
Meeting	Audit & Governance Committee
Date	9 December 2015
Present	Councillors N Barnes (Chair), Dew (Vice-Chair), Cullwick, Fenton, Gunnell, Kramm, and Lisle Mr Mendus and Mr Bateman
In attendance	Councillors Cuthbertson, Taylor and Warters

34. 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 Barnes declared a Pecuniary Interest in agenda items 5 and 11, as his employer was a sponsor of one of the future occupants of the Community Stadium which was a project which was referred to in these reports. Councillor Barnes stated that if Members wished to discuss the community stadium aspects of these reports he would withdraw from the room and the Vice-Chair would take the Chair.

35. Minutes

Resolved: That the minutes of the meeting of 23 September 2015 be approved and signed as a correct record.

36. Public Participation

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

Mr Ben Drake, Unison Representative, spoke in respect of agenda item 9 (Pension Investment in Fossil Fuels). He clarified that although he was the Unison Representative on the North Yorkshire Pensions Committee he was not speaking on behalf of the Committee. He stated that the Pensions Committee was already beginning to look at the issue of

investment in fossil fuels and he drew Members' attention to the financial as well as fiduciary implications.

Councillor Dave Taylor, as Chair of the Learning and Culture Policy and Scrutiny Committee, spoke in respect of agenda item 7 (Audit and Counter Fraud Progress Report – specifically the TdF Review). He stated that the Learning and Culture Policy and Scrutiny Committee had agreed to carry out a review of aspects of the Tour de France and he outlined the remit of this review. He suggested that if the Audit and Governance Committee were intending to give consideration to aspects of the audit findings, it would be beneficial for the two committees to work together to avoid duplication and to ensure that the Council's resources were used effectively.

Ms Gwen Swinburn spoke of the need to ensure that appropriate checks and balances were in place to ensure accountability and expressed concerns that the audit that Mazars had carried out on the arrangements for delivering the Community Stadium project had not been as detailed as other reviews. *These items were later picked up by the committee during their discussions. [as amended at the meeting of 10 February 2016]*

Councillor Warters spoke in respect of agenda items 5 and 11, with particular reference to the Community Stadium project. He highlighted the section in the Annual Audit Letter relating to this project and expressed concerns regarding changes made since the procurement process and in respect of the third party commercial element of the scheme. He stated that there should be a thorough investigation of the project and stressed the need to ensure that residents received value for money from the Council's investment.

37. Audit and Governance Committee's Forward Plan

Members considered a paper which presented the future plan of reports expected to be presented to the committee during the forthcoming year to September 2016. Officers detailed the changes that had been made to the plan since the last meeting, as detailed in paragraphs 4 to 6 of the report.

Members were invited to identify any further items they wished to see added to the Forward Plan.

In addition to the training sessions that had been arranged for the committee, Members were encouraged to contact officers if they had particular queries regarding reports that were due to be presented to the committee or if they had suggested training topics.

Members requested that the dates of meetings for the next municipal year be circulated as soon as possible.¹

Resolved: That the committee's Forward Plan for the period to September 2016 be approved.

Reason: To ensure the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the Council's internal control environment in accordance with its roles and responsibilities.

Action Required

1.Circulate dates

JC

38. Programme/Project Management Update

Members considered a report which provided an update on key programme and project activity. It also provided information on the work that the Council was carrying out to strengthen project and programme management. Members were asked to provide feedback on any further data they wished to see included in future update reports.

The Members who had been able to attend the briefing session on project management, which had included the opportunity to see the Verto system, stated that this had been very useful.

(Councillor Barnes withdrew from the meeting. Councillor Dew in the Chair)

Concerns were expressed that insufficient information had been provided to the committee regarding the Community Stadium project, particularly with regard to finance and procurement issues. Officers stated that the report had been intended to provide a summary of the main projects but that more detailed information could be provided to the committee should they so wish. In response to Members' concerns that they may not have access to commercially sensitive information relating to the

community stadium project, officers gave assurances that the committee would be provided with all the necessary information it required to carry out its responsibilities. Where necessary, the arrangements for dealing with exempt information, would be applied.

Members asked that consideration be given to including the following information in future programme/project management update reports:

- Where another committee had already received a detailed report on a project it would be helpful for the summary update report to include a hyperlink to enable Members to access more detailed information if required.
- A traffic light system to better identify any emerging issues in respect of finance or timescales.
- Differentiating between dependencies, and where applicable, interdependencies in the summary template.
- The inclusion of the names of the Executive Member and the Director within responsibility for each project.

Members welcomed the instigation of gateways in the project management process and agreed that it would be useful for the committee to receive updates on particular projects at these time points. They also agreed that it would be helpful for Members to have access to the Verto system once this was rolled out across the Council. Members also commented on the need to ensure that when projects were being considered, full consideration was given to factors around managing ambition and the capacity to deliver.

