
Meeting	Audit & Governance Committee
Date	5 April 2017
Present	Councillors N Barnes (Chair), Cuthbertson, Fenton, Flinders, Kramm, Steward and K Myers (Substitute for Councillor Dew) and Mr Mendus
Apologies	Councillor Dew and Mr Bateman

68. 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. Councillor Flinders declared a personal interest in respect of the York Central Project referred to in agenda item 4 – Key Corporate Risks and Update on Major Projects, due to his employment with Network Rail.

69. Minutes

The Chair apologised to the committee for any offence caused by comments he had made at the last meeting.
[as amended at Audit & Governance meeting on 3 May 2017]

The following additions and amendments were made to the minutes of the meeting of 22 February 2017:

- Minute 61 – delete word “*extreme*” para 2
Move resolution to follow after para 3
Wording in respect of second vote to read “*In view of the additional information that had been received, Cllr Flinders proposed and Cllr Barnes seconded that the vote be retaken. On being put to the vote the proposal was lost.*”
- Minute 63 – para 2 to read “*Ms Gwen Swinburn expressed deep concerns regarding allegations of secrecy and multiple failings in finance and governance. She asked Councillors to demand Police action, for an independent investigation by CIPFA and that statutory officers be held to account.*”

- Minute 64 – para 3 to read “... this had confirmed that no evidence of fraud *had been found*”.
Para 6 to read “... the Head of Internal Audit *did not confirm...*”
- Minute 65 – include sentence “*In response to a question from Cllr Steward, Gareth Davies from Mazars said of the situation that he was not sure it could have been any worse*”.

Resolved: That the minutes of the meeting held on 22 February 2017 be brought back to the next meeting for approval.

70. **Public Participation**

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

Ms Gwen Swinburn expressed concerns in respect of the previous meeting and stated that many citizens had submitted complaints to the Chief Executive over the conduct of the meeting. The LGA had been asked to carry out an investigation but although she had requested details of the terms of reference and timescales for the investigation, this had not been provided. She asked Members to ensure that this information was made available. Ms Swinburn also stated that there had been multiple governance failings this month and gave examples. Referring to the Internal Audit review that had taken place in 2014, Ms Swinburn stated that the situation was not improving and she asked that Internal Audit be commissioned to update the Democratic Governance audit review. Ms Swinburn also stated that the 2013 Public Sector Internal Audit Standards required internal audit functions to be externally assessed every five years but she could not find information on the commissioning of the CYC external assessment and the deadline was imminent.

71. **Monitor 3 2016/17 - Key Corporate Risks and Update on Major Projects**

Members considered a report which presented an update on the key corporate risks (KCRs) for City of York Council. As agreed by the committee at their meeting on 20 December 2016, an

update on major projects had now been included within the report. The direction of travel had also been indicated, as had been requested.

Members were invited to comment on the key corporate risks, detailed in Annex A of the report, and to consider the project information provided at Annex B of the report. They were also asked to provide feedback on any further information that they wished to see included on future committee agendas.

Members noted that the risks in respect of the Allerton Waste Recovery Park project had been included in the report as, although the project was managed by North Yorkshire County Council, City of York Council was a partner in the project. The percentage of the risk to City of York Council was specified in the contract that was in place. Members were informed that the project was on track and in budget.

Referring to paragraph 4 of the report, which outlined the ways in which risks were identified, Members stressed the importance of ensuring that risks were highlighted as soon as they were identified. Officers confirmed that the requirement for officers to raise awareness of risks at an early stage was one of the issues that had been covered in the training sessions that had taken place.

Members requested that the following be taken into account in future reporting to the committee:

- The same terminology to be used in the recording of risk in both the report and the annex
- Recognition of the need to include risks that were outside of the control of the Council, for example reduced funding from central government.
- Alternative wording to “increased ethnicity”
- Explanation of acronyms used in the reporting
- Referring to KCR 8, an acknowledgement that City of York Council as an organisation would also need to reconfigure
- Allerton Waste Recovery Park fully operational date to be amended to read Jan/Feb 2018
- Deletion of duplicate wording under current status of the Guildhall project
- Clarity in recording those actions for which timescales had been extended because work was ongoing and those for which timescales had been extended because the actions had not been completed within the anticipated timescale.

Resolved: That the report be noted.

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.

72. Mazars Audit Progress Report

Members considered a report from Mazars which detailed progress in delivering their responsibilities as external auditors.

Jon Leece, Senior Manager at Mazars, was welcomed to his first meeting of the Audit and Governance Committee.

Members were informed that the 2016/17 audit planning had been completed. The audit planning had included following up on the implementation of the recommendations from the public interest report on City of York Trading. Mazars had been pleased to note that the recommendations had been implemented and good progress had been made.

