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| Meeting   | Audit & Governance Committee                                                                                                                                              |
| Date      | 5 February 2020                                                                                                                                                           |
| Present   | Councillors Pavlovic (Chair), Fisher (Vice-Chair), D Taylor, Wann, Webb, K Taylor (Substitute) and Mendus (Independent Member) and Webb<br>Mr Mendus (Independent Member) |
| Apologies | Councillors Lomas and Mason<br>Mr Mann (Independent Member)                                                                                                               |

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### **Chair's Opening Remarks - Monitoring Officer**

The Chair welcomed the new Monitoring Officer and Director of Governance, Janie Berry, to the meeting and invited her to say a few words about her role.

#### **42. 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 might have in the business on the agenda. None were declared.

#### **43. Minutes**

In response to questions from the Chair with regard to the resolutions in Minutes 38, 39 and 40, it was confirmed that:

- The review of the effectiveness of Audit & Governance Committee (Minute 38) would begin after the Annual Council meeting;
- The committee's amendments to the Whistleblowing Policy (Minute 39) had been incorporated into the approved policy;
- The information requested on blocked media accounts (Minute 40) would be provided at the April meeting.

It was then

Resolved: That the minutes of the meeting held on 4 December 2019 be approved and then signed by the Chair as a correct record.

#### **44. Public Participation**

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

Michael Hammill spoke on matters within the committee's remit, expressing concern at a lack of transparency in the council's response to his Freedom of Information (FOI) request in relation to a planning matter.

At the request of the Chair, officers responded to Mr Hammill with regard to his case and indicated they would be contacting him further.

Gwen Swinburn spoke with reference to a number of items on the agenda, querying the absence of the staff car parking audit from the internal audit plan (Item 8) and raising concerns on several issues, including the language used in the Information Governance report (Item 9) and the council's performance on FOI requests.

The Chair thanked the speakers for their contribution and for identifying areas for improvement.

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

Members received a report which presented the proposed treasury management strategy and prudential indicators (PIs) report for the 2020/21 financial year, for the committee to examine prior to its consideration by Executive on 13 January.

The report to Executive was attached as Annex A. The only change proposed to the strategy was the addition of 'responsible investments', as identified in the FTSE4Good index, as the 4<sup>th</sup> criterion for investments after security, liquidity and yield. In response to Members' questions, officers confirmed that:

- The FTSE4Good index was a starting point rather than a final solution; its coverage was improving and it would be kept under review.
- All future treasury management review reports would include information on responsible investments.

- Provision for variance of authorised borrowing limits (PI 5A) had been made in the budget, which the Section 151 officer had assessed as prudent and affordable.
- The ratios of financing costs to net revenue streams (PI3) had been estimated without accounting for the income that would fund the capital expenditure.
- The term ‘bps’ in the report meant bank rate basis points.
- The council had not invested in any property funds, which were a type of money-market fund for longer term investments.

Members expressed disappointment at the current inadequacy of the FTSE4Good index and the fact that responsible investments could not be placed higher on the list of criteria. They also highlighted the need for training to ensure that all Members were equipped to scrutinise reports of this nature.

Resolved: That the treasury management strategy statement and prudential indicators at Annex A to the report be noted, and Members’ comments passed on to Executive.

Reason: To confirm that those responsible for scrutiny and governance arrangements have been properly updated and have fulfilled their responsibilities in scrutinising the strategy and policy.

#### **46. Counter Fraud Framework Update**

Members considered a report representing the third annual review of the counter fraud and corruption strategy and associated action plan approved in 2017, providing an update on progress against the actions in the strategy and adding new actions for the next financial year.

CIPFA’s latest annual Fraud and Corruption Tracker report, detailing levels of fraud detected by local authorities in 2018/19, was attached as Annex 1 to the report. This indicated that:

- adult social care fraud was one of the three largest areas of concern, with the amount of loss more than doubling;
- procurement fraud was also seen as a high risk area;
- the largest area of loss was in council tax related discounts, which had risen to £30.6m;
- levels of housing fraud had fallen, but the average loss per case remained high at £32k.

Adult social care, procurement and council tax were all areas included in the council's updated counter fraud strategy action plan at Annex 2 and counter fraud risk assessment at Annex 3. Annex 2 included an action to promote the new Whistleblowing Policy.

In York, a total amount of £190k fraud had been detected up to quarter 3 of 2019/20, of which 66% was in adult social care. Savings of £235k had been produced against a target of £200k. In response to questions from Members, officers confirmed that:

- levels of savings were variable; most local authorities set targets to assess their teams' performance;
- the amount of joint working with the DWP had been 'modest' (paragraph 5) due to it being a recent introduction;
- Campaigns had been run in recent years in relation to blue badge fraud and levels had reduced somewhat.

Resolved: (i) That the updated Counter Fraud and Corruption Strategy Action Plan at Annex 2 to the report be noted.

Reason: In accordance with the committee's responsibility to assess the effectiveness of the council's counter-fraud arrangements.

(ii) That the updated Fraud Risk Assessment and proposed priorities for counter fraud work set out in Annex 3 be noted.

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

#### **47. Mazars Audit Update Report**

Members considered a report from Mazars, regarding progress in delivering their responsibilities as the council's external auditors.

The update report was attached as Annex A. Part 1 was a summary of audit progress, currently in the interim audit stage. Part 2 set out grants for 2018/19 and Part 3 provided information on publications by the National Audit Office. Officers from Mazars were in attendance to present their report and answer any questions.

