AC) in respect of the 2007/08 financial year audit and outlined action taken and planned in response to the AC's recommendations.

The AC had concluded that the Council had not adequately addressed the issues highlighted in the 2006/07 audit and that improvements were needed to the planning of the financial statements closedown process, the quality and timeliness of supporting working papers, the communication between finance and property services and the asset register spreadsheets.

During the past three months, a significant programme of work had been developed to address the AC's concerns and to establish a more regularised format for the accounts closure process. Improvements already under development were highlighted in paragraphs 5 to 11 of the report. An action plan setting out the work completed or ongoing to address each issue was attached as Annex 1. Members were invited to consider whether any further action was required.

The Chair indicated that it would be helpful to receive brief updates between meetings on the actions in the project plan referred to in Annex 1 (R1, R3, R4 and R5).¹

RESOLVED: (i) That the work currently ongoing to address the major concerns of the Audit Commission in respect of the production of the Annual Accounts be noted.

(ii) That the action plan in respect of proposals to improve the production of the 2008/09 final accounts be noted.

REASON: To ensure the implementation of appropriate action in response to the issues raised by the Audit Commission.

Action Required

1. Arrange for Chair to receive progress updates on project plan SA

28. RISK MANAGEMENT MONITOR QUARTER 3 2008/09

Members considered a report which presented the corporate risk management monitor for the third quarter of the 2008/09 financial year.

The monitor, attached as Annex A to the report, set out the position on key corporate risks (KCRs) at the end of the third quarter. It was noted that the Council was now far better at considering and identifying risk as part of its normal business processes, although there was still work to be done in this area. Attention was drawn to the following risks identified as 'critical' in the monitor:

- KCR 0001 – implementation of new pay and grading structure
- KCR0002 – unsuccessful delivery of accommodation review project
- LCR 0003 – failure of waste management strategy partnership

In respect of current risk issues, the Executive had asked all directorates to review their services in the light of the economic downturn. Members were invited to consider whether to recommend the inclusion of child protection in the corporate risk register, in view of the introduction of more stringent government regulations in this area following the death of Baby P in Haringey. It was noted, however, that the overall performance of Children's Services in York had been judged as 'outstanding' in the 2008 Joint Area Review and Annual Performance Assessment.

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

REASON: To indicate the Committee's awareness of the progress made to date in respect of the risk management agenda and framework at the Council.

(ii) That further information in respect of the risk issues around Child Protection be brought to the next meeting.¹

REASON: To enable the Committee to decide whether they should recommend that Child Protection be added to the corporate risk register.

(iii) That a report be received at the next meeting in respect of risk no. KCR 0003 (waste management strategy) from the risk owner, who is also requested to attend the meeting.²

REASON: To provide assurance that key risks are being appropriately managed by the organisation.

(iv) That Officers be asked to review the entry under risk no. KCR 0002 (accommodation review project) and ensure that details of the revised entry are brought to the next meeting.³

REASON: To satisfy Members that the information included on the monitor in respect of this risk is accurate and up to date.

Action Required

- | | |
|--|----|
| 1. Schedule a report to the next meeting to include this information | SA |
| 2. Ask risk owner to report to and attend the next meeting | SA |
| 3. Include this information in report to the next meeting | SA |

29. COMPREHENSIVE AREA ASSESSMENT AND USE OF RESOURCES ASSESSMENT 2009

Members considered a report which provided an overview of the new Comprehensive Area Assessment (CAA), including the new Use of Resources Assessment and internal preparations to address any risk areas.

The CAA would come into effect in April 2009, replacing the CPA, JARs, APAs and social care star ratings with an annual assessment identifying key risks to achieving priority outcomes or service delivery. It would focus on delivering outcomes in partnership and would be heavily influenced by the views of residents and service users. It would comprise an 'Area Assessment' examining the effectiveness of local services and an 'Organisational Assessment' focusing on how well the Council delivered value for money.

