

Meeting	Audit & Governance Committee
Date	27 June 2018
Present	Councillors Steward (Vice-Chair), Lisle, Cuthbertson, Williams, Mason, and Cannon (Substitute for Councillor Derbyshire) Mr Mann and Mr Mendus (Independent Members)
Apologies	Councillors Derbyshire and Kramm

Part A - Matters Dealt With Under Delegated Powers

6. 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 may have in respect of business on the agenda. None were declared.

7. Public Participation

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

Gwen Swinburn spoke on the sign off of the 2016/17 accounts objections and the fact that it seemed auditors had been refused essential information in relation to legal advice. She also stated that she felt issues on trust, transparency and governance needed to be tackled openly and honestly.

8. Draft Statement of Accounts (Including Annual Governance Statement)

Members considered a report presenting, for information, the draft 2017/18 Statement of Accounts before they were audited. The Finance & Procurement Manager and Technical Accountant attended the meeting to present the report and answer Member questions.

Officers stated that the Draft Statement of Accounts were open for inspection until 12 July 2018.

In response to Member questions they stated:

- The format and content of the accounts were dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- An audited version would come back to Committee in July however, in order to comply with agenda publication deadline, there may still be audit work ongoing.
- Declarations of Interest and the Register of Interests are a requirement and Officers do make contact with Members to remind them to declare, however they can only do so with interests they are aware of so the responsibility ultimately lies with the individual. Officers also check Companies House records as part of year end Accounts exercise.
- iComply training on the Register of Interests was planned now the system was in place.
- Staff Interests were also recorded and a record was kept of those who had not responded. This was also checked with Companies House.
- They would amend the Annual Governance Statement to include Scrutiny.
- In relation to the Business Rates pilot, the system was due to change nationally and a wider review of Local Government funding could adjust the way business rates were set.
- Staff in maintained schools were CYC employees. Once a school became an academy they would then be liable in relation to employment matters such as tribunals.
- Depreciation was set out in the accounting policy, but timings and asset life were similar in both the public and private sector.

Officers stated that they would circulate slides from the pre-meeting training session to all Members of the Committee.

Resolved: That Members note the draft pre-audit statement of accounts, including the Annual Governance Statement, for the financial year ended 31 March 2018.

Reason: To ensure that, in line with best practice, Members have had the opportunity to review the draft pre-audit Statement of Accounts.

9. Annual Report of the Audit and Governance Committee

Members considered a report which sought their views on the draft annual report of the Audit and Governance Committee for the year ended 11 April 2018, prior to submission to Full Council.

In response to member questions Officers stated:

- Bullets 23 and 25 in the report could be merged; and
- More detail could be added to the report on risk and work undertaken on this in the last year.

During the discussion some Members expressed a view that, as the scope of the Audit & Governance Committee had grown, it was now covering work that should be undertaken by scrutiny committees.

Members requested that further detail be added to the paragraph on Risk, in particular looking at Key Corporate Risks. The updated report should then be circulated to the Committee ahead of submission to Full Council.

Resolved: That Members agree the Annual Report of the Audit and Governance Committee prior to its submission to Full Council, subject to the above amendments.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

10. Treasury Management Outturn Report

Members considered the draft Treasury Management Annual Report and Review of Prudential Indicators 2017/18. This information provides Members with an update of treasury management activity for 2017/18.

The Finance & Procurement Manager presented the report, and in response to Member questions stated that Allerton Waste

Recovery Park needed to be given retrospective approval as it had become operational on 1 March, not 1 April as expected.

Resolved: That Members note the Treasury Management Annual Report and Review of Prudential Indicators 2017/18.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

11. Mazars Audit Progress Report

Members considered a report from Mazars, the Council's external auditors, on progress in delivering their responsibilities as auditors. The Senior Manager, Mazars attended the meeting to present the report and answer Member questions.

He stated that:

- The audit was going relatively well and was on track to meet the deadline of 31 July 2018;
- In 2016/17 2 objections were received; and
- One instance of non-compliance was noted in relation to failure to produce an Officer decision record.

