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| Meeting   | Audit and Governance Committee   |
| Date      | 31 July 2024   |
| Present   | Councillors Hollyer (Chair), B Burton (from 5:31pm, substitute for Cllr J Burton), Fisher (until 7:39pm), Mason, Whitcroft, Merrett and Rose |
| Apologies | Councillor J Burton, Mr Leigh and Mr Binney (Independent Persons)  |

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#### **7. Declarations of Interest (5:31 pm)**

At this point in the meeting, Members and co-opted members were asked to declare any disclosable pecuniary interests, or other registerable interests, they might have in respect of business on this agenda, if they had not already done so in advance on the Register of Interests. None were declared.

#### **8. Exclusion of Press and Public (5:31 pm)**

Resolved: That the press and public be excluded from the meeting during consideration of Annexes 3 to 12 to Agenda Item 10 (Annual Report of the Head of Internal Audit and Counter Fraud Annual Report) on the grounds that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information). This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

#### **9. Minutes and Action Log (5:33 pm)**

Resolved: (i) That the minutes of the meeting held on 9 July 2024 be deferred to the next meeting.

- (ii) That actions 8, 14, 42, 46 and 49 of the action log be marked as completed and action 59 be resolved later in the year.

#### **10. Public Participation (5:38 pm)**

It was reported that there had been two registrations to speak at the meeting under the council's Public Participation Scheme.

Ms Williams spoke on governance issues relating to a recently published officer decision notice regarding York Station Gateway. She raised her concerns with the published decision dates and questioned why the key decision had not been considered at a public committee meeting. She also shared her frustrations with recent decision making processes, noting that a recent Economy, Place, Access and Transport Scrutiny Committee had been cancelled.

The Chair thanked Ms Williams for her contribution and noted that a response would be sourced from officers regarding the decision notice. The committee also requested that they be copied into the reply.

Ms Swinburn spoke on multiple governance matters relating to the statutory accounts objection that had been lodged with the external auditors. She felt there had been a lack of engagement by some statutory officers during the process and queried if the draft Annual Governance Statement (AGS) could be presented to committee earlier. She raised her concerns with the key governance priorities located at the end of the AGS as well as questioning the internal audit grades, in particular in respect of creditor ordering and payments, and commercial procurement. Ms Swinburn also expressed her gratitude to the Director of Finance for her support.

The Chair noted and thanked Ms Swinburn for her comments.

#### **11. External Audit Progress Report (5:45 pm)**

Members considered a report that presented the latest audit progress report from Forvis Mazars, the council's external auditors, which was provided for the committee's information at Annex A to the report.

Resolved: That the matters set out in the Audit Progress Report presented by the external auditor, be noted.

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

## **12. Draft Annual Governance Statement 2023/24 (5:46 pm)**

Members considered a report that presented for information the draft 2023/24 Annual Governance Statement (AGS).

The Director of Finance informed Members that the draft AGS had been included as a separate item on the agenda to enable the committee to undertake a full discussion following comments received and objections raised by some residents. She also noted that this was a draft copy and that a final version would be submitted when the final audited statement of accounts was presented to this committee later in the year.

Following a discussion and in answer to questions raised, the Director of Finance and the Principal Accountant confirmed:

- The Information Commissioner's Office (ICO) enforcement notice had now been included in the AGS and references to the Local Government Association (LGA) peer review would also be included.
- When formulating the AGS, a variety of officers had the opportunity to flag any governance issues and the final statement would be signed off by the Chief Operating Officer and the Leader of the Council, with this committee taking a key part in approving that sign off.
- The reference to the Guildhall in the major capital projects section could be updated as this was less relevant now.
- Absence management was no longer reported as a significant governance issue as the processes established had shown improvements.
- Section 106 balances had risen slightly so officers were working with Veritau to improve the procedures.
- Completion reports would be monitored to ensure minor outstanding issues were completed within the timelines.
- The community governance review would be managed by the Head of Democratic Services and the newly appointed Elections Manager.

The committee thanked officers for their update and

Resolved: That the draft Annual Governance Statement for the financial year ended 31 March 2024, be noted.

