GOVERNANCE PANEL
HELD ON 7 APRIL 2009
(FROM 5.30 PM TO 6.30 PM)

PRESENT: Councillor Jim Clark in the Chair. Councillors Philip Broadbank, John Savage, Theakston, Geoff Webber and Dr M J French.

Late Arrivals: Councillor Theakston at 5.32 pm.
Councillor Broadbank at 5.45 pm.

Early Departures: None.

33/08 - **APOLOGIES FOR ABSENCE:** There were no apologies for absence.

(5.30 pm)

34/08 - **DECLARATIONS OF INTEREST:** There were no declarations of interest.

(5.31 pm)

35/08 - **MINUTES:**

RESOLVED:

That the Minutes of the meeting of the Panel held on 2 February 2009 be approved as a correct record and signed by the Chair.

(Two Members voted in favour of the motion and there were two abstentions).

(5.30 pm)

36/08 - **EXEMPT INFORMATION:** There were no exempt information items.

(5.30 pm)

37/08 - **PUBLIC ARRANGEMENTS – QUESTIONS:** There were no such questions to consider.

(5.30 pm)

<u>MATTERS FOR REPORT</u>

38/08 - **ANNUAL AUDIT AND INSPECTION LETTER 2007/08:** In the absence of Mr Michael Newbury, Comprehensive Area Assessment Lead – North Yorkshire and York, the Scrutiny Officer referred to the covering report which accompanied the Annual Audit and Inspection letter. The Scrutiny Officer advised that a number of issues referred to in the letter had already been discussed earlier in the meeting.

The Chair invited questions and comments from Panel Members. Councillor Webber referred to paragraph 16 of the inspection letter in relation to aspects of caring for the environment and invited the Panel to support him in reinforcing this paragraph to

Cabinet on the basis the Council had little choice but to progress the environmental agenda. Failure to do so could result in penalties to Council and the taxpayer.

In relation to paragraph 17 and the Council's recognition as a sustainable social housing landlord there were queries in relation to the use of ground source heat pumps which had been considered to be a sustainable in the long term and an extremely efficient source of energy, however more recently, there had been suggestions that pumps such as these actually required more energy to run than they actually produced.

In relation to paragraph 37 Councillor Webber referred to the enforcement of legislation to control littering, and the difficulties with enforcement due to lack of dedicated resources. Councillor Webber suggested that it might be useful to try to encourage individuals in the District to pick up their own litter and perhaps even to pick up a piece of litter every day. It was Councillor Webber's view that enforcement was impossible and that there would be greater value in winning the hearts and minds of local residents in order to gain their support. Councillor Webber also suggested that Cabinet consider a cross-party joint press release to communicate the message about litter and caring for the environment. This action could also begin to reduce street cleansing costs.

The report was unanimously received and it was noted that those comments would be passed onto Cabinet at their meeting to be held on 8 April 2009. A copy of those comments is appended to these Minutes.

(6.21 pm – 6.30 pm)

39/08 - **INTERNATIONAL FINANCIAL REPORTING STANDARDS:** The Chair welcomed the Accountancy Technical Manager who had submitted a written report in relation to the Council's forthcoming move to International Financial Reporting Standards (IFRS).

The Accountancy Technical Manager referred to the main changes involved as a result of the switch to IFRS and the impact on the workload of staff working in Estates, Business Support and Accountancy Divisions. A Steering Group and project timetable had been established to manage the changeover and it was explained that work was progressing well in this regard.

Members queried the cost impact of the change to IFRS and the implications for valuation of property, land and equipment (fixed assets) together with the meaning of fair and current values for such assets and potential higher depreciation charges. In terms of staff resources, the costs would be hidden to some extent since the changes would impact mostly upon staff time. In response to questions from Members, it was acknowledged that in terms of disclosure notes, generally the move to IFRS required more disclosure notes than the current reporting system and therefore the presentation of the accounts would require a greater number of pages in the future.

The report was unanimously received, and the contents noted, particularly the resource implications and the timetable for the move to IFRS.

