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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	28 JULY 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), FIRTH, HYMAN, GUNNELL AND CRISP (SUBSTITUTE)
APOLOGIES	COUNCILLORS SCOTT AND VASSIE
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) MIKE NEWBURY (AUDIT COMMISSION) LYNN HUNT (AUDIT MANAGER, DISTRICT AUDIT) MR ALAN DIXON (INDEPENDENT MEMBER OF STANDARDS COMMITTEE)

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## **PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS**

### **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.

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

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex C to agenda item 10 (Key Corporate Risk Monitor Quarter One 2010/11), on the grounds that it contains information relating to negotiations in connection with a labour relations matter arising between the authority and employees of the authority, which is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as amended by The Local Government (Access to Information) (Variation) Order 2006).

### **12. MINUTES**

RESOLVED: That the minutes of the Audit & Governance Committee meeting held on 29 June 2010 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. FORWARD PLAN**

Members considered a report which presented a draft plan of items expected to be brought to the Committee up to April 2011.

The plan, attached as an annex to the report, included a item for the meeting in September 2010 on developments in respect of proposals to replace the CAA regime, as requested by Members at the last meeting.

**RESOLVED:** That the Committee's Forward Plan for the period up to April 2011 be noted.

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

### **15. AUDIT COMMISSION AUDIT PROGRESS REPORT 2009/10**

Members considered a report which presented an update from the Audit Commission on progress in delivering the 2009/10 Audit Plan.

The Audit Commission's report, attached as an annex, included details of progress in respect of:

- The District Auditor's opinion on the financial statements
- Grant claim certification
- Use of resources and VFM conclusion
- Compliance with international auditing standards.

It also promoted some of the national work undertaken by the Audit Commission, as reported over the past three months.

The Audit Manager confirmed the report's findings that in general the Council's key financial systems were operating satisfactorily. There had been an issue with bank reconciliations, which had not been undertaken regularly throughout the year, but this had now been resolved.

**RESOLVED:** That the content of the progress report, its findings and matters arising, be noted.

**REASON:** To confirm that the Committee is fully aware of the current activity of the external auditors and any issues that could affect the Council's system of internal control.

## **16. INSPECTION UPDATE**

Members received a verbal update from Mike Newbury, of the Audit Commission, on the cancellation of the Comprehensive Area Assessment (CAA), its possible replacement, findings from inspection work carried out to date and suggested areas of future focus for the Council.

The CAA had been abolished with immediate effect and all related work had been cancelled. Replacement plans were currently unknown and subject to high level discussions around the idea of place-based budgeting. As a result of the changes, the Audit Commission had lost £13m in income and was currently undergoing a re-organisation that would involve approximately 270 redundancies and a reduction in turnover from £200m to £140m per annum over the next three years. For local authorities, this would mean less inspection in the future and a greater emphasis on authorities' own improvement work. It was suggested that this be focused upon areas where the Council had performed well in the last CAA inspection.

In response to questions from Members, Officers indicated that the Council would not know how to respond until more was known about the post CAA arrangements. However, there was clearly a need to develop a new performance management framework and to consider the role of scrutiny in this.

**RESOLVED:** That Mr Newbury be thanked for attending the meeting and that Officers provide an update report to the Committee in September.<sup>1</sup>

**REASON:** To ensure that the Committee is kept informed of the government's plans to replace the previous inspection regime and the Council's proposed response.

### Action Required

1. Prepare an update report for the A&G Committee meeting KB on 29/9/10

## **17. KEY CORPORATE RISK MONITOR ONE 2010/11**

Members considered a report which presented details of the current position on the risks associated with the Council's Key Corporate Risks (KCRs), as at the end of June 2010.

Changes to the risks under each KCR focus area since the last monitor were highlighted in Annex A to the report. The current position on all KCRs was set out in Annex B and exempt Annex C, with further information provided in paragraph 5 of the report. Annex B included a new KCR in respect of the current government spending policy, which had replaced KCR 0012 (Effects of the Economic Downturn). An additional

new risk had been highlighted in relation to the Corporate Performance Management Framework, as detailed in paragraph 7.

