

|         |   |
|---------|---|
| Meeting | Audit & Governance Committee  |
| Date    | 6 February 2019   |
| Present | Councillors Cannon (Chair), Steward (Vice-Chair), Lisle, Cuthbertson, Kramm, Williams (Items 6 - 16) and Mason<br>Mr Mann (Items 10,11 & 13 - 16) and Mr Mendus (Independent Members) |

#### **43. 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.

#### **44. Exclusion of Press and Public**

Resolved: That the press and public be excluded from the meeting during consideration of Agenda Item 8 on the grounds that it contained information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. This information is classed as exempt under Paragraphs 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).

#### **45. Public Participation**

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme, but that this resident had been unable to attend.

#### **46. Minutes**

Members considered minutes of the meeting held on Wednesday 5 December 2018. Members agreed that the following amendments be made:

Minute Item 38

Bullet 7 – To read:

- Safeguarding referrals from schools came from the LA designated officer. Some would cross borders and ~~it~~ would be dealt with by the Local Authority in the incident location, not the home location. However, there was a ~~duty~~ responsibility to share information;

Minute Item 38

Para 1 – To read:

‘This information provided Members with an update of on treasury management...’

Bullet 4 – To read:

‘...CYC could do slightly better with cash flow planning in terms of the Capital Programme and increasing returns and work was being ~~done~~ done on this...’

Minute Item 39

Bullet 6 – To read:

‘The plan was always to deliver 100%, but 93% ~~is~~ was the target they are ~~are~~ were judged on...’

Resolved:

1. *That* Members ~~are asked to~~ note the progress made in delivering the 2018/19 internal audit work programme, and current counter fraud activity.

Minute Item 40

Para 2 – To read

‘The Information Governance and Feedback Team Manager attended the meeting to present the report *and* answer Member questions...’

Minute Item 41

Bullet 7 – To read

'Internal Audit was an important source of information for the S151 officer and ~~provides~~ *provided* the assurance necessary for the Director to discharge their statutory duties...'

Resolved: That, subject to the above amendments, the minutes of the meeting held on 5 December 2018 be approved and then signed by the Chair as a correct record.

#### **47. Mazars Audit Progress Report**

Members considered a paper from Mazars, the Council's external auditors, reporting on progress in delivering their responsibilities as auditors.

The Engagement Lead (Partner) and Senior Manager, Mazars, attended the meeting to present the report. They stated that the audit was currently well on track. In response to Member questions they stated that benchmarking had been sent to the Committee following the previous meeting.

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.

#### **48. Mazars Audit Strategy Memorandum 2018/19**

Members considered a paper from Mazars which summarised their audit approach, highlighted significant areas of key judgements and provided details of the audit team.

The Engagement Lead (Partner) and Senior Manager, Mazars presented the report. They highlighted some key information in the report, such as key risks identified, proposed response to those risks and the approach to the Value for Money conclusion. They stated that results would be reported back in the July Audit Completion Report. In response to Member questions they stated:

- Headline materiality had been rounded to around £8 million from a very precise figure of £8.2 million and had been driven by users of the accounts and what they felt

may be material to their judgements. The trivial level was 3% of headline materiality, which was consistent across audit suppliers. That could lead to a change in the reporting level to this Committee. As this was currently just a plan, they would report back when actual figures were available;

- The Defined Benefit Liability Evaluation remained the same as the previous year;
- In relation to remuneration and exit packages they would generally focus on arrangements around Senior Officer departures during the year, as they were of wider interest and more sensitive;
- Member involvement in Non Disclosure Agreements would be in line with a Council's Constitution and scheme of delegation. They did not have detail on what level of involvement Members had at other Councils but would look into this and circulate any information to the Committee after the meeting;
- PSAA (Public Sector Audit Appointments) allocated work and set fees following a procurement exercise;
- Independence policies referred to on page 39 of the report would be circulated to the Committee following the meeting; and
- On the risks around Financial Stability, particularly in the areas of Adult Social Care and Children's Social Care, they would be looking more closely at how the Council was seeking to manage those areas.

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.

#### **49. Annual Grants Report 2017/18**

Members considered a paper from Mazars, reporting on progress in delivering their responsibilities as auditors.

The Engagement Lead (Partner) and Senior Manager, Mazars presented the report. They gave a brief background to the report and highlighted that:

- Audit amendments were few and small in nature;

- Their qualification letter highlighted a small number of minor matters, less than were traditionally found elsewhere;
- It was positive to note that management had taken action to prevent similar issues from arising in future;
- There were no issues in relation to the Homes England return; and
- There were only minor matters in the Teacher's Pension Scheme (TPS) return, which resulted in very minor amendments.

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.

