

MEETING	Audit & Governance Committee
DATE	7 February 2018
PRESENT	Councillors Derbyshire (Chair), Shepherd, Cuthbertson, Fenton, Kramm, Steward and Brooks (Substitute) Mr Mann (Independent Member)
APOLOGIES	Councillor Dew Mr Mendus (Independent Member)

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#### **45. DECLARATIONS OF INTEREST**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests that they may have in respect of business on the agenda.

Cllr Derbyshire declared that she worked in a school and would not take part in any discussion relating to school governance or finance arrangements.

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

It was agreed that the press and public would be excluded during discussion of Annex 3 to Agenda Item 7 (Counter Fraud: Risk Assessment and Review of Policies) on the grounds that it contained information relating to prevention, prosecution or investigation of crime. This information was classed as exempt under paragraph 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).

Members discussed the merits of redacting the relevant sections of confidential documents rather than excluding them entirely, but felt that this would not remove the necessity to move into private session on this occasion.

## **47. MINUTES**

The minutes of the meeting held on 6 December 2017 were presented to the Committee.

During discussion Members requested that if information was unavailable at a meeting, but circulated to Members at a later date, that this be added as an online annex so that it was available to the public.

Members also stated that some items were missing from the forward plan, despite being on previous minutes. These were the response to the LGA peer review and a report on technical options regarding compliance. Members also asked for the forward plan to state exactly which Key Corporate Risks will be discussed at each meeting.

There was some discussion on the length of time it took for the Committee to receive minutes following meetings. It was agreed to circulate a link to Members as soon as minutes were published online.

Resolved: That the minutes of the meeting held on 6 December 2017 be approved, and signed by the Chair as a correct record, subject to the above amendments.

## **48. PUBLIC PARTICIPATION**

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme.

Cllr Warters spoke in support of the Committee's request for an investigation into the LGA report completed in February 2017. He asked that any investigation to establish value for money should include wide-reaching consultation and he expressed disappointment that no working practices had changed as a result of the review.

Ms Swinburn spoke with regards to the audit and counter fraud plan for 2018/19 (minute 52). She asked the committee to defer approval of the programme under further information could be provided regarding the timing, context and costs associated with the proposed audits. She also urged Members to consider ways of benchmarking the work of the internal auditor against the market, particularly in light of the approaching date for renewal

of their contract. She asked that the council's monitoring officer be prevented from engaging in this process due to a conflict of interest.

#### **49. SCRUTINY OF THE TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS**

Members considered the treasury management strategy statement and prudential indicators for the financial year 2018/19. The officer reported that there had been changes made to the regulatory framework and that there was a new management strategy code. There had been no substantial changes made from the previous year's strategy and the treasury management priorities remained the same. The report would be taken to the next Executive for approval.

In response to a member question it was explained that, like many other local authorities, CYC employed ~~an external audit~~ a *treasury management* provider. This gave the council access to specialist expertise and the company chosen was deemed to be the best value. Two to three reports were commissioned annually to provide an investment and economic overview and to assess the council's investment strategy.

Resolved: To note the treasury management strategy statement and prudential indicators for 2018/19 to 2022/23 at Annex A.

Reason: So that those responsible for scrutiny and governance arrangements are properly updated and able to fulfil their responsibilities in scrutinising the strategy and policy.

#### **50. MAZARS AUDIT PROGRESS REPORT**

Members considered a paper on the work done to date by the Council's external auditors. ~~Veritau~~ Mazars officers were in attendance to present the report and to respond to queries. It was reported that an update would be brought to the next meeting with the conclusion of the objection raised with regards to the 2016/17 accounts. In response to a question, it was reported that the time taken to address the objection was due to the high volume of information collection required rather than any unusual level of complexity. Members congratulated the

work of the team in achieving an unqualified rating for the audit of the Housing Benefit Subsidy Return.

The auditor explained that a change to reporting deadlines would lead to an increase in incomplete audits reported in ~~quarterly~~ *interim* reports but members were reassured that audits would still be conducted to time. Those which had been completed after the reporting deadline would be reported to the committee verbally and this would be followed up with a letter. In response to a question it was confirmed that there had been a dry run completed of the new procedures and that a carefully constructed timetable of work would be followed.

In response to a question, it was explained that there had been errors found in the council's PFI scheme and that officers were working to correct them. Any amendments would be reported in a future report. It was explained that the any risk relating to the financial security of its contractors was not included within the remit of the audit process. Members felt there should be a consideration of PFI and a risk assessment in the committee's forward plan.

It was reported that the dates for the Citizen's Audit would be moved forward by a month but that this did not change any public rights.

Resolved: To note the matters set out in the Progress report presented by Mazars

Reason To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

## 51. **COUNTER FRAUD: RISK ASSESSMENT & REVIEW OF POLICIES**

Members considered the report which updated them on the progress made against the actions set out in the counter fraud and corruption strategy. Max Thomas was in attendance to present the report and to respond to queries. The national policy framework remained unchanged but a new money laundering policy had been included and the action plan had been updated with new issues. Discussion about securing the public sector against cyber attack was ongoing, following a number of instances nationally with severe consequences.