Reason: To ensure that Members had the opportunity to review the draft Annual Governance Statement

### **13. Draft Statement of Accounts 2023/24 (6:10 pm)**

Members considered a report that presented for information the draft 2023/24 Statement of Accounts before they were audited.

The Principal Accountant thanked her team for their support in preparing the statement and she noted that the accounts had been available for public inspection for a period of 30 working days from 10 June until 19 July 2024.

It was noted that the:

- narrative report explained the main information included in the accounts, provided an overview of the council as at 31 March 2024, and provided further information about the most significant matters reported in the accounts, along with an analysis of the pressures and risks that may impact on future financial performance.
- Statement of Accounts summarised the council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024.

During a detailed discussion Members questions were answered and officers noted that:

- In order to accommodate the audit backlog, the Ministry of Housing, Communities and Local Government (MHCLG) had set the publication date for the draft accounts to 30 June for the next five years.
- Executive regularly received finance and performance reports and would receive the next update on 12 September 2024.
- The continuation of the cost control measures and the additional growth placed in the budget as well as ongoing monitoring would support the approved budget, but this was still an enormous challenge due to incorporating £14m worth of savings in this financial year.
- Reserves were closely monitored and unexpected costs and contingencies were built into the budget each year.

- Work was ongoing with individual schools to ensure they retained balanced budgets, maintained adequate reserves and had proposals in place to reduce any deficit.
- Officers would be keen to contribute to any review implemented by the government to reform business rates. The impact this would have on York was yet to be identified.
- Assurances from the auditors of the North Yorkshire Pension Fund (Deloitte) were still outstanding and once received Forvis Mazars, who were the council's external auditors, would be able to complete the 22/23 audit.
- The major projects highlighted within the statement were monitored and officers currently had no concerns with the funding allocated so far.
- The valuation of Allerton Waste was calculated using the depreciation replacement cost method and North Yorkshire Council had led on the new valuation commission.

It was confirmed that a separate narrative would be shared with the committee regarding:

- The higher depreciation charges (£1.1m) within the Housing Revenue Account (HRA).
- The variations between the income and net expenditure total figures across 22/23 and 23/24 in the Comprehensive Income and Expenditure Statement.
- The miscellaneous amounts set aside from the General Fund balances in earmarked reserves.
- The deployment of the Dedicated Schools Grant receivable for 2023/24, particularly the carry forward of £6.639m within the individual schools budget.

Officers agreed to update the terminology used in Annex A to include the Mayor of York and North Yorkshire office and they also agreed to consider including an explanatory note in the statement that described how many of the authority's other employees received a salary more than £50,000 due to the annual pay award.

Members noted that Forvis Mazars were expected to issue a report and opinion by the end of November 2024, and should they have any concerns with the accounts, they would be identified and brought to this committee's attention. It was also acknowledged that further training on the accounts could be provided to Members earlier and continue throughout the year.

Officers were thanked for the comprehensive work undertaken to produce the Statement of Accounts.

Resolved: That the draft pre-audit statement of accounts, for the financial year ended 31 March 2024, be noted.

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

#### **14. Response to the LGA Assurance Report (6:54 pm)**

Members considered a report that provided an update on how the council had responded to recommendations published in the Local Government Association's Assurance report (2023).

The Assistant Director of Policy and Strategy highlighted the progress made against the recommendations, as noted within Annex A of the report. She confirmed that none of the recommendations were at risk, and the completed or underway recommendations across member information, the Corporate Improvement Action Plan and the member induction programme were discussed.

Members shared their experience of the member induction programme, noting that some training sessions offered were postponed and then never materialized, and concerns over the loss of the member enquiries service were also raised. During the discussion, it was also suggested that:

- the pastoral care physically available to Members in West Offices could be strengthened.
- feedback on the overall induction program could be received from all Members.
- the sanctions imposed on any councillor who did not obey the Code of Conduct required strengthening.
- periodical feedback could be received from councillors and officers to support good working relationships.

