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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	14 FEBRUARY 2011
PRESENT	COUNCILLORS B WATSON (CHAIR), BROOKS (VICE-CHAIR), FIRTH, HYMAN, GUNNELL AND CRISP (SUBSTITUTE FOR COUNCILLOR SCOTT)
APOLOGIES	COUNCILLORS SCOTT AND VASSIE
IN ATTENDANCE	COUNCILLOR MOORE

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

### **54. 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. None were declared.

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

RESOLVED: That the press and public be excluded from the meeting during consideration of Annex C to agenda item 8 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). Also Annex 1 to agenda item 13. This information is classed as exempt under paragraphs 4 and 7 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information) (Variation) Order 2006).

### **56. MINUTES**

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 6 December 2010 be approved and signed by the Chair as a correct record.

### **57. PUBLIC PARTICIPATION**

It was reported that there were no registrations to speak at the meeting under the council's Public Participation Scheme.

## **58. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN**

Members received a report that presented the future plan of reports expected to be presented to the committee during the forthcoming year to December 2011.

Members were asked to identify any further items they would wish to add to the Forward Plan.

RESOLVED: That the committee's Forward Plan for the period up to December 2011 be approved.

- REASONS: (i) To ensure the committee receives regular reports in accordance with the functions of an effective audit committee.
- (ii) To ensure the committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

## **59. CERTIFICATION OF CLAIMS AND RETURNS 2009/10 - AUDIT COMMISSION**

Members received a report that asked them to consider the Certificate of Claims and Returns Report 2009/10 produced by the Audit Commission. The report reviewed the council's arrangements for the preparation and administration of grant claims within the council. Consideration was also given to Action Plan that had been agreed with Audit Commission.

An officer from the Audit Commission went through the key issues in the report. She congratulated the council on having addressed issues that had previously been identified, including ensuring the timely submission of documentation. The improvements that had been made had also resulted in a reduction in the fees paid to the Audit Commission.

- RESOLVED: (i) That the content of the Certification of Claims and Returns Annual report 2009/10 be noted.
- (ii) That the agreed Action Plan, presented as Appendix 3 to the Audit Commission Report, be noted.
- (iii) That officers be congratulated on the improvements that had been made and which had been acknowledged in the Audit Commission report.

- REASONS: (i) To enable Members to consider the effectiveness of the council's grant administration activity, and in particular the areas for improvement identified within the report.
- (ii) To enable Members to comment on the proposed improvement arrangements.

## **60. AUDIT COMMISSION OPINION PLAN - 2010-11**

Members received a report that presented the Audit Commission's Opinion Audit Plan for 2010/11 which was attached as an annex to the report.

Members considered the matters set out in the Plan. The officer from the Audit Commission drew Members' attention to Table 1 in the report, which detailed specific opinion risks that had been identified. Consideration was also given to the Value for Money Conclusion.

Referring to Table 3, some concerns were raised as to whether the work that was taking place in respect of procurement processes was achieving the expected outcomes. Officers stated that if Members so wished, procurement could be included in the key corporate risks and officers could attend the next meeting to provide an update on the work that was taking place. Members noted that the Effective Organisation Overview & Scrutiny Committee had received information, including a presentation by officers, on procurement and it was therefore agreed that it would not be necessary for this to be identified as a key corporate risk at this stage. The option remained for a scrutiny topic on procurement to be registered should Members so decide.

Members agreed that the Plan reflected the audit needs and interests of the council.

RESOLVED: That the Plan be agreed.

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.

## **61. KEY CORPORATE RISK QUARTER 3 MONITOR**

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

Consideration was given to the risks set out at Annex B, confidential Annex C and paragraph 5 of the report.

Officers clarified that Risk Reference 1835 referred to the York Sports Village but unfortunately the subtitle had been omitted. This would be rectified in future documentation<sup>1</sup>.

Referring to discussions that had taken place at the previous meeting in respect of bullying and harassment (Risk Reference 1799), Members requested that an update on the work that was taking place to address this issue be provided<sup>2</sup>.

Members also requested that they be kept updated on any changes to the risks in respect of the Community Stadium.

Referring to Risk Reference 1005 – Waste Management Strategy Partnership, Members queried why the revised date had been put back to 31 December 2011. Whilst it was acknowledged that the consultation and planning application process would take time, some concerns were expressed regarding the difference between the original target date and the revised date. Officers agreed to seek further information from the risk owner regarding the delay and report back to Members.<sup>3</sup> Members stated that it would be useful for a brief reason to be included when dates were revised significantly and to include any resulting financial costs.

- RESOLVED: (i) That the risks be noted.
- (ii) That the following areas of risk be reviewed in more detail at the next meeting:
- Update on implementation of new payroll and HR system (I-Trent)
  - Update on progress with council HQ

- REASONS: (i) To provide assurance that risks to the council are continuously reviewed and updated.
- (ii) To provide assurance that key risks to the council are being properly managed.

Action Required

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| 1. Amend documentation   | KB |
| 2. Information to be provided  | SB |
| 3. Information to be provided to Members re revised date for Risk Reference 1005 | KB |

## **62. UPDATE ON TRANSPARENCY REPORTING**

Members received a report that updated them on progress to meet the government requirement to publish on-line details of salaries and spending by 31 January 2011.

Members were informed that new contracts over £500 would be included on-line from 1 February 2010.

Members asked for information to be provided on the number of Freedom of Information requests that were received by the council. Officers agreed to provide this information following the meeting<sup>1</sup>.