In response to questions it was explained that the whistle blowing policy was still being reviewed with a completion target date of March 2019. It was reported that responsibility for this timescale rested with the Monitoring Officer but that it was hoped that it would be completed earlier than the target. It was expected that the completed policy would be reviewed annually. Members asked that this be added to the committee's agenda for a date when the Monitoring Officer was available to attend the meeting.

It was confirmed that the approval of the report stated on page 56 was officer approval as the report had been brought for the committee's information rather than their approval. It was explained that the target dates for some audits were marked as unavailable because these were for ongoing exercises where there was no end date as work continued in a cycle.

The committee went into closed session to discuss the confidential Annex 3, including blue badge fraud, the different definitions of fraud, the possibility of making less of the report restricted to the public, the council's approach to counter-fraud and the cost of fraud to the council. Members requested a report on the number of cases of fraud and the associated risks and costs, and the trends across different service areas.

Resolved: To receive and note the updated Counter Fraud and Corruption Strategy Action Plan in Annex 2 and the updated Fraud Risk Assessment and proposed priorities for counter fraud work set out in Annex 3.

Reason:

- (a) In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.
- (b) To ensure that scarce audit and counter fraud resources are used effectively.

## **52. AUDIT & COUNTER FRAUD PLAN & CONSULTATION**

Members were asked to comment on the suggested priorities for the internal audit and counter fraud plan for 2018/19. The auditor explained that a more developed draft would be taken to

a future meeting that this was a chance for the committee to feed into the early stages of its development.

The next draft would include the key areas for inclusion and suggested budget allocation to those areas. It was explained that all the areas included had been identified as high risk areas but for a range of reasons including that they had not been audited for a while, or that there had been issues in these areas previously. More scoping of the areas would be included in the next report to the committee. Members would still have an opportunity to input into the plan at that stage, but this was their opportunity to add new areas they felt were important.

During discussion, members considered cyber security, financial consolidation including financial forecasting, preparation for the new GDPR requirements, the assessment of data quality including how it was collected and processed, and contract management.

It was reported that the institute of internal auditors was encouraging the inclusion of organisation culture and ethics on their schedule. There was discussion underway of how other local authorities were planning to approach this and this remained a work in progress.

It was also reported that there was an Audit Universe which was changing all the time and included all areas that could be audited. This could be made available to members if requested. The items included in the report were the same general areas that other local authorities used. Members felt this would be helpful. They also felt that it would be useful to see the rationale for how the areas had been selected to provide context for their inclusion.

Resolved: To comment on the proposed approach to internal audit planning for 2018/19 and identify any specific areas which should be considered a priority for audit.

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

### 53. HEALTH & SAFETY FOLLOW UP REPORT

Members considered an update report on the previously completed health and safety audit and the progress made in implementing outstanding actions. The officer explained that members had highlighted health and safety as an area of concern and the report provided context for these. A follow-up audit had now been completed and extra actions had been added.

Members discussed the cost to the Council of employees missing occupational health appointments and Council's policy for dealing with this. It was explained that there were several reasons that employees did not attend appointments. Examples included occasions when managers were not able to release staff to attend, and staff not wishing to attend if thought they may be diagnosed with career-limiting conditions. It was reported that this was an ongoing issue for the Council and different approaches had been considered. It was currently being looked at by the new head of HR.

It was reported that the change in the compliance note regarding asbestos management was to make it clear about people's responsibilities, especially regarding use of contractors. A complete schedule of re-training was planned to bring people up to speed with new regulations but this took a long time due to the number of staff involved. It was explained that work was being ~~doing~~ done to complete one comprehensive spreadsheet of all the Council's corporate and commercial premises, and to ensure appropriate surveys were completed of all properties.

Resolved:

- (i) To receive the report on the progress made in implementing outstanding audit actions as final and to request that further reports be brought to the committee only by exception
- (ii) To recommend that HR should consider the view that charges should be levied for non-attendance at by employees at occupational health appointments.

Reason: To update the Committee on the progress made in implementing outstanding audit actions.

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

Members considered the committee's programme of reports for the year to December 2018. It was agreed to add the following:

- April 2018 - To receive the second LGA report
- To receive a further report on the public interest report taken to full council previously.

The renewal of the internal auditors contract was also discussed and it was confirmed that this was an officer decision and was currently being discussed with the Chief Executive. It was agreed that the stakeholder committee (a recommendation of the public interest report) be reconvened.

Resolved: To approve the committee's forward plan for the period up to December 2018 with the above additions.

Reason:

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

Cllr F Derbyshire, Chair

[The meeting started at 5.30pm and finished at 6.50pm]