Details in respect of the Climate Change KCR, as requested at the last meeting, were set out in Annex D to the report. It was suggested that detailed information on the Council's fairness and inclusion strategy be reported to the next meeting of the Committee, in November, to provide assurance that the risk of failing to deliver the strategy had been properly considered.

RESOLVED: (i) That the risks set out in Annexes A and B and in paragraph 5 of the report be noted and agreed.

REASON: To provide assurance that risks to the Council are continuously reviewed and updated.

(ii) That it be recommended that the Economic Downturn risk (LCR 0012) be replaced by the Government spending policy risk (KCR 0022) and that a new Corporate Performance risk be added to the KCRs and taken to the Executive for approval.<sup>1</sup>

REASON: To provide assurance that key risks are being regularly reviewed and updated to reflect the constantly changing environment in which the Council operates.

(iii) That a more detailed risk report in respect of Fairness and Inclusion be brought to the Committee in September 2010.<sup>2</sup>

REASON: To provide assurance that key corporate strategy is being delivered and embedded across the organisation.

#### Action Required

1. Make the agreed changes to the Risk Register / Schedule DW on Forward Plan for Executive meeting
2. Ensure that those responsible for the Fairness & Inclusion DW risk are requested to bring a detailed report to the meeting on 29/9/10

## **18. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE**

Members considered a report which provided the fourth update on progress towards implementing the required statutory change in financial reporting, from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

Since the last update in April, an overview project plan had been prepared setting out a timetable for the transition to IFRS in time for the 2010/11 Statement of Accounts. This was attached at Annex A. Work was

continuing in the key transition areas of leasing, employee benefits, assets & investment properties and revenue / capital grants. Changes to the accounting for the private finance initiative collection fund and inclusion of group accounts had been completed and work had commenced on segmental reporting.

To facilitate the change to IFRS, the Council was joining the West Yorkshire Accounting Group. Regular discussions were continuing with the Audit Commission, who remained on board with the processes being undertaken.

RESOLVED: That the progress contained in the report be noted and that the continuing work being undertaken for a smooth transition to IFRS be recognised.

REASON: So that those responsible for governance arrangements are updated on a regular basis to ensure that the implementation of IFRS is proceeding in a timely manner for completion on 30 June 2011.

#### **19. SCRUTINY OF THE TREASURY MANAGEMENT ANNUAL REPORT 2009/10 AND REVIEW OF PRUDENTIAL INDICATORS**

Members considered a report which invited them to scrutinise the *Treasury Management Annual Report 2009/10 and Review of Prudential Indicators*, in accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance*.

The Annual Report, attached at Appendix A, had already been considered and noted by the Executive at their meeting on 20 July 2010. It summarised the economic environment over the 2009/10 financial year, highlighting the effects of economic conditions on the budget set in February 2009. It also reviewed treasury management performance in respect of long term borrowing, debt restructure, short term investments, investment credit criteria policy, the post Icelandic Bank collapse, the Venture Fund, the Treasury Management out-turn and the Prudential Indicators. Details of the Prudential Indicators, their estimated and actual out-turns, were provided in Annex A.

RESOLVED: (i) That the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators, at Annex A to the report, be noted.

REASON: To confirm 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.

(ii) That a training session on treasury management be arranged, to take place 30 minutes before the Committee's next meeting.<sup>1</sup>

REASON: To enable Members to gain a better understanding of treasury management performance and procedures.

Action Required

1. Make arrangements for a training session to be held at LB  
4:30 pm on 29/9/10

## **20. SUMMARY OF AUDIT COMMISSION NATIONAL REPORTS**

Members considered a report which provided a brief overview of reports produced by the Audit Commission from 31 January to 30 June 2010.

Summaries were provided of the following reports:

- Under Pressure – Tackling the financial challenge for councils of an ageing population
- Evaluation of CAA (with Appendix and Case Studies)
- Establishing the Costs of CAA
- The Truth Is Out There
- Introduction to the Audit Commission
- Review of Collaborative Procurement
- National Fraud Initiative 2009/09 (and Members' Briefing on NFI 2008-09)

Members were invited to comment on any areas for further consideration by the Committee or by Officers.