Members commented on the need to ensure that the work they were undertaking in respect of programme and project management did not duplicate work being undertaken by other committees but they agreed on the importance of ensuring that they intervened at an early stage when projects were not on target. Members suggested that it would be useful for the committee to have a greater understanding of general procurement processes in respect of project management.

(Councillor Barnes returned to the meeting and took the Chair)

- Resolved: (i) That the report be noted.
- (ii) That the feedback from Members regarding the information they would wish to receive in

respect of project management be taken into account in future update reports.¹

- Reasons: (i) To ensure that the committee is kept updated on key programme and project activity.
- (ii) To ensure that Members receive the necessary information enable them to carry out their responsibilities as an Audit and Governance Committee member.

Action Required

1. Consider feedback to inform future reporting to the committee SH

39. Update on Information Governance

Members considered a report which provided an update on information governance developments since the last report to the committee in June 2015. The report detailed progress in implementing internal audit report recommendations as well as best practice developed by government and the Information Commissioner's Office (ICO). Members' attention was also drawn to the ICO's final report and audit opinion following its audit. The audit had focussed on City of York Council's arrangements in respect of records management, subject access requests and data sharing.

Members noted that the audit had been consensual and its scope had focussed on those areas in which the Council had most to learn. Although there was no requirement to do so, City of York Council had published the Executive Summary and the Full Report.

Officers were asked if the actions in the action plan were on target to be completed within the specified timescales. Officers stated that a number of the issues raised in the audit report could be resolved within a short timescale and that the committee would receive regular updates on progress in implementing the action plan. Members noted that the ICO would also carry out a follow-up audit to assess progress against the recommendations.

Referring to Annex 2 of the report (ICO Complaints), Members requested that the committee receive further information on those cases where the outcome was against the Council.¹

- Resolved: (i) That the report be noted.
- (ii) That an update on progress in implementing the action plan be presented to the committee at their meeting on 13 April 2016.

- Reasons: (i) To ensure that the committee is aware of the achievements made, as well as the opportunities and challenges arising from the ICO audit.
- (ii) To enable Members to monitor progress in the implementation of the action plan.

Action Required

1. Provide information to the committee in next report

LL

40. Audit and Counter Fraud Progress Report

Members considered a report which provided an update on progress made in delivering the internal audit workplan for 2015/16 and on current counter-fraud activity. The final internal audit reports had been included with the online agenda papers.

Tour de France

Members expressed concerns regarding the findings of the Tour de France audit report and questioned officers regarding aspects of the report, including the decision not to name the Members and officers who had been interviewed as part of the audit. Officers explained that the audit had been commissioned as a “lessons to be learned” report with the intention of identifying what could be done differently when future projects were planned. The report was a public document and hence individuals had not been named to avoid the need for redactions. The report was now with the Chief Executive for consideration.

Members sought clarification as to whether, if a similar event was to be held, it would be subject to the project management arrangements that were now in place. Officers confirmed this to be the case.

Members noted the comments that had been raised by the Chair of the Learning and Culture Policy and Scrutiny Committee under the Public Participation item, and agreed that

it would be beneficial for the Audit and Governance Committee to work with the Scrutiny Task Group who were carrying out a review of aspects of the TDF. Members agreed on the importance of ensuring that lessons were learned and suggested that the Task Group should be asked to consider recommending a policy and procedures that could be applied for similar events in the future. It was agreed that the Chair and Vice-Chair would liaise with the Chair of the Learning and Culture Policy and Scrutiny Committee to request that the issues raised by Audit and Governance Committee were addressed during the course of the review.

Some concerns were expressed that it was now some time since the TDF had taken place but no learning points had yet been identified. It was noted that the scrutiny task group were intending to complete their review by the end of the current municipal year.

Public Health

Concerns were expressed that the Public Health audit had received an audit opinion of “limited assurance”. Members requested that the Health and Adult Social Care Policy and Scrutiny Committee include this as an agenda item on their committee’s work plan if they had not already done so.

- Resolved:
- (i) That the progress made in delivering the 2015/16 internal audit programme, and current counter fraud activity be noted.
 - (ii) That, as part of their review, the TDF Task Group be asked to consider the concerns raised by the Audit and Governance Committee.¹
 - (iii) That the Health and Adult Social Care Policy and Scrutiny Committee be requested to consider the recommendations arising from the Public Health audit report if they had not already done so.²

- Reasons:
- (i) To enable Members to consider the implications of audit and fraud findings.

- (ii) To ensure that lessons learned can be applied to the planning of future events.
- (iii) To raise awareness of the issues in the report and ensure appropriate monitoring of progress in addressing the recommendations.

Action Required

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| 1. Chair and Vice Chair, in consultation with the scrutiny officer, arrange for committee's views to be fed into the scrutiny review | MC |
| 2. Notify the Chair of the Health and Adult Social Care Policy and Scrutiny Committee | SE |

41. Scrutiny of Treasury Management Mid Year review and Prudential Indicators 2015/16

Members considered a paper which presented the Treasury Management Mid Year Review and Prudential Indicators 2015/16 report which had been considered by the Executive on 26 November 2015. The report provided an update on treasury management activity for the first six months of 2015/16.