The Assistant Director thanked Members for their feedback, and in answer to questions raised, she confirmed that:

- the recently elected councillor had been invited to take part in the member induction programme and feedback had already been received from him. The feedback received from the Joint Standards Committee had also

been incorporated into the programme, which was currently being audited by Veritau.

- the member portal could be enhanced to include further data on council services and improved guidance on raising concerns.
- the Local Government Association engaged with various partners and residents, including the Talkabout Panel, which consisted of 1200 York citizens who regularly responded to consultations, when undertaking their peer challenge review.

Members thanked the Assistant Director for her report and update.

Resolved:

- (i) That the progress against the ten recommendations in the LGA Assurance Report, be noted.
- (ii) That Members feedback be considered by officers.

Reason: To keep the committee updated on the improvements made.

An adjournment took place between 7:10 pm and 7:16 pm.

**15. Audit and Governance Committee Review of Effectiveness (6:54 pm)**

Members considered a report that highlighted the benefits of conducting a review of the committee's effectiveness, and the options for undertaking such a review.

The Head of Internal Audit presented the report and following a detailed discussion regarding the benefits and disadvantages of either undertaking a self-assessment or external review, including the budget and time implications, and noting that this committee already had Independent Persons who provided insight, it was agreed that a self-assessment review should initially be undertaken to assist the committee in assessing if an external review was required.

The Head of Internal Audit confirmed that the self-assessment guidance could be transferred into an electronic survey for members to complete, and this approach was welcomed.

Resolved: That a self-assessment review of the committee's effectiveness be undertaken and that the process be considered by the Director of Governance and Head of Internal Audit with an update being received at a future committee meeting.

Reason: To ensure the committee continued to fulfil its responsibilities as set out in the Constitution and contributes to the effective operation of the council's corporate governance framework.

**16. Annual Report of the Head of Internal Audit and Counter Fraud Annual Report (7:28 pm)**

Members considered a report that included the Annual Report of the Head of Internal Audit, which summarised internal audit work undertaken in 2023/24 and provided an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. An annual report summarising counter fraud activity and performance was also included.

The Assistant Director of Audit Assurance highlighted aspects of the annual report. He confirmed that nine internal audits had been concluded since their last update to the committee and the summary of those were contained in Appendix B to the report. A further seven audits remained in draft at this time but were making good progress, as reported in Appendix A. Veritau's opinions and priorities for actions were noted and it was acknowledged that Veritau had not identified any significant control weaknesses for inclusion into the Annual Governance Statement.

Members questions were answered and during discussion it was noted that:

- The actions linked to the foster carer payments would be monitored to ensure implementation.
- The draft audit reports should shortly be concluded and any outstanding audits would not impact on the current programme of work.
- Veritau were asked to certify the grants linked to the rough sleeping accommodation programme to give assurance to the awarding department.



The Internal Head of Audit then presented the key performance figures and counter fraud work undertaken as noted in Annex 2 to the report.

Members discussed holiday let prosecution cases and officers agreed to verify if cases linked to the misuse of residential parking permits by occupants of holiday lets was shared with the planning enforcement team.

Officers were thanked for their reports, and the committee then considered exempt annexes 3 to 12 in private session as resolved in minute 8.

Resolved:

- (i) That the results of internal audit and counter fraud work undertaken, be noted.

Reason: To enable Members to consider the implications of internal audit findings, and inform their assessment of the effectiveness of counter fraud arrangements.

- (ii) That 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, be noted.

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

- (iii) That the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with Public Sector Internal Audit Standards, be noted.

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

- (iv) That it be noted that no significant control weaknesses had been identified by internal audit during the year which was relevant to the preparation of the Annual Governance Statement.

Reason: To enable the Annual Governance Statement to be prepared.

**17. Audit and Governance Work Plan 2024/25 (7:26 pm)**

The committee considered their work plan for the 2024/25 municipal year and following discussion it was:

Resolved: That the work plan be revised to include a process report on the Community Governance Review in November 2024.

Reason: To ensure the committee maintained a programme of work for 2024/25.

Cllr Hollyer, Chair

[The meeting started at 5:31 pm and finished at 8:16 pm].