RESOLVED: That the report be noted.

REASON: To ensure that the Council can benchmark, learn from and meet best practice requirements derived from external audit national activity and enhance its governance frameworks as a result.

## **PART B - MATTERS REFERRED TO COUNCIL**

### **21. COUNCIL RESPONSE TO THE PETITIONS DUTY IN THE LOCAL DEMOCRACY, ECONOMIC DEVELOPMENT AND CONSTRUCTION ACT 2009**

Members considered a report which outlined the Council's proposed response to the petitions duty in the Local Democracy, Economic Development & Construction Act 2009 (the Act), in particular the introduction of ePetitions and new corporate working practices regarding the handling of all petitions received by the Council.

The Act required all principal local authorities in England to establish a scheme for handling petitions, which must be approved by full Council, be published on the authority's website and meet certain minimum standards, draft statutory guidance on which had been provided by the Department of Communities & Local Government. The duty to produce a petitions scheme had come into force on 15 June 2010; requirements for ePetitions were due to come into force on 15 December.

Council had already approved, in October 2009, the recommendations made by this Committee in September 2009 to introduce a centrally administered Corporate Petitions Register, including an ePetitions facility implemented via the electronic Committee Management System. In accordance with that decision, the Act and the statutory guidance, a draft petitions scheme had been produced, and was attached as Annex A to the report for Members' consideration. The scheme envisaged giving lead petitioners the right to submit written questions up to 3 days before consideration of the petition at a public meeting. Members were invited to endorse this approach and to recommend the draft scheme to Council for approval.

- RESOLVED:
- (i) That the suggested approach to allowing lead petitioners to submit questions in writing, as detailed in paragraph 26 of the report, be endorsed.
  - (ii) That the draft scheme at Annex A be amended to:
    - a) Reduce the minimum number of signatures required to trigger a debate at Full Council from 1,000 to 750;
    - b) Reduce the minimum number of signatures required for the attendance of a senior officer at a public meeting from 750 to 500;
    - c) Remove the names of the senior officers and list their job titles only;
    - d) Increase the maximum time allowed for a debate at Full Council from 15 minutes to 30 minutes, and the time given to the petition organiser to speak from 3 minutes to 5 minutes.
  - (iii) That the Head of Civic, Democratic and Legal Services be authorised to make further amendments to the wording of the draft scheme where such amendments would improve clarity.

RECOMMENDED: That Council approve and adopt the petitions scheme at Annex A to the report, subject to the above amendments.

REASON: In order to comply properly with the legal requirement to establish a scheme for handling petitions.

## 22. PROPOSED CONSTITUTIONAL CHANGE TO ARTICLE 5

Members considered a report which outlined proposed changes to Article 5 of the Council's Constitution, relating to the Lord Mayoralty.

The changes had been recommended by the Mansion House & Mayoralty Advisory Group at its meeting in April 2010, and subsequently endorsed by the Executive. The current wording of Article 5 was attached at Annex A to the report, and the proposed revised wording at Annex B.

The Committee was invited to endorse the revisions and recommend them to Full Council, in accordance with its role in respect of constitutional changes.

RESOLVED: That the following minor amendments be made to the revised version of Article 5 at Annex B to the report:

- In the second sentence of paragraph 1, insert '*City of York*' before '*elected Councillor*'
- In section (ii) of paragraph 1, replace '*first citizens*' with '*First Citizen's*'
- In paragraph 3, delete '*normally*' from the first sentence and insert it after '*The Deputy Lord Mayor is*' in the second sentence.

RECOMMENDED: That, subject to the above amendments, the current Article 5 in the Constitution be replaced by the revised Article 5 set out in Annex B to the report.

REASON: To comply with constitutional requirements and to clarify the constitutional roles of the Lord Mayor and Civic Party.

B Watson, Chair

[The meeting started at 5.30 pm and finished at 8.15 pm].