
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	6 DECEMBER 2017
PRESENT	COUNCILLORS DERBYSHIRE (CHAIR), SHEPHERD, CUTHBERTSON, FENTON, KRAMM, STEWARD, MENDUS AND BROOKS (SUBSTITUTE FOR CLLR DEW)
APOLOGIES	COUNCILLOR DEW

33. 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 which they had in respect of business on the agenda.

Cllr Steward declared a personal interest as a shareholder in Capita.

Cllr Brooks declared a personal interest as the parent of a Capita employee.

Cllr Derbyshire declared a personal interest as an employee of a school

34. MINUTES

Members considered the minutes of the meeting of the Audit and Governance Committee held on 20 September 2017. The following amendments were proposed:

- The addition of the following to the end of minute 22 (minutes) *“The Chair clarified that if members have an item that they want actioning from the minutes they need to raise this and include it into the forward plan”*
- An amendment to the second paragraph of minute 23 (public participation) from *...22 February 2017* as follows *“expressing in the strongest terms her concerns that the LGA Conduct report had been withheld from the Committee. She requested members to demand immediate release of the unredacted report as the delay*

was further undermining trust and confidence in the officers that Councillors rely upon”

- The move of the following from the main text of minute 24 (Mazars Audit Completion Report) to form resolution (b) of minute 24: *“The Monitoring Officer will look into options for technical mechanisms to ensure that councillors and officers above a certain level update their declarations of interests at least on an annual basis and report options back to the committee.”*
- The addition of the following resolution to minute 25 (Annual financial report): *“(c) That the Finance & Procurement Manager investigates, if general information can be provided for items for which the council has currently not obtain valuations, but which have an estimated higher value e.g. over £100,000”*
- The addition of the following to the end of paragraph one in minute 26 (LGA procurement peer challenge): *“Mr Satvinder Rana, Programme Manager from the LGA was present in the meeting to present the report”*
- The addition of the following to the end of paragraph two in minute 26: *“Mr Rana also stressed that he is not a procurement expert and cannot answer specific and detailed questions in this regard”*
- The addition of the following paragraph prior to the resolutions of minute 26: *“In response to Members’ queries, the Deputy Chief Executive and the Finance and Procurement Manager confirmed that for every single payment that the council conducts, there is the audit trail in the finance system, who authorised a payment and who raised the payment”.*
- The addition of the following resolution to minute 26: *“(c) That the second report will be published for the committee as soon as possible, if necessary with the full version seen in private session and a redacted copy being public”*
- The addition of the following prior to the resolutions of minute 28 (Audit and counter fraud monitoring): *“In response to Members’ queries, the Head of Internal Audit explained the reasoning why taxi licensing is newly added to the plan.”*
- The addition of the following resolution to minute 28: *“(b) That the Head of Internal Audit (Veritau Ltd) considers member’s suggestions to the layout of the report to enhance the usability for members.”*
- The addition of *“and the Director of City & Environmental Services”* to the first paragraph of minute 29 (Monitor 2

2017/18) and the removal of the following *“It was agreed that one KCR would be presented to the Committee at a time and that the order of presentations would be chronological, i.e. KCR1 (Financial Pressures) would be presented at the next Committee’s meeting, followed by KCR2.”*

- The addition of the following resolutions to minute 29: *“(d) That the committee was satisfied there was sufficient assurance in relation to the governance of major projects, and the Major Project Update annex was no longer required, but that the major project information still needs to be made publicly available on a regular basis. (e) That in addition to the overview of the KCR’s which are currently presented to the Committee in Annex A, it would be beneficial to provide a more in-depth analysis of each KCR. It was agreed that one KCR would be presented to the Committee at a time and that the order of presentations would be chronological, i.e. KCR1 (Financial Pressures) would be presented at the next Committee’s meeting, followed by KCR2.”*
- The move of the following from the main text of minute 30 (Overview of the constitution) to form resolution (b) of minute 30: *“The task and finish group would be formed in order to consider the scope of work in relation to potential improvements to the Constitution. Such work could involve public consultations. The Members of the group would include Cllr Steward, Cllr Derbyshire, Cllr Kramm and one Liberal Democrat Member.”*
- The addition of the following reason relating to the resolution added to minute 30: *“(b) To support the Monitoring Officer to review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.”*
- The insertion of the following after the first sentence of minute 31 (York Environmental Services Consultancy): *“The Head of Public Protection and the Assistant Director Planning and Public Protection were in attendance to answer Members’ questions.”*
- The addition of the following resolutions to minute 31: *“(b) That Director of Customer and Corporate Service seeks assurance that this non-for-profit service is covered by the Council’s public liability insurance. (c) That the relevant Executive member should be involved in the further strategic development of the consultancy including changing it into a for-profit enterprise.”*

- The addition of the following resolution to minute 32 (Forward Plan): *“(c) That the committee would like an update on the recruitment of the second independent person of the committee.”*

Resolved: That the minutes of the meeting held on 20 September 2017 be approved and signed by the Chair with the amendments listed above and with an advisory from the Deputy Chief Executive & Director of Customer & Corporate Services regarding the appending of the Leader’s statement.