(5.30 pm – 5.37 pm)

40/08 - **ANNUAL GOVERNANCE STATEMENT 2008/2009:** The Corporate Improvement Officer (Governance) submitted a written report, the purpose of which was to introduce the Annual Governance Statement (AGS) 2008/09 attached as an appendix to the written report. The Annual Governance Statement, it was noted, superseded the Statement on Internal Control (SIC) with effect from 2007/08. The Panel were invited to consider and endorse the Statement and give thought to whether it was consistent with other reports presented to the Panel over the course of the last year. In terms of Section 5 of the Statement, entitled “Significant Governance Issues”, it was noted that at this stage, no significant governance issues had been identified for action and monitoring in 2009/10. The Audit Manager advised that there was no expectation that this would change from the perspective of Internal Audit work for 2008/09 still to be completed. In terms of the Council Constitution, Standards Committee and Monitoring Officer, Dr French advised that there were no longer any outstanding complaints to be considered by the Standards Committee and that the statement could be updated accordingly. In response to a question regarding paragraph 5.3 of the report and the “Rough Guide” to the Annual Governance Statement, the Corporate Improvement Officer advised that in compiling the Annual Governance Statement, Officers were required to place as much emphasis on the process of governance activities as it did the outcome of those activities.

In relation to page 5 of the Annual Governance Statement, it was acknowledged that the reference to Standing Order 28 should be amended to include reference to Standing Orders12 and 28. Councillor Webber referred to the attendance at Council meetings by Cabinet Members and the need for responses to questions tabled at Council in accordance with Standing Orders. It was considered that the effectiveness of that process could be reviewed on the basis that there was scope to avoid questions and not offer written answers until shortly before the next Council meeting. The Head of Legal and Democratic Services suggested that this issue could be viewed as a political issue for Members to pursue if they felt they were not getting the correct standard of response. The Head of Legal and Democratic Services advised that if the Panel felt that this was an issue that should be pursued further, then the General Purposes Committee would be the appropriate forum for such a discussion. The Panel also considered the responsibilities of the Mayor at Council.

It was unanimously **agreed** that the report be received and an additional recommendation included that a report to be submitted to the General Purposes Committee in relation to the standard of responses to questions tabled at Council as a result of Standing Orders 12 and 28.

The report was unanimously received.

(5.37 pm – 5.53 pm)

41/08 - **2008/09 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT:** The Head of Legal and Democratic Services submitted a written report which referred to the Accounts and Audit (Amendment) (England) Regulations 2006 and the requirement for the Council to review the effectiveness of its internal audit arrangements on an annual basis.

The Head of Legal and Democratic Services advised that in accordance with the regulations and the previously expressed wishes of the Governance Panel, the report was the result of a "light touch" review.

The Head of Legal and Democratic Services (HoLDS) confirmed that the review period coincided with the outcome of the Audit Commission's triennial review of the internal audit compliance with CIPFA standards. The HoLDS referred to paragraphs 4.4 and 4.5 that referred to recommendations arising out of the Governance Panel's previous consideration of the effectiveness of internal audit and the impact of these recommendations upon the recent review. It was noted that actions in relation to these recommendations including audit access to the Covalent Performance Management system were now complete.

In response to Members' questions the Audit Manager referred to the increase in total charges to departments in 2009/10 of 4.31% and the reasons why this figure exceeded the current rate of inflation.

It was unanimously **agreed** that the report be received and the contents noted.

(5.53 pm – 6.00 pm)

42/08 - **INTERNAL AUDIT PLAN 2009/10:** The Audit Manager submitted a written report, the purpose of which was to submit the internal audit plan for 2009/10 for consideration and comment by the Governance Panel.

It was acknowledged that in previous years, reports on the annual plan had been submitted in June, together with the internal audit annual report for the year just ended. The Audit Commission had suggested that reports on the annual plan be submitted before the start of the year in question, which explained the change in the reporting timetable. The Audit Manager referred to paragraphs 3.3 to 3.6 of the written report in relation to resources and the potential need for an additional and temporary resource on the basis of work required in relation to the Harrogate International Centre. Paragraph 3.10 referred to a review of the Council's financial services and the intention of internal audit to check whether that review had met its objectives. In response to a question from Councillor Webber in relation to debt recovery it was confirmed that this particular service would not be included in that review as this had been covered elsewhere in the plan.

