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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	25 JUNE 2007
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS, CRISP, MOORE, R WATSON (FROM 6PM, FOR PART OF AGENDA ITEM 4 AND AGENDA ITEMS 5-8) AND B WATSON
APOLOGIES	COUNCILLOR HOLVEY

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## 1. **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.

Councillor Brooks declared a personal non-prejudicial interest in agenda item 4 (Statement of Accounts 2006/07) as a member of the Teachers' Pension Agency.

Councillor Pierce declared a personal non-prejudicial interest in agenda item 4 (Statement of Accounts 2006/07) as a member of the North Yorkshire Pension Fund.

Councillor Richard Watson declared a personal prejudicial interest in agenda item 4 (Statement of Accounts 2006/07), regarding the related parties section of the statement of accounts, as one of the parties listed. He left the room and took no part in the discussion of that section of the document.

Councillor Brian Watson declared a personal non-prejudicial interest in agenda item 7 (Annual Report of the Chief Internal Auditor) as his mother in law lived at Lovell House, which was referred to in Annex 2 of the report.

## 2. **MINUTES**

RESOLVED: That the minutes of the Audit & Governance Committee held on 3 April 2007 be approved and signed by the Chair as a correct record.

## 3. **PUBLIC PARTICIPATION**

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

## 4. **STATEMENT OF ACCOUNTS 2006/07**

Members received a report which enabled them to undertake an examination of the Council's financial accounts for the financial year 2006/07 prior to their approval by Full Council on the 28 June. As such

this report provided the Audit and Governance Committee with an opportunity to review and comment on the content and presentation of the Accounts prior to their finalisation. The report also allowed the Committee to fulfil the Comprehensive Performance Assessment (CPA) requirement that the accounts had been given a 'robust' scrutiny by Members prior to being approved.

Copies of the Statement of Accounts had been circulated to Members.

The Assistant Director (Strategic Finance) and Principal Accountant explained that the accounts were still undergoing validation and that additional information would be added to some sections when this process was completed.

Members undertook a lengthy, detailed and robust discussion of the Statement of Accounts, in the presence of the District Auditor. The discussion covered a range of issues, including the Pension Fund deficit, depreciation of assets, Housing Revenue Account (HRA) expenditure, school balances, outstanding loans and equal pay liabilities.

RESOLVED: (i) That the questions and issues raised by Members in relation to the 2006/07 financial accounts be noted.

REASON: It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.

## **5. THE ACTION PLAN ARISING FROM THE ANNUAL AUDIT LETTER 2005/06**

Members received a report which set out a plan of the actions required in 2007/08 further to the issues highlighted by the District Auditor in his annual Audit Letter to the Council, reported to the Executive on 27 March 2007.

The District Auditor was present at the meeting to answer Members' questions.

Members discussed a range of issues relating to the draft action plan at Annex B of the report, including use of resources, benefits performance, affordable housing provision, partnership arrangements and sickness absence. They noted that the timescales for the first two actions relating to direction of travel issues were listed as "to be agreed" and requested that an update be circulated to them providing definite timescales for completion, and they queried whether the planned action for the third direction of travel issue was acceptable to the District Auditor. They also requested an update on whether the last of the actions relating to service improvement issues arising from service inspection reports was on schedule for completion in June 2007 as indicated.

RESOLVED: (i) That the issues raised by the District Auditor in the annual Audit Letter and reported to the

Executive on 27 March 2007, attached as Annex A of the report, be noted;

- (ii) That the draft action plan arising from the Letter, attached as Annex B of the report, be endorsed.

- REASON:
- (i) To advise Members of the scope and content of the Audit Letter;
  - (ii) To agree the action plan for subsequent in-year monitoring and follow up purposes by the Audit & Governance Committee during 2007/08.

## **6. THE ANNUAL AUDIT PLAN 2007/08 & OUTTURN 2006/07**

Members received a report which introduced the Audit & Inspection Plan of the District Auditor for 2007/08 and reported performance against the 2006/07 plan for final outturn purposes.

The District Auditor presented the Annual Audit Plan and answered Members' questions.

Members discussed issues relating to the measurement and management of sickness absence.

- RESOLVED:
- (i) That the Annual Audit Plan, attached as Annex A of the report, be approved;
  - (ii) That the outturn issues on last year's audit, included at paragraph 6 of the report, be noted.

- REASON:
- (i) To advise Members of the scope and content of the plan;
  - (ii) To advise Members of the progress of the audit in 2006/07.

## **7. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR**

Members received a report which detailed the outcome of audit and fraud work undertaken in 2006/07 and provided an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

Significant control weaknesses detailed in the report related to non-compliance and inconsistencies in observing European Union procurement legislation and the Council's Financial Regulations when tendering for goods and services, lack of clearly defined roles and responsibilities for reporting and monitoring of sickness absence and unsatisfactory timing and accuracy of information, and inclusion of a material misstatement in the 2005/06 Statement of Accounts.

With regards to Annex 2 of the report, which set out the audits completed and reports issued in 2006/07, Members requested that future reports include the wording of high priority recommendations.

Members noted that audit opinions on elderly people's homes were not particularly good and queried if this was a result of generic issues and what the Housing & Adult Social Services (HASS) directorate could do to address these. The Chief Internal Auditor agreed to raise this issue with the HASS Finance Manager.

In relation to the audit of building cleaning services, Members highlighted the need to ensure that staff were subject to a Criminal Records Bureau (CRB) check and also expressed the view that these should be reviewed periodically.

With regards to Annex 6 of the report, which detailed investigations, prosecutions and sanctions, Members requested that the number of prosecutions pending be included in future reports.

RESOLVED:

- (i) That the results of the audit and fraud work undertaken in 2006/07 be noted;
- (ii) That the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's internal control environment be accepted;
- (iii) That the significant control weaknesses identified during the year and their inclusion in the 2006/07 Statement of Internal Control be noted.

REASON:

- (i) To enable Members to consider the implications of audit and fraud findings;
- (ii) To enable Members to consider the opinion of the Chief Internal Auditor;
- (iii) To enable the annual Statement of Internal Control to be prepared.

## **8. 2006/07 STATEMENT OF INTERNAL CONTROL**

Members received a report which presented the draft 2006/07 Statement on Internal Control (SIC) for consideration.

A copy of the draft SIC was attached at Annex 1 of the report and included nine significant control issues, identified by the Officer Governance Group (OGG) using the criteria set out in paragraph 6 of the report.

It was reported that responsibility for each significant control issue had been assigned to a named director. The directors concerned had also been required to prepare more detailed action plans even if the full details were not included in the published version of the SIC. Directorates were

also preparing action plans to address any control weaknesses identified in their directorate self assessments. Progress to deliver these action plans would be monitored by Internal Audit, and reported to OGG on a quarterly basis.

- RESOLVED:
- (i) That the content of the draft 2006/07 SIC, particularly the significant control issues identified and the action plan to address those weaknesses, be noted;
  - (ii) That the monitoring arrangements for the overall SIC action plan and the individual action plans for each Directorate be noted.
- REASON:
- (i) To enable Members to consider the contents of the draft SIC, and in particular the significant control issues identified;
  - (ii) To enable Members to comment on the proposed monitoring arrangements.

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 8.00 pm].