35. PUBLIC PARTICIPATION

It was reported that there had been one registration to speak under the Council’s scheme of public participation.

Gwen Swinburn spoke in relation to information governance and transparency within the Council’s audit and governance processes. She questioned the level of redaction of reports and the availability of key reports to members of the council and to the public.

Members asked if Public Participation could be taken further up the agenda of future meetings, prior to the approval of minutes. It was agreed that this would be taken to a future meeting of Group Leaders for their consideration.

36. SCRUTINY OF TREASURY MANAGEMENT MID YEAR REVIEW AND PRUDENTIAL INDICATORS 2016/17

The committee considered the Treasury Management Mid year Review and Prudential Indicators for 2016/17. The Finance and Procurement Manager presented the review, the main report of which had been taken to a previous meeting of the Executive. She reported that the timing of the report’s publication had not allowed an impact analysis of changed interest rates to be included. A review of the treasury code was due in April 2018 with consultation underway. In discussion of the report the following points were made:

- The Council’s three priorities for investment were, in order, security, liquidity and yield
- National guidance was to provide the Audit and Governance Committee with a minimum of bi-annual updates and that this had been agreed previously with members of the committee

- Good governance was the responsibility of everyone but the term “those charged with governance” used in the report referred to the committee as the responsible body.
- The buffers described on page 27 which related to fluctuations in interest rates were not of concern in the current economic climate.

It was agreed that graphs within future reports would be printed in colour.

Resolved: To note the Treasury Management activities to date in 2017/18

To note the Prudential Indicators set out at Annex A of the report and note the compliance with all indicators.

Reason: To ensure the continued performance of the Council’s Treasury Management function.

37. LOCAL GOVERNMENT ASSOCIATION CORPORATE PROCUREMENT PEER REVIEW

Members considered a report on the progress made in delivering the recommendations of the Local Government Association (LGA) external peer review of corporate procurement within the Council. The initial feedback report had been presented in September and this report was intended to provide a brief update. It was explained that Yortender would be rolled out in early 2018 and that York remained active participants in regional groups.

Members felt that the initial reviews were unwelcome but that given they had been completed the results should be provided in full and that the peers who had done the review should provide answers to the questions posed by the committee. It was agreed that the LGA response would be circulated and that their request would be put to the reviewers.

Resolved: To note the report and to request from the LGA further illumination on the answers received regarding the external peer review.

Reason: To update the Committee on the actions taken.

38. MAZARS ANNUAL AUDIT LETTER 2016/17

Members considered the annual letter from the external auditors for 2016/17. Two following points were made or clarified:

- The completion certificate was provided in page 79 of the pack. It was hoped that the ongoing work would be completed in early 2018.
- The fees were set out on page 93 of the pack and it was reported that the Council had opted into the collected-tender process.
- Members expressed disappointment with the management response provided on page 83 of the pack and were concerned this may result in poor publicity.
- Emphasis had been put on improving Declaration of Interest procedures in previous years and it was reported that this had been subject to the internal audit process.

Resolved: That the matters set out in the Annual Audit report of the external auditor be noted

Reason: To ensure proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

39. MONITOR 3 2017/18 - KEY CORPORATE RISKS

Members received an update report on the key corporate risks for City of York Council.

It was explained that the matrix on page 125 of the pack showed where specific risks fell in regards to their impact and likelihood. The scores allocated provided information about the consequences of a risk in order to reduce the likelihood of those implications. It was not possible to change the risk, only the consequences.

It was reported that the factors driving up the cost of landfill tax had been mitigated in part by the introduction of the waste incinerator.

Resolved: To note the report

Reason: To update the Committee.

40. AUDIT & COUNTER FRAUD MONITORING REPORT

Members received two reports: Identified breaches; and the current status of the audit plan. In response to questions the following points were made:

- Concerns were expressed that the heavy redactions made to some public reports may lead to more negative conclusions being reached than was merited.
- It was explained that the internal audit process was designed to identify potential weaknesses and highlight areas of risk for service managers to consider and respond to.
- The agreed actions following audits included the response of the relevant manager and a follow up exercise was completed to ensure actions had been completed as stated.
- It was explained that the schedule of internal audits was not made public as sometimes it was necessary to change audit start dates. It was agreed to look into options for enabling the audit committee to understand the schedule more comprehensively.