Steps being taken to prepare for the CAA were set out in paragraph 18 of the report. They included the establishment of a senior level CAA Steering Group, revisions to the recording and reporting of performance indicators and a review of performance against the KLOE areas to be used in the Organisational Assessment. An action plan would be developed to address low scoring areas.

In response to questions from Members, Officers confirmed that systems would be established as quickly as possible to record the information required but that the relevant guidance from the Audit Commission had only been received in November 2008.

RESOLVED: (i) That the requirements of the new Comprehensive Area Assessment, and the work ongoing to meet the requirements of the new process, be noted.

(ii) That the Committee express its concern to the Audit Commission regarding the late issue of guidance on the CAA.¹

REASON: So that the Committee is aware of new corporate inspection processes and associated requirements, in order to ensure that future assurances can be gained, particularly in relation to the Organisational Assessment (Use of Resources).

Action Required

1. Inform the Audit Commission of the Committee's remarks SA

30. DATA QUALITY POLICY AND PROGRESS REPORT

Members considered a report which presented a draft corporate Data Quality Policy and outlined progress made towards implementing the Audit Commission's recommendations from January 2008.

The seven recommendations provided by the Audit Commission (AC) to improve data quality across the Council were set out in paragraph 5 of the report. The draft Policy produced to address these recommendations was attached at Annex A. Key principles of this Policy had been agreed by the Council's Directorate Management Teams and discussions were ongoing to ensure continuous improvement of directorates' approach to data quality.

Further planned improvements included the creation of an 'information systems integrity check framework', due to commence in 2009, a review of the roles and responsibilities of officers dealing with performance data, and a review of additional recommendations recently received from the AC.

Members commented that there was a need to be more specific about some of the terms used in the draft Policy, and not to use the words 'data' and 'information' interchangeably.

RESOLVED: (i) That, subject to the above comments, the draft Data Quality Policy be endorsed for onward approval by the Executive.¹

REASON: To raise the profile of data quality, develop a high level commitment to improving data quality and ensure a consistent approach.

(ii) That progress be monitored through annual reports.²

REASON: To strengthen data quality review and reporting arrangements, and in particular reporting of outcomes to senior Officers and Members.

Action Required

1. Schedule item on the Forward Plan for the Executive to consider the draft Policy SA

2. Schedule annual progress reports on the Committee's forward plan SA

31. FOLLOW UP OF AUDIT COMMISSION RECOMMENDATIONS

Members considered a report which set out action being taken by the Audit and Fraud service to follow up the recommendations of the Audit Commission (AC) and progress made to date.

In September 2008, the Committee had asked Internal Audit to follow up and report on action taken in response to AC recommendations. Historically, AC reports had been issued directly to responsible officers and no central record was held. The current exercise therefore covered all AC reports issued since 2005/06. 14 reports requiring follow up had been identified, containing 86 recommendations.

An overview of results to date was attached as Annex 1 to the report. Work was ongoing to identify action taken in relation to each recommendation and a further update on progress would be brought to the Committee in March, as part of the regular six-monthly internal audit follow-up report. Officers confirmed that this would provide a more detailed account than the current report of progress on each of the recommendations.

RESOLVED: That the progress made, and the results of the follow up of the Audit Commission's recommendations, be noted.

REASON: To enable Members to monitor the implementation of Audit Commission recommendations as part of their responsibility for governance arrangements at the Council.

32. AUDIT AND FRAUD MID TERM MONITOR

Members considered a report which detailed progress made in delivering the Council's internal audit and fraud work plan for 2008/09, approved by this Committee on 13 May 2008.

Two of the priorities for the service were to deliver at least 90% of the Audit Plan and to ensure that Internal Audit continued to retain its 'managed audit' status with the Audit Commission. Although only 51% of the Plan had been completed to date, it was anticipated that the 90% target would be achieved. Details of the audits completed and reports issued were provided in Annex 1 to the report. Details of variations to the Plan approved by the Head of Internal Audit to accommodate a shortfall in resources caused by sickness absence and staff vacancies were provided in Annex 2.