Questions were raised in respect of the new Financial Management Code and Prudential Property Investment publications listed as nos. 3 and 4 in Part 3. The Chair suggested that information on these be included in the Member training mentioned earlier in the meeting (Minute 45 refers).

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

Reason: To confirm that Members are aware of Mazars' progress in delivering their external audit responsibilities.

#### **48. Mazars Audit Strategy Memorandum**

Members considered the Audit Strategy Memorandum from Mazars for the year ending 31 March 2020.

The Memorandum, attached as Annex A to the cover report, summarised Mazars' audit approach, highlighted significant areas of key judgements and provided details of the audit team.

In response to Members' questions, officers from Mazars confirmed that:

- The materiality threshold percentage (Section 8 of Annex A) was the same as last year
- They were working to ensure awareness of and compliance with IFRS 16 – leases (Appendix B)
- Under the rolling programme of revaluations (Section 4), some assets were re-valued annually or more frequently.

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

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

#### **49. Internal Audit Plan Consultation**

Members considered a report which sought their views on the priorities for internal audit in 2020/21, to inform the preparation of the annual audit plan.

Due to the budgetary and other pressures faced by the council, the planning process targeted higher risk systems as in previous years, to make the best use of limited resources. Risk areas for consideration in 2020/21, with potential work to audit in those areas, were listed in Figure 1 at paragraph 6 of the report.

During the discussion, officers advised that there must be measurable baseline data for an audit to take place. This meant that the financial implications of carbon neutrality and the new absence management policy were not currently suitable subjects for audit. Members highlighted the following as areas for prioritisation:

Corporate & cross-cutting

- Areas of the council's corporate governance framework
- Performance management and data quality
- Procurement and contract management
- Environment and waste

Information Governance

- Information security checks
- Information asset registers

Project Management

- Overall corporate arrangements and project risk management
- Support and review of specific key projects

Health, Housing & Adult Social Care

- Budget management
- Public health (and budget allocation)
- Building services / housing repairs

Economy & Place

- York Central
- Environmental health
- Contract management
- Cyber security

In response to comments made under Public Participation, officers confirmed that the staff car parking strategy audit had been issued as a consultancy report and the conclusions reported to managers.

Resolved: That officers note the priorities highlighted by Members for internal audit work in 2020/21, and any further comments that may be forwarded to them by members of the committee not present at this meeting.

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

## **50. Information Governance and Complaints**

Members considered a report which provided an update on the council's performance on information governance performance, Information Commissioner's Officer (ICO) decision notices, publication of responses to Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests, and Local Government & Social Care Ombudsman (LGSCO) complaints.

Summaries of the decision notices published by the ICO since the last update, in December, were attached as Annex 1 to the report. These related to decisions made between 15 October 2019 and 17 January 2020. Two complaints had been upheld and two partially upheld. Annex 2 set out the decisions of the LGSCO from December to date. Of the six complaints decided, one had not been upheld and the rest had been closed after initial enquiries, with no further action taken.

As detailed in paragraph 5 of the report, the current practice of publishing FOI and EIR responses to the council's website was to be discontinued and replaced by an online disclosure log in plain text. This approach, intended to provide information in a clearer format and assist compliance with Accessibility Regulations, would be implemented initially as a six-month trial.

In response to comments made under Public Participation, officers confirmed that processes were in place to ensure compliance with the 20 day time limit for responses to FOI requests.

Resolved: That the information provided in the report be noted, pending a more detailed examination of information governance and complaints procedures at the meeting on 8 April.

Reason: To maintain a proper overview of information governance and complaints processes.

## 51. **Changes to the Constitution**

Members received a verbal update from the Monitoring Officer (MO) on the current progress of the review of the Constitution.

Committee Chairs across the council had been invited to examine their committees' terms of reference to ensure they were up to date, not restrictive, and did not conflict with one another. Further consultation would take place in the form of a conversation, providing an opportunity to learn about the Constitution, discuss the timescales of the review, and make sure the revised version was flexible, responsive and fit for purpose.

In response to Members' questions, the MO confirmed that the new Constitution must be in place before Annual Council, so that members could be properly appointed to committees. Some work on the review had already been completed by the Joint Standards Committee, in respect of the documents within their remit.

Resolved: That the update be noted.

Reason: For information, before Members consider the review of the Constitution in detail at their next meeting, on 11 March.

## 52. **Audit & Governance Committee Forward Plan to December 2020**

Members considered a plan of reports expected to be presented to future meetings of the committee, up to December 2020.

The Chair proposed an alteration to the content of future meetings, in that each should focus either on audit matters or on governance matters, rather than a mixture of the two. This would mean convening an additional meeting each year, in October. Following a discussion, it was

Resolved: (i) That the proposal for future meetings to focus on either audit or governance matters be agreed.

(ii) That an additional meeting of the committee be scheduled in October of this year and future years.



Reason: To enable the committee to concentrate on fewer items in greater depth at each meeting.

(iii) That authority be delegated to the Section 151 Officer, Monitoring Officer, Chair and Vice-Chair to determine the detailed content of the forward plan, which will then be circulated to Members for their comments prior to publication.

Reason: So that the committee has a planned programme of work in place.

### **53. Chair's Comments - Independent Members**

The Chair raised the issue of Independent Members of the committee, noting that the current terms of office had expired some time ago and that the process of selecting new members should be commenced as soon as possible.

Cllr M Pavlovic, Chair

[The meeting started at 5.30 pm and finished at 8.42 pm].