The Audit Manager then referred to planned work in relation to procurement, contract audit and computer audit on the basis of the new ITD User Policy. The audit plan had been endorsed by CMT. The Chair invited Members' questions accordingly. It was reported that it was essential to have an Internal Audit opinion on the level of assurance in partnerships for next year's Annual Governance Statement.

In response to a question from Councillor Theakston in relation to concessionary bus fares, the Audit Manager confirmed that work was carried out to ensure that the Council were not receiving "over-claims" from the Bus Companies and would ensure that robust arrangements were in place. The Audit Manager confirmed that he would specifically refer to IA work on concessionary fares at the June Panel meeting in the Annual Audit Report for 2008/09.

The report and Internal Audit Annual Plan 2009/10 were unanimously endorsed.

(6.00 pm – 6.15 pm)

43/08 - **ANTI-FRAUD AND CORRUPTION STRATEGY:** The Audit Manager submitted a written report, the purpose of which was to submit, for consideration and comment by the Governance Panel, an updated and refreshed Anti-Fraud and Corruption Strategy.

Section 4 of the report referred to the actions arising out of the renewed strategy. A copy of the full strategy and a summary of the strategy were attached as appendices to the report. The Council's Corporate Management Team had endorsed the report and its appendices.

The Audit Manager then responded to Members' questions in relation to announced and un-announced visits by audit staff. It was noted that the Leader of the Council would also approve the refreshed Strategy.

The report and refreshed Anti-Fraud and Corruption Strategy were unanimously endorsed.

(6.15 pm – 6.17 pm)

44/08 - **DRAFT GOVERNANCE PANEL ANNUAL REPORT 2009:** The Scrutiny Officer submitted a written report in relation to the Draft Governance Panel Annual Report for 2008/09 to be submitted to Council in June 2009. The Scrutiny Officer referred to a questionnaire for Members of the Panel and a number of appropriate Officers to complete and return, which was an annual review of the Panel's effectiveness that would also form part of the annual report. The Chair invited Panel Members to comment upon the report.

The Scrutiny Officer referred to paragraphs 4.25 and 4.3 and it was acknowledged that the outcome of the Panel's deliberations on the Audit Plan and Annual Governance Statement would also be incorporated into the annual report.

The report was unanimously received.

(6.17 pm – 6.21 pm)

GOVERNANCE PANEL

Cabinet 8 April 2009

Annual Audit and Inspection Letter 2007/2008

- **Comments from the Governance Panel Meeting held on 7 April 2009**

The Governance Panel considered the Annual Audit and Inspection Letter 2007/2008 at its meeting held on 7 April 2009. The following comments were agreed to be referred to Cabinet:

i. The Panel noted that the Council was a good performing Council and congratulated Staff and Members on this achievement.

ii. The Panel noted that it had previously requested to receive the Audit Commission Annual Audit and Inspection letter as soon as possible and that the District Auditor had agreed to review the timetable with a view to releasing an early draft for consideration by the Panel. The final letter, however, was not available for consideration any earlier this year and in fact was considered a week later than it had been last year.

iii. The Panel considered that working in partnership was a key issue for the Council and would be important in the new Comprehensive Area Assessment.

iv. Page 6 paragraph 16 – The Panel noted the bottom quartile performance for recycling and kerbside recycling collection and wanted to emphasise the importance of performance on these issues to Cabinet

v. Page 6 paragraph 17 – The Panel noted that “Nationally, The Council was Sustainable Social Housing Landlord of the Year 2008 for its work in providing council tenants with affordable and renewable energy to heat their homes”. It was queried whether this referred to the installation of heat pumps and if so there was a view that the cost for these was greater than the savings/benefits achieved.

vi. Page 9 paragraph 37 – The Panel noted the areas for further development in particular the enforcement of legislation to control littering. The Panel considered that as well as enforcement the message about personal responsibility could be encouraged by the Council for example encouraging everyone to pick up a piece of litter every day. This could include contacting schools, Members giving talks in schools about civic leadership and there was also a view that a joint cross-party press release could be progressed.