In response to Member questions he stated:

- In Local Authority Audits the remit is broad and members of the public have the right to ask questions or make objections to accounts. In 2016/17 Mazars issued their opinion on the accounts, but the audit was not concluded in full due to the objections received;
- The legal advice referred to by the public speaker was not necessary to the audit and was not relevant to the issue objected to; and
- Audits were based on identifying material inaccuracies in financial statements and so all material transactions will be looked at and a sample of those are selected in order to get a full picture

In response to a further question the Deputy Chief Executive stated that, in terms of the recommendations on page 225 of the agenda, the relevant Chief Officer responsible did all of the necessary work required, the issue was that the decision was not published. The recommendations were being taken forward and had been discussed with the Asset Management Team.

Resolved: That Members 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.

12. Annual Report of the Head of Internal Audit

Members considered a report summarising the outcome of audit and counter fraud work undertaken in 2017/18 and providing an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

The Head of Internal Audit, Veritau attended the meeting to present the report and answer Member questions. He clarified that his opinion contained in the report was based on the results of internal audit work, including follow up work to ensure that previously agreed management actions have been implemented. He stated that the report included details of internal audit reports which had been finalised since April's meeting. There was also detail on counter fraud activity.

In response to questions he stated:

- In terms of counter fraud savings there was a focus on areas which were most relevant in terms of value to the Council, however there are other areas of fraud which are important to both the community and CYC, for example parking fraud.
- Sometimes there was not sufficient evidence of wrongdoing during counter fraud investigation, however 56% was a fairly high figure. The focus was on cases which would result in a positive outcome, which was decided during initial assessment.

- Information on trends could be provided to the Committee. The value of benefit fraud had been shrinking since responsibility was transferred to the Department of Work and Pensions (DWP). More work was being undertaken in Adult Social Care such as providing training to staff on how to report concerns and this was leading to an increase in referrals and outcomes. This was leading to an increase in value in this area.
- Instances of internal fraud over the last year were relatively low level which showed that controls were working and fraud was being picked up.
- It was a positive sign that CYC had been selected to take part in the 2018/19 National Fraud Initiative pilot exercise on Business Rate fraud, as one of 7 groups taking part. CYC was recognised as having a national profile on counter fraud work.
- On the issue of the Information Governance audit, some schools had not responded at all and some were in the process of academisation, which left the Council with no authority to complete the work. Many schools had now appointed Veritau as their Data Protection Officer so this would allow further work to be undertaken.
- If Veritau was the Data Protection Officer for a school there were 'Chinese walls' in place, so different teams and different reporting lines in place for audits.

Resolved: That Members:

- (a) Note the results of audit and counter fraud work undertaken.
- (b) Note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's framework of governance, risk management and internal control .
- (c) Note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.
- (d) Note the significant control weakness identified during the year which is relevant to the preparation of the Annual Governance Statement.

Reason:

- (a) To enable members to consider the implications of audit and counter fraud findings.
- (b) To enable members to consider the implications of audit and counter fraud findings.
- (c) To enable members to consider the opinion of the Head of Internal Audit.
- (d) To enable the Annual Governance Statement to be prepared.

13. Forward Plan

Members considered a paper presenting the future plan of reports expected to be presented to the Committee during the forthcoming year to March 2019.

Officers highlighted that reports on Information Governance and Whistleblowing had been added to the forward plan.

Members stated that the item they requested on Annual Complaints Reports was missing from the forward plan, despite its addition being agreed at the meeting on 6 December 2017. Officers stated they would look at this again and it would either come as part of the next report on Information Governance or as a stand alone item.

Resolved: That the Committee's forward plan for the period up to March 2019 be noted.

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

Part B - Matters Referred To Council

14. Annual Report of the Audit & Governance Committee

[See also under Part A]

Members considered a report which sought their views on the draft annual report of the Audit and Governance Committee for

the year ended 11 April 2018, prior to submission to Full Council.

Members requested that further detail be added to the paragraph on Risk, in particular looking at Key Corporate Risks. The updated report should then be circulated to the Committee ahead of submission to Full Council.

Resolved: That Members agree the Annual Report of the Audit and Governance Committee prior to its submission to Full Council, subject to the above amendments.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

Councillor Steward, Vice Chair (in the Chair)
[The meeting started at 5.30 pm and finished at 6.35 pm].