
Meeting	Audit & Governance Committee
Date	25 March 2015
Present	Councillors Ayre (Chair), Brooks (Vice-Chair), Barnes and Fraser and Mr Whiteley (Co-opted Non-Statutory Member)
Apologies	Councillors Potter, D'Agorne and Scott

76. **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.

77. **Minutes**

Resolved: That the minutes of the meeting of 11 February 2014 be approved and signed as a correct record subject to minute 56 being amended to read "Councillor Barnes declared a personal interest in agenda item 6 as his employer was a *sponsor of one of the future occupants of the stadium...*".

78. **Public Participation**

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

Councillor Warters spoke in respect of agenda item 8 (Audit and Counter Fraud Monitoring Report) with specific reference to the Internal Audit Memorandum dated 22 January 2015 regarding the allocation of funding for highways maintenance schemes. Councillor Warters expressed his concerns regarding the way in which funding had been allocated for highways repairs and stated that he had asked the Chief Executive to investigate as he believed that this had been subject to political manipulation. Councillor Warters stated that the investigation by internal audit

had demonstrated that there had been weaknesses in the process and he was concerned that this may also apply to other aspects of Council business.

Ms Gwen Swinburn spoke in respect of agenda item 8 (Audit and Counter Fraud Monitoring Report) with specific reference to the Democratic Governance (follow-up) report. She expressed concern that officer decisions were still being reported late on the decision log and that they were not always accompanied by supporting documentation.

79. Audit and Governance Committee Forward Plan

Members considered a paper which presented the future plan of reports expected to be presented to the committee during the forthcoming year to February 2016.

Members were asked to identify any further items they wished to see added to the Forward Plan.

Members requested that future meetings of the committee not be held during school holidays if possible.

Resolved: That the committee's Forward Plan for the period to February 2016 be approved.

Reason: To ensure the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the Council's internal control environment in accordance with its roles and responsibilities.

80. Audit Progress Report

Members considered a report which updated them on progress made by Mazars in meeting its responsibilities as external auditor. The report also included key emerging national issues and developments.

Members were informed that work was ongoing in respect of audit planning and to address issues which had been identified as resulting from an extremely complex bank reconciliation process. Considerable progress had been made regarding this

matter and assurances had been given by officers that the remaining issues would be addressed before the production of the accounts.

Members' attention was drawn to an extract from the Audit Commission's website which explained how its current functions would be discharged from 1 April 2015 after it closed.

Resolved: That the report be noted.

Reason: To ensure that Members are kept updated on the work of the external auditors and key emerging national issues and developments.

81. Audit Strategy Memorandum

Members gave consideration to Mazars' Audit Strategy Memorandum for City of York Council for the year ending 31 March 2015. The document summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided details of the audit team.

Members' attention was drawn to the following significant risks that had been identified and which Mazars would pay particular attention to during the audit:

- Management override of controls (a standard risk in audits)
- Revenue recognition (a standard risk in audits)
- Pension estimates
- Property, plant and equipment – accounting for depreciation, revaluations and impairments

Referring to section 4 (Value for Money Conclusion), details were given of the following significant risks that would be addressed by Mazars:

- Responding to the financial pressures
- Risks in relation to adult social care services

Noting that Mazars would be reviewing whether project management practices were robust and that lessons had been learned from difficult experiences, Members asked if there were particular projects that would be considered. They were informed that consideration was likely to be given to projects such as the Community Stadium, Lendal Bridge and the

reprovisioning of residential care for older people, although other projects could also be considered.

Resolved: That the Audit Strategy Memorandum for the year ending 31 March 2015 be noted.

Reason: To ensure that Mazars is able to understand the Committee's expectations of the external auditors.

82. Internal Audit and Counter Fraud Plan 2015/16

Members considered a report which sought the committee's approval for the planned programme of audit and counter fraud work to be undertaken in 2015/16.

Officers confirmed that the Committee's suggestions, for example in respect of development management, had been incorporated into the final plan. The plan would be kept under review and may need to be adapted to reflect changing risks and priorities. Changes to the plan would be reported back to the Committee.

