
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	29 SEPTEMBER 2010
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), FIRTH, HYMAN, SCOTT, VASSIE AND GUNNELL
IN ATTENDANCE	COUNCILLOR MOORE (EXECUTIVE MEMBER FOR CORPORATE SERVICES) MIKE NEWBURY (AUDIT COMMISSION) LYNN HUNT (AUDIT MANAGER – DISTRICT AUDIT)

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

23. 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. The following personal and non-prejudicial interests were declared in respect of agenda item 6 – “Annual Governance Report” and agenda item 10 – “Key Corporate Risk Monitor Two”:

- Councillor Brooks as a member of the teachers’ pension fund.
- Councillor Firth as his wife was a member of the teachers’ pension fund.
- Councillor Vassie as his partner was a member of the pension fund.
- Councillor Hyman as his wife was an adult education teacher for City of York Council.

24. 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 Two 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. This information is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information) (Variation) Order 2006).

25. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 28 July 2010 be approved and signed by the Chair as a correct record.

26. PUBLIC PARTICIPATION

It was reported that there was one registration to speak under the council's Public Participation Scheme. A representative of Osbaldwick Parish Council spoke in respect of agenda item 6 – "Annual Governance Report" (minute 28 refers). He put a number of questions to the committee in respect of the Derwenthorpe development and agreed to forward these in writing following the meeting. It was agreed that officers would provide a written response to Osbaldwick Parish Council and that this would be copied to members of the Audit and Governance Committee.

27. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO JUNE 2011.

Members considered a report that presented the future plan of items expected to be presented to the Committee to June 2011.

It was noted that, with the agreement of the Chair, the item on the council's Fairness and Inclusion Strategy that was due to be considered at this meeting had been deferred until the meeting in December.

Members expressed their appreciation of the support that Pauline Stuchfield had given to the Committee.

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

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

28. ANNUAL GOVERNANCE REPORT.

Members considered a report that brought to their attention the Audit Commission's Annual Governance Report (Annex A to the report). Representatives from the Audit Commission went through the key issues.

Members were asked to agree the Council's response and to approve changes to the 2009/10 Financial Statements.

The Auditors stated that they were pleased to report that the issues that had previously been raised in respect of bank reconciliation had now been resolved but drew Members' attention to the following weaknesses in internal control:

- Senior accounting staff and finance managers have the ability to create and authorise their own journal entries on the general ledger. This raises the risk of financial misreporting through error if material journals were not independently checked.
- Back pay calculations are prepared manually and not independently checked.

Officers confirmed that these processes would be reviewed and action taken to address these issues.

It was noted that there were some areas for development in respect of capital accounting but that there had been an improvement since the previous year.

Consideration was given to the items identified as material misstatements in paragraphs 10 to 12 of the Annual Governance Report.

Members were concerned to note the statement that “the Council’s workforce is not fully representative of the community it serves, with comparatively few BME and disabled employees and only 19% of staff considering equality to be relevant to their job”. It was agreed that action needed to be taken to ensure that all staff were engaged with equalities issues.

The Committee expressed their thanks to Louise Branford-White for the work that she had carried out.

- RESOLVED: (i) That the Annual Governance Report be noted.
- (ii) That the 2009/10 Statement of Accounts be amended in respect of the items identified as material misstatements in paragraphs 10-12 of the Annual Governance Report.
- (iii) That, in respect of the item identified in paragraph 13 of the Annual Governance Report, the 2009/10 Statement of Accounts not be amended as, although Members agreed that this was error was undesirable, it did not have a material impact on the accounts.
- (iv) That, subject to the agreed amendments, the Statement of Accounts 2009/10 be approved.
- (v) That the letter of representation be approved and signed by the Chair.
- (vi) That the anticipated receipt of an unqualified Audit Opinion to both the Statement of Accounts 2009/10 and the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources be noted.

- REASONS: (i) 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) To ensure compliance with International Auditing Standards and relevant legislative requirements.

- (iii) To ensure Members of the Audit and Governance Committee are aware of any matters arising from the annual audit of the Statement of Accounts.

29. AUDIT COMMISSION VALUE FOR MONEY PLAN 2010/11 AND CAA UPDATE.

Members considered a report that presented the Value for Money Plan 2010/11 and associated fee structure of the council's external auditor, the Audit Commission.

RESOLVED: (i) That the matters set out in the Audit plan presented by the District Auditor be noted.

(ii) That the Plan be approved.

REASONS: (i) To ensure the effective deployment of scarce external audit resources to best effect.

(ii) To ensure that the external audit and inspection process contributes effectively to the council's system of internal control.

30. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE.

[See also under Part B Minutes]

Members considered a report that sought their views on the draft annual report of the Audit and Governance Committee for the year ended 30 September 2010, prior to its submission to Full Council. The report also presented a draft assurance statement which the Committee had been requested to provide to the council's external auditors, the Audit Commission.

RESOLVED: (i) That the Annual Report of the Audit and Governance committee be approved and submitted to Full Council.