Details of counter fraud work undertaken in accordance with the Plan were set out in Annex 3. As in previous years, most of this work related to suspected fraudulent Housing and Council Tax benefit claims.

Members expressed concern at the reduction in planned work indicated in Annex 2, particularly in the current financial climate, when there was an increased risk of fraud. Officers noted that much of this work had been

deferred rather than abandoned and that the situation was expected to improve once the Shared Service had been established.

RESOLVED: (i) That the results of the audit and fraud work undertaken to date during 2008/09 be noted.

REASON: So that Members are aware of the implications of audit and fraud findings.

(ii) That the variations to the 2008/09 Audit Plan approved to date by the Head of Internal Audit be noted.

REASON: To enable Members to consider the delivery of the Internal Audit Plan.

(iii) That the potential risk of the reduction in planned work outlined in Annex 2 be brought to the attention of the Executive Member for Corporate Services.¹

REASON: So that Members can be assured that the Council's audit and fraud control arrangements will not be compromised by lack of resources.

Action Required

1. Inform the Executive Member of the Committee's remarks SA

33. SHARED SERVICE - UPDATE REPORT

Members considered a report which informed them of progress made to date by City of York Council (CYC) in developing the shared service initiative with North Yorkshire County Council (NYCC).

An outline business Case and draft implementation plan for the project had been approved by the Executive Member for Corporate Services last March and a further progress report had been presented to the meeting of the Executive Member and Advisory Panel in June.

Good progress had continued to be made to integrate working practices and systems across both Audit and Fraud teams. Development work to 'migrate' NYCC audit staff and data from their existing IT system to the CYC Galileo.net system was largely complete. A draft Business Case had been prepared and was due to be presented to the Executive on 20 January 2009. Staff and union representatives from both authorities had been kept informed of progress. Formal consultation on the proposals had begun last November.

RESOLVED: (i) That the progress made to date in developing the audit and fraud shared service, and the work undertaken to develop the full Business Case / Project Implementation Plan (prior to final Member approval) be noted.

(ii) That the Committee record its thanks and best wishes to Officers for their work and the future success of this project.

REASON: So that the Committee is aware of progress to date.

34. AUDIT COMMISSION NATIONAL REPORT: BACK TO FRONT. EFFICIENCY OF BACK OFFICE FUNCTIONS IN LOCAL GOVERNMENT (19:10-19:20)

Members considered a report which provided a brief overview of, and response to, the national review by the Audit Commission (AC), entitled *Back to front. Efficiency of back office functions in local government* and published in October 2008.

The AC's report examined the experiences of councils over the last three-year spending cycle and made recommendations on how to make efficiency gains while retaining service quality. Back office functions were defined as finance, human resources, IT support, procurement, legal services, facilities management, travel services, marketing and communications. The report highlighted the need to move on from 'transactional' and 'transitional' to 'transformational' strategies in order to make sustainable savings in the future.

Recommendations from the AC's report were summarised in paragraph 10. Action taken by the Council to date to respond to government announcements on cashable savings was summarised in paragraph 13. This included entering into an Efficiency Partnership to identify sustainable efficiencies, integrating more services into the York Customer Centre, transforming services through the [Easy@York](#) programme, extending telephone and on-line transactional services and developing shared services with NYCC.

RESOLVED: That the report, and the course of action being undertaken and planned by the Council, be noted.

REASON: To assure the Committee that the Council can meet the challenges of CSR07 and provide services in an efficient, effective and customer-focused way.

35. ASSET INVENTORIES AND DISPOSAL (NON LAND AND BUILDINGS)

Members considered a report which outlined current arrangements in place for asset inventories, reporting thefts and disposal of obsolete equipment, together with plans for improving these procedures. The report did not relate to land and buildings, which were subject to different arrangements.