Members' attention was drawn to national publications and other updates which had been referred to in the report. Members were informed of the updated guidance issued by the National Audit Office and, in particular, the requirement to comply with relevant ethical standards.

Members were informed that the proposals in respect of the Highways Network Assets project would not now be implemented in the foreseeable future.

Referring to the recommendations arising from the City of York Trading public interest report, Members asked if Mazars were satisfied with the way other arms length companies were operating. They were informed that Mazars had not carried out detailed work on this.

Referring to recommendation 6, the representative from Mazars was asked about the inclusion of the word "prescriptive" in the comments on the implementation of the recommendation, as this had not been included in the recommendation. Members were informed that the recommendation had arisen because the legal advice that had been given had not been followed and that

this had been the cause of many of the problems that had arisen. The Council's response to the recommendation meant that this situation was less likely to happen in the future.

Members commented on the issues in respect of partnership working with the NHS and social care integration. It was suggested that consideration be given to the prioritisation and apportionment of Better Care Funding spending.

Resolved: That the matters set out in the progress report presented by Mazars be noted.

Reason: To ensure Members are aware of Mazars' progress in delivering their responsibilities as external auditors.

73. Mazars Audit Strategy

Members considered a report from Mazars, the Council's external auditors, which set out their audit plan in respect of the Council's audit for the year ending 31 March 2017. Members' attention was drawn to the proposed timetable for the work.

Members noted the following risks that had been identified:

- Management override of controls
- Valuation of the defined benefit pension scheme

Members also noted the planned work around the value for money conclusion, as outlined in Annex A of the report.

Members expressed concerns regarding the level of materiality that had been set. They were informed of how this figure had been set and informed that Mazars would only report on misstatements above the trivial level unless issues a wider risk had been identified, for example fraud related or a value for money issue. In these circumstances, Mazars would raise awareness of the matter although it would not be included in the formal table.

Members sought clarification as to whether Mazars audited the Council's internal auditors and their value for money. They were informed that no specific review had been carried out and this was not part of the audit responsibilities. Mazars did,

however, audit the level of coverage of its work but not its value for money.

Members questioned the representatives from Mazars about the work that would take place in respect of pensions. They were informed that several days of the audit work would be allocated to this. Although part of the North Yorkshire Pension Fund, it was important to be aware of the Council's liability and risk. The role of Aon Hewitt (actuary) in this process was noted.

Resolved: That the matters set out in the report presented by Mazars be noted.

Reason: To ensure Members are aware of Mazars' progress in delivering their responsibilities as external auditors.

74. Schools Information Governance - Internal Audit Report Update

Members considered a report which provided an update following the internal audit report for schools information governance which had been presented to the committee at their meeting on 20 December 2016.

Members were informed that, for the purposes of the Data Protection Act (DPA) all schools were their own data controllers. This meant that the council was not accountable or responsible for compliance by schools. The council did, however, work with schools who had bought into the information governance advice and support through the council's Service for Schools offer. Since the internal audit review had taken place, the council had also offered awareness raising training sessions to all schools free of charge. These had been well attended and it was proposed to extend the training to school governors.

Members commented on the transferred reputational risk to the council which may be seen as responsible for breaches that occurred even though, under Local Management of Schools, this was not the case. It was noted that the council would continue to use its influence and encouragement to address this issue although there were resource implications unless schools bought into the service. Discussions would take place with Children's Services as to how best this could be achieved. It

was agreed that training for school governors would be one way in which to raise awareness of this issue.

Members asked if information was available regarding the extent to which schools had completed the actions arising from the internal audit report. They were informed that this would be reported in the internal audit follow-up report. It was agreed that information on schools information governance would also be reported in the regular governance reports that were presented to the committee¹.

Resolved: (i) That the work undertaken by the council team to support schools and Heads to meet their information governance responsibilities be noted.

(ii) That the work undertaken and still required by schools to meet their information governance responsibilities be noted.

Reason: To update the committee following the recent internal audit report on schools information governance.

Action Required

1. Include in future governance reports

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75. Audit and Governance Committee Forward Plan

Members gave consideration to a report which presented the future plan of reports expected to be presented to the committee during the forthcoming year to February 2018. Members were invited to identify any further items they wished to add to the Forward Plan.

The Chair explained that, in view of the number of items scheduled for the May meeting, the items had been split over the meetings scheduled for April and May. The size of agendas would continue to be monitored.

The following requests were put forward:

- Agenda item on revision of Media and Social Media protocols (as referred to in Key Corporate Risk 2)

- Information to be provided to the committee on the Governance Assessment Service offered by Mazars and the associated costs
- More detailed information to be included in the draft Internal Audit Plan regarding the planned work and scope.

Resolved: That the committee's Forward Plan for the period up to February 2018 be approved.

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

Councillor N Barnes, Chair

[The meeting started at 5.30 pm and finished at 7.30 pm].