RESOLVED: That the progress contained within the report be noted and the continuing work being undertaken be recognised.

REASON: So that those responsible for governance arrangements are updated to ensure that the implementation of the

transparency agenda is achieved in accordance with the recommended guidance.

Action Required

1. Circulate information to Members re number of FOI requests received KB

**63. TREASURY MANAGEMENT QUARTER 3 MONITOR**

Members received a report that monitored the treasury management activity for the first nine months of the financial year.

Members' attention was drawn to paragraph 4 of the report which detailed the key issues.

Members had attended a training session on treasury management prior to the meeting. They stated that this had been very useful and thanks were expressed to the officers who had delivered the session.

At the request of Members, officers gave details of the Venture Fund, including details of projects that had used the funding.

- RESOLVED: (i) That the Treasury Management Monitor 3 and Prudential Indicators 10/11 be noted.
- (ii) That a training session on "Borrowing" be held prior to the meeting on 25 July 2010.

REASON: So 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.

**64. TREASURY MANAGEMENT STRATEGY**

Members received a report that aimed to support them in the scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2011/12 to 2015/16 (Appendix A to the report) by providing key areas and points to note.

It was noted that the figures in Table 4 of the report referred to millions. Officers confirmed that this would be corrected<sup>1</sup>.

RESOLVED: That the Treasury Management Strategy Statement and Prudential Indicators for 2011/12 to 2015/16 be noted.

REASON: So 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.

Action Required

1. Amend documentation

LB

**65. INTERNAL AUDIT PLAN CONSULTATION**

Members received a report that sought their views on the priorities for internal audit for 2011/12, to inform the preparation of the annual audit plan.

Members noted the proposed approach to internal audit planning for 2011/12 which took into account the major changes that were taking place across all council services and the reduction in resources which meant that services could no longer continue to operate controls to the extent that they had historically. The proposed approach would provide a mix of traditional audits and other reviews targeted towards areas of increased risk due to change.

Members' views were sought about whether:

- (a) the proposed approach to determining priorities for the 2011/12 audit plan, set out in the report, was reasonable
- (b) there were specific high risk areas in the existing risk assessment, attached as an annex to the report, which should continue to be a priority for a more traditional audit review
- (c) there were other specific areas which should be considered for audit in 2011/12

Members sought further information regarding the process by which risks were identified and rated. Officers explained that the ratings took into account factors such as the size of the budget, the controls that were in place, discussions with managers and external audit and the views of Members when raised at meetings such as Audit and Governance Committee. Risks were kept under review and the ratings were amended if appropriate. The focus was on how the organisation was delivering within the budget set by the council. This involved looking at the systems, processes and controls that were in place and ensuring that these provided value for money.

Some concerns were raised regarding the risk rating in respect of Grants & Adaptations (Private Sector Housing Renewal & DFGs) – reference 11720. Officers agreed to look into the rating following the meeting<sup>1</sup>.

RESOLVED: That the proposed approach to internal audit planning for 2011/12 be approved.

REASON: To ensure that scarce audit resources are used effectively.

Action Required

1. Further consideration to be given to risk reference 11720

RS

**66. FRAUD RISK ASSESSMENT AND REVIEW OF COUNTER FRAUD POLICIES**

Members received a report that informed them about potential fraud risks that the council was exposed to, and proposed counter fraud activity to address those risks. The report also detailed the outcome of a review of the council's counter fraud policies.

Members were asked to comment on the fraud risk assessment, set out in Annex 1 to the report, and the proposed priorities for counter fraud work. They were also asked to comment on the review of the council's counter fraud and corruption policy and fraud and corruption prosecution policy, and the changes proposed.

- RESOLVED: (i) That the fraud risk assessment and the proposed priorities for counter fraud work be approved.
- (ii) That the council's counter fraud and corruption policy and fraud and corruption prosecution policy be approved.

- REASONS: (i) To ensure that scarce audit and counter fraud resources are used effectively.
- (ii) To ensure counter fraud procedures and policies are up to date, as part of their responsibility for overseeing the council's overall governance framework.

**67. TRANSITION TO NEW STYLE LEADER AND CABINET MODEL**

*[see also Part B minute]*

Members received a report that sought their comments on proposed constitutional changes which arose from the council being required to implement a new form of Executive in May. The report also identified a number of minor proposed amendments which had been identified.

The Monitoring Officer responded to questions raised by Members in respect of the number of Executive Members which the Leader could appoint, and in respect of Article 7 paragraph 3 (e) and how this related to the transitional arrangements that had been agreed.

RESOLVED: That it be recommended to council that the proposals contained in the report be approved for implementation after the May election.

REASON: To ensure that the Constitution remains up to date and fit for purpose.

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

### **68. TRANSITION TO NEW STYLE LEADER AND CABINET MODEL**

*[see also Part A minute]*

Members received a report that sought their comments on proposed constitutional changes which arose from the council being required to implement a new form of Executive in May. The report also identified a number of minor proposed amendments which had been identified.

The Monitoring Officer responded to questions raised by Members in respect of the number of Executive Members which the Leader could appoint, and in respect of Article 7 paragraph 3 (e) and how this related to the transitional arrangements that had been agreed.

**RECOMMENDED:** That Council approve the proposals contained in the report for implementation after the May election.

**REASON:** To ensure that the Constitution remains up to date and fit for purpose.

Councillor B Watson, Chair

[The meeting started at 5.30 pm and finished at 7.00 pm].