Under the Council's Financial Regulations, the Assistant Director of Resources (Transformation & Efficiency) was responsible for purchasing, recording and insuring items of IT equipment. Directors were responsible for ensuring such equipment was kept securely, maintaining local

inventories of assets worth more than £500, notifying the CFO and Chief Internal Auditor any loss, liability or damage that might lead to an insurance claim against the Council and ensuring that all acquisitions and disposals were properly recorded. Where goods were stolen, a crime number must be obtained from the police. In the past, not every theft had been reported to Internal Audit or the Insurance Team.

Planned improvements included training to remind Officers of these requirements and improve compliance, and the development of a detailed corporate policy for disposal of non-land and building assets. A draft policy would be brought to the Committee in March 2009.

RESOLVED: (i) That current arrangements, plans to ensure that Officers are aware of these procedures and other proposed improvements be noted.

(ii) That a further report be brought to a future meeting setting out an action plan on the specific improvements proposed and the process for embedding these improvements.¹

REASON: To ensure that the Committee receives appropriate assurances where possible breaches in the internal control environment are highlighted.

Action Required

1. Schedule report for a future meeting

SA

PART B - MATTERS REFERRED TO COUNCIL

36. PROPOSED CHANGE TO THE COUNCIL'S CONSTITUTION REGARDING PETITIONS

Members considered a report which outlined proposed constitutional changes to the way in which the Council dealt with petitions submitted by residents and businesses in the City of York area.

The changes had been suggested by Cllr Scott, who had originally intended to put the matter before Full Council by way of a notice of motion but had agreed for it to be brought via the Audit and Governance Committee instead. The proposal was to amend the current arrangements under Standing Order 7 - whereby petitions brought to Full Council were referred to the Executive or appropriate committee to deal with - so as to enable a debate to be initiated at Full Council by means of a petition signed by at least 1,000 residents. It was also suggested that the possibility of introducing an on-line petition facility be examined. However, this would need to be given further consideration by Officers, who had already had preliminary discussions regarding on-line petitioning.

Members were invited to consider the following options:

Option 1 – recommend a change to Standing Order 7 to provide for *‘residents to initiate a debate at Full Council upon any issue touching and concerning the City of York where a minimum of 1,000 residents petition.’*

Option 2 – make no recommendations at this stage but receive a further report following enactment of the Local Democracy, Economic Development & Construction Bill, which includes a new duty on local authorities to respond to petitions.

Option 3 – not to recommend any changes in relation to petitions.

RECOMMENDED: That Option 1 be agreed and that Standing Order 7 be amended to provide for *‘residents to initiate a debate at Full Council upon any issue touching and concerning the City of York where a minimum of 1,000 residents petition.’*

REASON: To enable residents to make an active contribution to matters affecting the City, in advance of the enactment of Government requirements to respond to petitions.

37. THE AUDIT OF THE FINANCIAL STATEMENTS 2007/8 - A PROGRESS REPORT

[See also under Part A minutes]

Members considered a report which identified the main conclusions of the Audit Commission (AC) in respect of the 2007/08 financial year audit and outlined action taken and planned in response to the AC's recommendations.

The AC had concluded that the Council had not adequately addressed the issues highlighted in the 2006/07 audit and that improvements were needed to the planning of the financial statements closedown process, the quality and timeliness of supporting working papers, the communication between finance and property services and the asset register spreadsheets.

During the past three months, a significant programme of work had been developed to address the AC's concerns and to establish a more regularised format for the accounts closure process. Improvements already under development were highlighted in paragraphs 5 to 11 of the report. An action plan setting out the work completed or ongoing to address each issue was attached as Annex 1. Members were invited to consider whether any further action was required.

RECOMMENDED: That authority be given to the Audit and Governance Committee to approve the Statement of Accounts and the Annual Governance Statement.

REASON: In accordance with advice given at this and the previous meeting regarding the practice in other authorities and to address the issues with the current

approval process highlighted by the Audit Commission.

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 7.40 pm].