## **50. Counter Fraud Framework Update**

Press and Public were excluded at this point in the meeting as per minute item 44.

The Council approved a new counter fraud and corruption strategy and associated action plan in 2017. Members considered a report containing the second annual review of the strategy. It updated the Committee on progress against the actions set out in the strategy over the previous two years and added new actions for the next financial year. In addition the Council's counter fraud risk assessment had been updated to reflect fraud risks facing the Council.

The Head and Deputy Head of Internal Audit, Veritau attended the meeting to present the report. They stated that there had been a review of the policy framework with no changes necessary. There were proposals being considered for a new National strategy and so they may need to revisit the framework later in the year. In response to Member questions they stated that:

- Increases noted were due to a combination of more fraud and better detection. Targeted investigation was being done in areas of more benefit to the Council;
- An article could be included in the 'Our City' publication on how to report fraud;

- There was value in prevention, not just in detection and financial savings made; and
- Figures on savings made, taking into account costs, would be shared with the Committee following the meeting.

Resolved: Members provided comment on:

1. the updated Counter Fraud and Corruption Strategy Action Plan.
2. updated Fraud Risk Assessment and proposed priorities for counter fraud work.

Reason:

1. In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.
2. To ensure that scarce audit and counter fraud resources are used effectively.

#### **51. Audit & Counter Fraud Plan & Consultation**

Members considered a report which sought their views on priorities for internal audit for 2019/20, to inform the preparation of the annual audit plan.

The Head and Deputy Head of Internal Audit presented the report. They stated that once the plan was developed, following their comments and consultation with relevant Officers, it would be brought to the next meeting for approval. In response to Member questions they stated:

- Some systems were inherently flawed and open to potential fraud which meant that, in some cases, there was little the Council could do. When fraud was identified and it was found that controls were absent, or not operating correctly, changes would be always be recommended to management

Members highlighted the following areas as their priorities for audit:

- Home working
- Staff sickness (in particular recording absence)
- Spending on external legal advice

- Home to School Transport
- Information Governance/Open Data (role/quality/management)
- Implementation of Veritau and Project Management

Members also requested that some time be allocated on the plan for working with the Committee on governance and oversight effectiveness and to make the best use of their time.

Resolved: Members provided comment on the proposed approach to internal audit planning for 2019/20 and identified the specific areas detailed above to be considered a priority for audit.

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

## **52. Whistleblowing Policy**

Members considered a report discussing whistleblowing activity in the current financial year. The report also included a proposed new whistleblowing policy, for comment.

The Head and Deputy Head of Internal Audit presented the report. They explained that the policy set out to reaffirm the Council's commitment to offer protection to employees who chose to use this process. In response to Member questions they stated:

- There was no complete record held of whistleblowing reports. Veritau and HR were sometimes unaware of instances when line management dealt with the issues themselves. It was agreed reporting arrangements needed strengthening and once there was a more accurate record this could be reported back to Statutory Officers and the Committee;
- This policy was specific to employees who wished to raise issues. There were other channels for Members and members of the public to report concerns, for example the Veritau fraud hotline;
- Investigations would always be undertaken in an expeditious manner, but this was sometimes challenging, given the complexity of some investigations. This made it very hard to set clear time limits; and

- They were happy for Joint Standards Committee to look at the policy, but reiterated that this was a policy for employees. The Deputy Monitoring Officer highlighted that there were separate mechanisms for Members to report issues;

During discussion Members made the following comments:

- Consultation could have included Members from the opposition, Scrutiny Chairs, Joint Standards Committee;
- Detail on best practice from elsewhere could have been looked at;
- Anonymous whistleblowing was no less powerful than other complaints. This judgement should be based on the complaint, not the source;
- 10 working days was too long to make contact with someone who was whistleblowing. An immediate acknowledgement (within 1 working day) should be given to the individual, even if it would take time to give a fuller response;
- The policy should be as accessible as possible, perhaps advertised via posters in the workplace. The previous policy contained the line 'If in doubt, raise it' which was effective and could be retained;
- The line 'disciplinary action may be taken...' (3.3, p. 124) could be changed to read 'disciplinary action *will* be taken...'
- Members should have some oversight of NDA's, perhaps via Staffing Matters & Urgency Committee;
- Where a whistleblowing report involved a Councillor, the Joint Standards Committee should be involved as soon as possible; and
- A key issue was for HR to now keep a full and accurate record of whistleblowing incidents. This figure should be reported to this Committee on a regular basis. The importance of this should be highlighted in the Manager's Whistleblowing Policy.

In relation to discussion on Non-disclosure agreements Officers stated they were unsure of the exact detail of Member involvement in Non-disclosure agreements, but would look into this for Members. It was suggested this be discussed under the Forward Plan (minute item 57).