Resolved: That the 2015/16 internal audit and counter fraud plan be approved.

Reason: In accordance with the committee's responsibility for overseeing the work of internal audit.

83. Audit and Counter Fraud Monitoring Report

Members considered a report that provided an update on progress made in delivering the internal audit workplan for 2014/15 and on current counter fraud activity.

Members questioned officers on the following Audit reports:

(i) Allocation of Highways Funding

Members asked if the committee could receive a copy of the report that had been presented to the Chief Executive. Officers explained that the report contained sensitive information and to disclose this would be in breach of the

Data Protection Act. It may also make future audits less effective, as people may be less willing to speak freely.

Officers stated that the audit had identified that there had been a lack of proper record keeping. Auditors had spoken to those involved and there had been conflicting responses given as to what had occurred. The outcome of the audit had been that systems and processes needed to be changed and improved. These changes had been accepted by management.

Officers were asked if they were considering whether the weaknesses identified in the audit were applicable in other areas of the Council. They stated that they had been tasked with considering the allocation of highways funding but that the recommendations made were similar to those in respect of the Lendal Bridge project and within the LGA report. The auditors were mindful of these recommendations and would consider whether they applied when similar audits were carried out.

(ii) CANS and CES Charging for Private Works, Overtime

Officers were asked to provide more information regarding the “limited assurance” opinion. They explained that managers were still giving consideration to the issues that had been raised and hence this opinion may change.

(iii) Contract Management for new Service Delivery Models

Members queried whether organisations such as Explore, which were run as a social enterprise model, were subject to the same transparency requirements as a Local Authority. Officers agreed to clarify this matter but explained that the Council had a contract with each organisation which required them to provide information.

(iv) Partnership Arrangements

Clarification was sought as to whether partnership agreements and partnership mandates had been updated and whether a partnership portal had been established. Officers confirmed that these actions would be followed up.

(v) Democratic Governance (follow up)

Members expressed their concern that the training session that had been arranged had been cancelled as no one had enrolled. Officers confirmed that the session would be rescheduled. Consideration was being given to making some training sessions mandatory and to alternative ways of delivering sessions, for example online.

(vi) Subsidy to Greenwich Leisure Limited (GLL) for the Waterworld Leisure Centre

Members requested that the unredacted version of this report be presented at a later meeting once the issues had been dealt with.

Resolved: That the progress made in delivering the 2014/15 internal audit work programme, and current counter fraud activity be noted.

Reason: To enable Members to consider the implications of audit and fraud findings.

84. Appointment of Independent Co-opted Members

Members considered a report which sought approval for the appointment of two independent co-opted members to the committee to be recommended to Full Council.

It was noted that Mr Martin Whiteley was due to complete his term of office as an independent co-opted member in July. Mr Whiteley was thanked for his services to the committee and for the very valuable contribution that he had made.

Members were informed that there had been seven very strong candidates for the positions and that it was the selection panel's recommendation that the Council be recommended to appoint Mr Chris Bateman and Mr Andrew Mendus as independent co-opted members and that Mr Dave Mann be appointed as a reserve in the event that either nomination was declined or the people appointed resigned before the end of their term of office.

Mr Whiteley stated that it would be helpful for induction training to be put in place for the new independent co-opted members.

- Resolved:
- (i) That the process followed to select candidates for the role of independent co-opted members be noted.
 - (ii) That it be recommended to Full Council that Mr Chris Bateman and Mr Andrew Mendus be appointed as co-opted members of the Audit and Governance Committee for a four year term of office.
 - (iii) That it be recommended to Full Council that Mr Dave Mann be appointed as a reserve member.
 - (iv) That thanks be recorded to Mr Martin Whiteley for his services to the Audit and Governance Committee.

Reason: To ensure that the committee continues to operate effectively and in accordance with recommended best practice.

Chair

[The meeting started at 5.30 pm and finished at 6.25 pm].