Members were informed of the economic and market conditions in which the treasury management activities of the Council were currently operating. Officers responded to Members' questions on aspects of the report.

Resolved: That the Treasury Management Mid Year Review and Prudential Indicators 2015/16 be noted.

Reason: So that those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

42. Pension Investment in Fossil Fuels

Members considered a report which had been written in response to a Council motion of 8 October 2015 which required a report to be presented to the Audit and Governance Committee detailing York's current direct and indirect investments in fossil fuels, including current investment by North Yorkshire Pension Fund.

Members commented that the report had focussed on pension investment in fossil fuels and questioned whether investments made by City of York Council included investments in such companies. Officers explained that the Council did not directly invest in the stock market but invested with bank and building societies which did have investments in companies involved in fossil fuels. Officers were due to meet with treasury advisers and could find out more about the options available should Members so wish. Members suggested that it would also be helpful if information was sought from other Local Authorities who were looking to cease investing in fossil fuels.

Some concerns were expressed that, although City of York Council had a Member representative on the Pensions Fund Committee, appropriate arrangements were not in place to ensure that information was fed back to other Members of Council.

Members noted that the Final Accounts included a section on the Pension Fund and that the Pension Fund Committee also published an annual report.

Some Members expressed concern that if the Pension Fund was to withdraw its investments in fossil fuels members of the fund may be disadvantaged financially.

It was noted that the committee was due to receive a report on the Treasury Management Strategy Statement at the next meeting. It was suggested that the additional information requested by Members could be incorporated into that report.

Whilst some Members were content to note the contents of the report, other Members were concerned that the report had not provided information in respect of investments other than those held by the Pension Fund and that more detailed information should be provided to the committee.

Councillor Dew moved and Councillor Lisle seconded that the report be noted and that the committee take no further action. On being put to the vote this was not carried.

Members suggested that, as part of the Treasury Management Report that was due to be presented at the next meeting, information be provided in respect of the issues raised including not only the Pension Fund but also City of York Council's own

investments, consideration of investment in ethical funds and information from those local authorities who were considering withdrawing from investment in fossil fuels. On being put to the vote it was

Resolved: That, as part of the Treasury Management report scheduled to be presented at the next meeting, the following also be included¹:

- Information on CYCs own investments
- Information gathered from other local authorities
- Details of North Yorkshire Pension Fund's investment policies and investments in fossil fuels

Reason: To ensure that the Council motion of 8 October 2015 is actioned.

Action Required

1. Include information requested in the next report

DM

43. Mazars Audit Progress Report

Members considered a report which provided an update on progress made by Mazars in delivering its responsibilities as the Council's external auditors. The report also highlighted key emerging national issues and developments which may be of interest to Members.

Members were informed of the reasons why there had been a delay in the issuing of the audit certificate whilst the review of the governance arrangements relevant to the payments by City of York Trading Limited to two of the company's executive directors was completed. This work had now been completed and the consultation process was taking place. A request had been made for the deadline for responses to be extended to January 2016 and although Mazars had not agreed to do this they had extended the deadline from 10 December 2015 to 14 December 2015.

Members requested that they receive a copy of the report at the earliest opportunity and, depending on its contents, would wish a special meeting of the committee to be convened if appropriate. The Chair stated that once the report was

published he would liaise with the Chief Executive and committee members regarding this matter.¹

Resolved: That the report be noted.

Reason: To ensure that the committee is kept updated on progress made by the external auditors.

Action Required

1. On the instruction of the Chair, convene additional meeting if required JC

44. Mazars Annual Audit Letter 2014/15

Members considered the Annual Audit Letter 2014/15 from Mazars which summarised the outcome of the audit of the Council's 2014/15 annual accounts and the work on its value for money conclusion.

Members' attention was drawn to the key challenges for the Council, as detailed in section 4 of the Annual Audit Letter.

Clarification was sought as to how the Community Stadium review had been instigated. Officers confirmed that the review had been initiated by Mazars as part of the audit. The auditors had also instigated a more detailed review of the Transformation Programme.

Members' attention was drawn to the fee for the audit and certification work, as detailed in section 5 of the letter. It was noted that the fees did not include audit fees in relation to the review of the governance arrangements surrounding the payments by City of York Trading Limited to two of its executive directors.

Resolved: That the Annual Audit Letter be noted.

Reason: To ensure that Members are informed of the judgements of the external auditor

45. Review of Project Management Arrangements for the Transformation Programme

Members considered a report which detailed the findings of a review by Mazars of the programme and project management arrangements for the Transformation Programme.

Members were informed of the key findings of the review, as outlined in the report. It was noted that, although the Transformation Programme had now ended as a separate programme, many of the issues identified in the review would be relevant as the Council took forward these projects.

Resolved: That the report be noted.

Reason: To ensure that Members are aware of the findings of the review.

Councillor Neil Barnes, Chair

[The meeting started at 5.30 pm and finished at 8.45 pm].