(ii) That the wording of the assurance statement to the external auditor from "those charged with governance" be approved and the statement be signed by the Chair on behalf of the Audit and Governance Committee.

REASON: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

31. CHANGING EXECUTIVE ARRANGEMENTS.

Members considered a report that advised them of the results of the public consultation on changes to the council's executive arrangements. The

report sought a recommendation from the Audit and Governance Committee to Council in respect of the new arrangements which the council must adopt.

Discussion took place regarding the options available to the Council and the transitional arrangements that could be put in place.

In response to questions, officers explained that the Executive had recommended that the “new style” leader and cabinet model be adopted. The Audit and Governance Committee were also being invited to put forward a recommendation to Council as the new arrangements would involve some constitutional changes.

Views were expressed by Members that it would not be appropriate for the Audit and Governance Committee to put forward a recommendation on this issue and that Members would have the opportunity to make their views known when the matter was considered by Full Council.

- RESOLVED: (i) That the report be noted.
- (ii) That a recommendation not be made to Council in respect of the changing Executive arrangements.

REASON: To inform the Audit and Governance Committee of the council’s obligations by law, as described within this report.

32. KEY CORPORATE RISK MONITOR TWO 2010/11.

Members considered a report that presented the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of August 2010.

Officers were asked why the Barbican had not been included in the Risk Monitor. They explained the process by which directorates identified which risks should be included and which would be managed within the directorate’s own arrangements.

Members reiterated the concerns that had been highlighted in agenda item 6 (minute 28 refers) that equalities issues were not being given a sufficiently high priority and were concerned at the demands placed on a very small team of officers.

Members requested that more detailed information on the Community Stadium be presented to the committee detailing the risks involved, including those that were not monetary related.

- RESOLVED: (i) That the risks set out at Annex B, confidential Annex C and paragraph 5 of the report be noted.
- (ii) That, at the next meeting, the Committee receive information on the following issues:
- Fairness and Inclusion

- Community Stadium

(iii) That the Barbican be added to the risk monitor.

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

33. SCRUTINY OF TREASURY MANAGEMENT MONITOR 1 AND PRUDENTIAL INDICATORS 2010/11.

Members received a report detailing information that enabled them to scrutinise “Treasury Management Monitor 1 and Prudential Indicators 10/11” 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.

Prior to the meeting, Members had attended a training session on treasury management and they agreed that it would be useful for a follow-up session to be held.

RESOLVED: (i) That the Treasury Management Monitor 1 and Prudential Indicators 10/11 be noted.

(ii) That a further training session on treasury management (to include issues such as investment policy and credit criteria) be held at 4.00 pm on 6 December 2010.

REASON: To ensure 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.

34. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE.

Members considered a report that updated them on the progress being made in implementing the statutory required changes in financial reporting from UK General Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

Members expressed their appreciation of the work that officers were carrying out to implement the required changes.

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

REASON: To ensure 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 30 June 2011 implementation.

35. FOLLOW UP OF INTERNAL AUDIT AGREED ACTIONS.

Members considered a report that set out the progress made by departments in implementing those actions agreed with internal audit which were due to have been implemented by 1 August 2010. It also included a summary of follow up of external audit recommendations.

Officers responded to Members' queries in respect of those actions that had necessitated revised implementation dates.

RESOLVED: That the progress made in implementing internal audit agreed actions (detailed in paragraphs 4-8 of the report) and external audit recommendations (paragraphs 9-11 of the report) be noted.

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

36. AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE MID-TERM MONITOR.

Members considered a report that provided an update on progress made in delivering the internal audit workplan for 2010/11 and on current counter fraud and information governance activity.

RESOLVED: (i) That the results of the audit and fraud work undertaken to date in 2010/11 be noted.

(ii) That the variations to the 2010/11 audit plan, approved to date by the internal audit client manager (Annex 2 of the report) be noted.

REASONS: (i) To enable Members to consider the implications of audit and fraud findings.

(ii) To enable Members to consider the delivery of the internal audit plan.

37. 2010/11 NATIONAL FRAUD INITIATIVE.

Members considered a report that informed them of the preparations which were being made to enable the council to participate in the 2010/11 National Fraud Initiative (NFI) exercise.

Officers gave details of the improvements that had been introduced in respect of data matching and data sets and which had enabled improvements in the detection of fraud.

RESOLVED: That the work currently underway to enable the council to participate in the National Fraud Initiative (NFI) be noted.

REASON: To enable Members to assess the progress which has been made to prepare for the next NFI exercise.

PART B - MATTERS REFERRED TO COUNCIL

38. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE

[See also under Part A Minutes]

Members considered a report that sought their views on the draft annual report of the Audit and Governance Committee for the year ended 30 September 2010, prior to its submission to Full Council. The report also presented a draft assurance statement which the Committee had been requested to provide to the council's external auditors, the Audit Commission.

RECOMMENDED: That Council receive the Annual Report of the Audit and Governance Committee.

REASON: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

Cllr B Watson, Chair

[The meeting started at 5.10 pm and finished at 7.25 pm].