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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	2 APRIL 2012
PRESENT	COUNCILLORS JEFFRIES (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON, WATSON AND GILLIES (SUBSTITUTE FOR COUNCILLOR STEWARD)
APOLOGIES	COUNCILLOR STEWARD

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**58. DECLARATIONS OF INTEREST**

At this point in the meeting Members were asked to declare any personal or prejudicial interests they may have in the business in the agenda. None were declared.

**59. MINUTES**

RESOLVED: That the minutes of the meetings held on 13 February 2012 and 19 March 2012 be approved and signed as a correct record.

**60. PUBLIC PARTICIPATION**

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

**61. FORWARD PLAN**

Consideration was given to the forward plan of reports expected to be presented to the Committee during the period to February 2013.

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

RESOLVED: That the Committee's Forward Plan for the period up to February 2013 be noted.

REASON: To ensure that the Committee receives regular reports in accordance with the functions of an effective audit committee and can seek

assurances on any aspect of the Council's internal control environment.

**62. FUTURE EXTERNAL AUDIT ARRANGEMENTS - VERBAL UPDATE**

Members received a verbal update on future external audit arrangements. They were informed that, following a procurement exercise, the local in-house bid had been successful and hence the existing team would continue to deliver the service in the short-term. Under TUPE regulations, the staff concerned would transfer to Mazars accountancy and would be known as Mazars DA. In other parts of the country the in-house bids had not been successful and the contracts had been awarded to other providers.

**RESOLVED:** That the verbal update on future external audit arrangements be noted.

**REASON:** To ensure that the Committee is kept informed of changes in audit provision.

**63. AUDIT COMMISSION OPINION AUDIT PLAN 2011/12**

Members considered a report that presented the Audit Commission's Opinion Audit Plan for 2011/12 which was attached as an annex to the report. Members noted the fees for the audit, as detailed in the report.

Members' attention was drawn to pages 7 to 9 of the Audit Plan, which detailed the significant risks that had been identified. It was noted that some of these risks were not specific to City of York Council but that others had particular implications for the Council including:

- The requirement to recognise and value heritage assets
- The quality of the fixed asset records
- The Council's reliance on spreadsheets to prepare its year end accounts and the inherent risks that superseded or inaccurate spreadsheets may be used in error.

At the request of Members, details were given of some of the action that was being taken to minimise these risks.

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

RESOLVED: (i) That the matters set out in the Opinion 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.

**64. INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PLAN 2012/13**

Members considered a report that sought the Committee's approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2012/13.

At the request of Members, officers gave further details of proposed work in respect of the following:

- Project 19230 – Community Stadium
- Project 19515 – Waste PFI
- Project 10940 – Stores and purchasing
- Project 11480 – Personalisation

RESOLVED: That the Internal Audit and Counter Fraud Plan 2012/13 be approved.

REASON: In accordance with the Committee's responsibility for overseeing the work of internal audit.

**65. AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE MONITORING REPORT**

Members considered a report that provided an update on progress made in delivering the internal audit workplan for 2011/12 and on current counter fraud and information governance activity. The report also provided an update on the integration of Veritau and the North Yorkshire Audit Partnership.

It was noted that one of the priorities for Veritau was to deliver at least 93% of the audit plan. Officers confirmed that it was anticipated that the target would be exceeded by the end of April 2012.

Members noted that there had been a significant increase in the value of fraudulent benefit overpayments identified in the year to date compared to last year. A large proportion of the increase could be attributed to a relatively small number of high value cases. Officers confirmed that prosecutions were made wherever possible and that a press release was issued when these were successful. It did, however, take time to recover money from those who had been convicted.

- RESOLVED:
- (i) That the progress made in delivering the 2011/12 internal audit work programme, and current counter fraud and information governance activity, be noted.
  - (ii) That the progress on the integration of Veritau and the North Yorkshire Audit Partnership be noted.

- REASONS:
- (i) To enable Members to consider the implications of audit and fraud findings.
  - (ii) As part of the Committee's responsibility to consider reports dealing with the management of internal audit.

## **66. INTERNAL AUDIT FOLLOW UP REPORT**

Members considered a report that provided a six-monthly update on progress made by council departments in implementing actions agreed as part of internal audit work. The report also included details of revisions to the escalation process.

Members were informed that the proportion of actions with a revised implementation date remained relatively high compared to previous years. This situation was being closely monitored and, in most cases, progress was being made.

Discussion took place regarding the new procedure when following up and escalating agreed actions, as detailed in Annex 1 to the report. The new process was simpler, and included the involvement of the Officer Governance Group, which would support the escalation process. Members commented on the statement in the report which specified that issues would be “escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee”. Members recommended that the word “may” be amended to read “would usually”.

- RESOLVED:
- (i) That the progress made in implementing internal audit agreed actions, as detailed in paragraphs 5-11 of the report, be noted.
  - (ii) That the changes made to the escalation procedure in agreement with the Assistant Director, Financial Services be noted.

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

#### **67. AUDIT & GOVERNANCE COMMITTEE EFFECTIVENESS - SELF ASSESSMENT**

Members considered a report that sought their views on the proposed arrangements for undertaking a self assessment exercise of the Committee’s own effectiveness.

It was noted that Members had previously agreed that an independent person should be invited to join the committee but that this suggestion had not been progressed.

- RESOLVED: That the arrangements for undertaking the review of the Committee’s own effectiveness be as follows:
- (a) All members of the Committee (excluding substitutes) to be asked to complete a self assessment questionnaire.<sup>1</sup>

- (b) A working group of the Committee to be established to undertake the review (with support from officers).
- (c) The membership of the working group to comprise: Cllr Jefferies, Cllr Brookes, Cllr Burton and Cllr Cuthbertson.
- (d) As part of the review, the working group would also give consideration to the role that they would envisage an independent member of the committee would carry out and the associated skills analysis.

REASON: To ensure that the Audit and Governance Committee remains effective.

Action Required

1. Circulate questionnaire

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**68. REVIEW OF THE AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE**

Members considered a report that recommended the adoption of revised terms of reference for the Committee.

RESOLVED: That this item be deferred to the next meeting.

REASON: To enable more time for consideration.

**69. KEY CORPORATE RISK MONITOR QUARTER 4**

Members considered a report that detailed the current position of the risks associated with the Key Corporate Risks (KCRs) as at the end of February 2011.

Members' attention was drawn to paragraph 3 of the report, which set out the directorate risk reporting agenda.

Some Members stated that they believed that the previous arrangement, whereby they had received the detailed risk register, had been beneficial. Officers confirmed that the risk register was available to Members but, to ensure that it was accessible, it was best provided electronically rather than included with agenda papers.

Officers stated that it was intended that the key strategic risks would be reviewed and updated and the Committee would be involved in this process.

- RESOLVED:
- (i) That the risks set out in paragraphs 5 and 6 of the report be noted.
  - (ii) That the directorate risk reporting agenda, as set out at paragraph 3 of the report, be approved.
  - (iii) That, when the risk monitor report was considered at future meetings, copies of the detailed risk register be emailed to Members.<sup>1</sup>

- REASONS:
- (i) To provide assurance that risks to the council are continuously reviewed and updated.
  - (ii) To ensure that directorates bring forward updated risk reports providing assurance that risk is being properly managed through 2012/13.
  - (iii) To enable Members to give full consideration to the issues.

Action Required

1. Email risk register to Members

DW

Councillor Jeffries, Chair

[The meeting started at 5.30 pm and finished at 7.15 pm].