Resolved: Members noted the whistleblowing activity during 2018/19 and provided comments on the proposed new policy and guidance.

Reason: In accordance with the committee's responsibility to assess the effectiveness of the council's counter fraud arrangements including the whistleblowing policy and other relevant counter fraud policies and plans.

### **53. PSAS Report**

Members considered a report presenting the outcome of the recent external assessment of the Council's internal audit service against the Public Sector Internal Audit Standards (PSIAS).

The Head of Internal Audit (Veritau) and Corporate Finance & Commercial Procurement Manager (CYC) presented the report. They stated that, as part of the Public Sector Internal Audit Standards, Veritau were subject to external audit every 5 years. This assured the Council that it could rely on their findings and opinions. The South West Audit Partnership had conducted this assessment and were happy overall with how Internal Audit was conducted. They had also highlighted some areas for improvement and work to be done.

Members provided the following comments:

- To carry forward the recommendation for Head of Internal Audit to meet with the Chair of the Audit & Governance Committee at least once a year; and
- That, in future, this report should be presented by someone external to Veritau;

Veriatau stated that they would come back to Members with detail on '2050 - Co-ordination (agenda page 148)' where they had been graded 'Partially Conforms', but without further explanation as to why.

Resolved: Members noted the outcome from the November 2018 external assessment of internal audit and provided comment on the proposed actions set out in figure 1.

Reason: In accordance with the committee's responsibility for considering whether internal audit conforms with professional standards.

#### **54. Information Governance & Complaints**

Members considered a report providing them with updates in respect of Information governance, ICO decision notices, a personal data breach and LGSCO Complaints (December 2018 to January 2019).

The Information Governance & Feedback Team Manager attended the meeting to present the report. They stated that during Q3 there had been a slight fall under the 90% target level, but that was a usual dip in that quarter due to being a peak leave period, but that it was usual for the Q4 performance to remain up and over 90%.

There had been 4 ICO (Information Commissioner's Office) decision notices since December, 1 of which was upheld and 1 partly upheld. The previously reported personal data breach had been passed on to a senior investigator with no further update. 5 decisions had been made by the LGCSO (Local Government and Social Care Ombudsman) since December, none were upheld. In response to Member questions they stated:

- The number of FOI and EIR requests received was not a clear indicator of transparency. Many responses stated that the information was already publicly available. Comparator figures with other Councils (via the West Yorkshire Lawyers Forum) could be included in the next report to Committee or within the year end report; and
- The Information Governance Team were hoping to update their dashboard on the website with 'near miss' data. Reporting this data needed to be published carefully so as not to put people off reporting these instances.

Resolved: That Members note the performance levels contained in the report.

Reason: To keep Members updated.

**55. Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators**

Members considered a statutory report setting the strategy for treasury management and specific treasury management indicators for the financial year 2019/20. The Corporate Finance & Commercial Procurement Manager attended the meeting to present the report.

The Chair thanked Officers, on behalf of the Committee, for the Treasury management training session prior to the meeting.

Resolved: That Members note the treasury management strategy statement and prudential indicators for 2019/20 to 2023/24.

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

**56. Internal Audit Service Contract**

Members considered a report which sought their views on the draft Executive report (attached at Annex 1) regarding the new internal audit services contract for the period 2020-30.

The S151 Officer and Head of Internal Audit left the room during this item.

The Corporate Finance & Commercial Procurement Manager presented the report. They stated that this was an updated report, following Member comments at the previous meeting.

During discussion Members stated that it would be helpful if some disadvantages of bringing the service back 'in-house' be included to provide balance. They also requested that Officers provide the Committee with some more detailed figures in relation to the implementation costs of the options presented, for example the cost of the IT system.

Some Members stated that they would be more comfortable with a shorter contract, but that given the relatively small market for these services 10+5 was reasonable. Officers stated it would

be unusual to offer a shorter contract to a company the Council owned.

Resolved: That the Committee's comments be included in the report to Executive.

Reason: To provide the views of Audit & Governance Committee on the proposal to provide a value for money internal audit and counter fraud function to the Council.

## **57. Forward Plan**

Members considered the future plan of reports expected to be presented to the Committee during the forthcoming year to December 2019.

Members requested that some independent advice on handling personal data be given at a future meeting.

Some Members suggested that the Chief Executive be invited to an informal meeting with the Committee ahead of the election.

6 March 2019 – Additional report on Non-disclosure Agreements

Resolved: That the forward plan for the period to September 2019 be agreed, subject to the above amendment.

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

Councillor Cannon, Chair

[The meeting started at 5.30 pm and finished at 8.10 pm].