Resolved: To receive an update on progress made in delivering the internal audit work plan for 2017/18 and on current counter fraud activity.

To request the inclusion in future work plans of the scheduled start date for audits and an explanation should they be delayed.

To receive future reports counter fraud monitoring reports by email (on the understanding that these are kept confidential).

Reason: To keep members of the committee updated on the Council's Internal Audit and Counter-Fraud activity.

41. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & GOVERNANCE COMMITTEE

It was agreed to defer this item to a future meeting of the Audit and Governance Committee.

42. INFORMATION GOVERNANCE REPORT

Members considered an update on information governance performance, General Data Protection Regulation (GDPR) and the NHS Digital Audit. The Information Governance and Feedback Team Manager was in attendance to respond to Members' questions. During discussion the following points were raised:

- Considerable work had been done to ensure the council was on track for data compliance. An asset register had been implemented to monitor how data was stored and disposed of as well as mapping how it was shared. All directorates had begun this process which would enable accountability and provide a priority base from which to tackle key risks.
- Service areas which relied on consent to collect and store data would need to be reviewed in line with the forthcoming Data Protection Bill. A report would be presented to the Audit and Governance Committee prior to the Bill's effective date.
- Staff learning and development had been planned for between January and April 2018 and a plan would then be put in place to address any outstanding training needs. Training took a range of forms including compulsory e-learning and more in-depth job-specific training sessions for some staff.
- The fines and penalties related to non-compliance would remain in place following exit from the European Union and had been increased. Work was needed to align the local authority with the GDPR, particularly around reliance of 'legitimate reasons' for holding data, the reduction in Subject Access Request deadlines, and new 'Right to be forgotten' legislation.

Resolved: To note the report including the sustained performance levels and the ongoing work required to ensure the Council meets its information governance responsibilities

To request a report on complaints be received at a future meeting of the Audit and Governance Committee.

Reason: To keep the Committee updated on the work of the Council to meet its information governance responsibilities.

43. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO SEPTEMBER 2018

Members considered the plan of reports expected to be presented to the committee over the forthcoming year. An additional two items were added as follows:

- February 2018 – To receive the response of the LGA peer reviewers as requested under minute item 37.
- April 2018 – To receive a report on technical options for compliance with declaration of interests requirements.

A request was made in respect of the internal audit investigation report into the procurement of an external consultant which was brought to the Audit and Governance Committee on 22 February 2017. The resolution of the meeting on that date had been to ask the Council Executive to “consider whether further work was required to identify whether the work referred to represented value for money.” It was explained that this had been considered by the Council Leadership team rather than at a formal meeting of the Executive. Members asked that their request of 22 February 2017 be re-made in order to allow the report to be discussed in public and that formal communication be received from the Executive should they decide not to take this course of action.

Resolved: To note the forward work plan to September with the above additions.

To request a report be taken to Executive in respect of paragraph 2.19 of the Internal Audit Report taken to the Audit and Governance Committee on 22 February 2017, to consider whether further work was required to identify whether the work referred to represented value for money.

Reason: To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

PART B - MATTERS REFERRED TO COUNCIL

44. CONTRACT PROCEDURE RULES UPDATE

Members considered the report which set out proposed changes to the Council’s Contract Procedure Rules. Debbie Mitchell, Finance and Procurement Manager was in attendance to take questions. The officer highlighted the main changes and

explained that the proposed changes were the outcome of comments from staff and members.

The committee discussed the report and suggested a number of amendments, detailed in the resolution below. They also asked that a schedule of compliance breaches be maintained and reported to the Audit Committee annually.

Members discussed Yortender, its use in managing and co-ordinating procurement processes, and the support and guidance available to staff who were required to use it.

Recommendation: That Council approves the revised Contract Procedure Rules, with the following amendments:

- A change from “should” to “must” throughout the document to emphasis the importance of the specified actions and procedures.
- The addition of the following sentence to section 7.9 on page 9: “An updated register of routine procurement must be presented regularly to the executive member for finance and performance.”
- Removal of the word “regularly” from the final sentence of page 29 (section 26) relating to the report of breaches.
- Removal of delegated authority to the Chief Finance Officer to vary the spending limit of £5000 specified on page 8 (section 4.3 and 4.4)
- A change to section 2.1.3 (page 6), from “may be brought” to “must be brought and from “or” to “and”
- The addition of a requirement in section 4.4 (page 8) to maintain an ongoing schedule of contracts not using Yortender.

Reason: To ensure appropriate governance of the Council’s purchasing activity

Cllr F. Derbyshire, Chair
[The meeting started at 5.30 pm and finished at 8.00 pm].