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Meeting	Audit & Governance Committee
Date	20 September 2017
Present	Councillors Derbyshire (Chair), Dew (Vice-Chair), Cuthbertson, Fenton, Kramm, Steward, Mendus and Funnell (Substitute)[for items 21-24 & 26], and Mr Mendus
Apologies	Councillor Shepherd, Funnell (Substitute)[for items 25 & 27-32]

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## 21. DECLARATIONS OF INTEREST

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

Cllr Derbyshire declared a pecuniary interest in relation to the agenda item 8 (Audit & Counter Fraud Monitoring Report) due to her work at a local school. As a result, it was agreed that Cllr Dew would overtake the responsibilities of the Chair during discussion of the aforementioned item.

## 22. MINUTES

Resolved: That the minutes of the meetings of the Committee held on 21 June 2017 and 19 July 2017 be approved as a correct record and then signed by the Chair.

The chair clarified that if members have an item that they want auctioning from the minutes they need to raise this and include it into the forward plan.

## 23. PUBLIC PARTICIPATION

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme on general matters within the remit of the Audit & Governance Committee.

Gwen Swinburn spoke in relation to conduct during the Audit & Governance (A&G) Committee session held on 22 February 2017, 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.

Cllr Warters also spoke in relation to the LGA report, indicating that the Executive Leader had stated during the last Full Council meeting on 20 July 2017 that the report was to be disseminated to Members immediately upon release. He stated that, as the report had not been released yet, this questioned the integrity of governance at CYC and asked the Committee to request the full draft LGA report investigating the conduct of the A&G meeting from 22 February 2017 for review, if necessary, at an emergency Committee meeting.

#### **24. MAZARS AUDIT COMPLETION REPORT**

Members considered the report from Mazars that communicated their findings of the audit for the year ended 31 March 2017. Gareth Davies and Jon Reece from Mazars were present in the meeting to present the report. They highlighted the completed and outstanding elements as well as significant findings, internal control recommendations and arrangements that CYC had made to secure economy and efficiency in its use of resources. It was clarified that the one instance of a Director failing to declare an interest as a Director of a company with which the Council traded in 2016/17 referred to a personal company; the period spanned over the 2015/16 and 2016/17 financial years.

It was also explained that the requests for updating the declarations of interests were sent to colleagues on an annual basis. Members considered whether the additional mechanisms ensuring that annual declarations of interests were returned could be introduced.

Resolved: (a) That matters set out in the Audit Completion report presented by the external auditor be noted.

(b) 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.

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.

## **25. ANNUAL FINANCIAL REPORT - STATEMENT OF ACCOUNTS 2016/17**

Members' attention was drawn to the report presenting a final set of accounts for 2016/17 to reflect changes made since the draft pre-audit accounts were presented to the Committee on 19 July 2017. The Finance & Procurement Manager provided a brief summary of the report and it was agreed that the issue of obtaining valuations for the Yorkshire Museum items and artefacts would be investigated further. It was also confirmed that a specific process in relation to academy conversion was in place and this included pensions.

Resolved:

- (a) That the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report be noted.
- (b) That the amended Annual Financial Report at Annex A be approved for the signature by the Chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2015.
- (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.

Reason: To ensure the 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

To ensure compliance with the International Auditing Standards and relevant legislative requirements

## **26. LOCAL GOVERNMENT ASSOCIATION PROCUREMENT PEER CHALLENGE**

Members considered a report presenting feedback from LGA external peer review of corporate procurement within the Council, along with an update on the action that had already been undertaken, actions ongoing and consideration of any future actions following the recommendations to ensure the full benefits were realised from the peer review process. Mr Satvinder Rana, Programme Manager from the LGA, was present in the meeting to present the report.

In response to Members' queries, Mr Rana also clarified that the LGA exercise undertaken was a peer review and not an investigation; therefore, the reviewers did not have an opportunity to look at detailed documentation providing evidence of processes in place. Mr Rana also stressed that he is not an procurement expert and cannot answer specific and detailed questions in this regard.

Members then asked for details of the reasons why the second LGA report investigating the procedures under which the Committee operated on 22 February 2017 had not been disclosed. It was explained by the Deputy Chief Executive that, because the matter referred to a review of conduct of the meeting, including individuals at the meeting, the HR and Standards Committee processes needed to be followed. It was noted that the Council Leader had issued a press release on the matter.

Some members questioned the remit and terms of reference of the LGA reviews. They expressed disappointment that the two reviews had been so broad without dealing with the main issue

in hand and that the Audit & Governance committee had had no part in scoping either review.

The Finance and Procurement Manager then spoke to clarify Members' questions. It was noted that:

- the task group for commissioning and procurement network had been created and the review of the contract procedure rules had been undertaken; this would be reported back to the Committee in due course;
- the target of 100% of transactions being procured would never be achieved as some of the payments (e.g. payments to government departments) were not procured;
- every single payment raised at CYC was authorised and the internal audit had given the highest assurance rating in relation to the payment processes;
- the issue raised in the A&G meeting in February referred to the retention of documents where no evidence of the procurement process used could be provided but not to the payment processes themselves;
- all the current procurement contracts were currently stored centrally.

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.

Resolved:

(a) That the contents of the report and recommendations of the peer review feedback report be noted.

(b) That the answers to the 11 questions referred to in the scope of the review be requested from the LGA and to be circulated to the Committee.

(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.

Reason: To update the Committee on the feedback from the LGA procurement peer review and keep regularly informed of any future actions taken.

## **27. INTERNAL AUDIT FOLLOW UP REPORT**

Members considered a report setting out progress made by council departments in implementing actions agreed as part of internal audit work. Head of Internal Audit (Veritau Ltd) was in attendance to answer Members' questions.

Resolved: That the progress made in implementing internal audit agreed actions as reported be considered.

Reason: To enable Members to fulfil their role in providing independent assurance on the Council's control environment.

## **28. AUDIT & COUNTER FRAUD MONITORING REPORT**

Members considered a report providing an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity. It was clarified that both the audit and counter fraud topics overlapped and for this reason they were presented in one report.

In response to Members' queries, the Head of Internal Audit explained the reasoning why taxi licensing is newly added to the plan.

Resolved: (a) That the progress made in delivering the 2017/18 internal audit work programme and current counter fraud activity be noted.

(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.

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

**29. MONITOR 2 2017/18 - KEY CORPORATE RISKS AND UPDATE ON MAJOR PROJECTS**

The report outlining the update on the key corporate risks (KCRs) and an update on major projects for City of York Council (CYC) was presented to the Committee. The Principal Accountant (Corporate Finance) and the Director of City & Environment Services were in attendance to answer Members' questions.

The Officers explained that the major projects' presentation was prepared specifically for Members and was part of the standard risk mitigation process. Members suggested that the Officers consider making the updates available electronically and that it was no longer necessary to include Annex B (major projects) in the Committee report.

- Resolved:
- (a) That the key corporate risks provided at Annex A be considered.
  - (b) That the project information provided at Annex B be considered.
  - (c) That feedback on any further information that Members wish to see on future Committee agendas be provided.
  - (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 presentation would be chronological, i.e. KCR1 (Financial Pressures) would be presented at the next Committee's meeting, followed by KCR2.

Reason: To provide assurance that the authority is effectively understanding and managing its key risk and is kept updated on major programme and project activities.

### **30. OVERVIEW OF THE CONSTITUTION**

The Assistant Director (Legal and Governance) (AD) presented the report outlining the overview of the Constitution as per Members' request. The AD highlighted that at CYC every Executive Member decision was included in the Forward Plan which was not required by law. High level of public participation in York was also noted.

Resolved: (a) That the report be noted.

(b) That a 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 task and finish group would present an interim report with recommendations to the Audit & Governance Committee.

Reason: (a) To answer to Members' requests to outline an overview of the Constitution.

(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.



### **31. YORK ENVIRONMENTAL SERVICES CONSULTANCY**

Members considered a report presenting further information on the York Environmental Services (YES) Consultancy as requested at the previous meeting. The Head of Public Protection and the Assistant Director Planning and Public Protection were in attendance to answer Members' questions. The Head of Public Protection explained that the current method of operation helped retain specialist staff and share the resources across other Local Authorities as well as reduce the number of complaints and the cost of the service for the tax payer.

- Resolved:
- (a) That the contents of the report be noted.
  - (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.

Reason: To ensure that the Audit & Governance Committee are fully briefed on this matter.

### **32. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO JULY 2018**

The Committee considered a paper presenting the future plan of reports expected to be presented during the forthcoming year to April 2018. It was noted that an update on recruiting an additional independent member to the Committee would be provided in due course. It was also agreed that a review of the effectiveness of the Committee should be considered, and that a report on this would come to the next meeting.

Resolved:

(a) That the Committee's forward plan for the period up to July 2018 be noted.

(b) That a report on a review of the effectiveness of the Committee be added to the next meeting.

(c) That the committee would like an update on the recruitment of the second independent person of the committee.

Reason:

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

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 5.30 pm and finished at 8.55 pm].