

Meeting	Audit & Governance Committee
Date	23 September 2015
Present	Councillors N Barnes (Chair), Dew (Vice-Chair), Fenton, Gunnell, Kramm, Lisle, and Cuthbertson (Substitute for Councillor Cullwick) and Mr Bateman and Mr Mendus
Apologies	Councillor Cullwick

Part A - Matters Dealt with Under Delegated Powers

21. 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 respect of the Community Stadium project which was referred to in the Audit Completion Report (minute 29 refers), 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 the report. He stated that, should Members wish to discuss this aspect of the report, he would withdraw from the meeting.

22. Minutes

Resolved: That the minutes of the meeting of 29 July 2015 be approved and signed as a correct record.

23. Public Participation

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

24. 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 July 2016.

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

Members commented on the complexities and financial implications of the Community Stadium project and stated that there was also considerable public interest in the project. It was noted that a risk update report and a report on project management were due to be presented to the committee at the next meeting. Members requested that the risk update report included a specific focus on the Community Stadium project.

Resolved: That the committee's Forward Plan for the period to July 2016 be approved, subject to it being noted that the risk update report scheduled for the next meeting, included a specific focus on the Community Stadium project.

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.

25. Peer Review Update Report

Members considered a report which presented an update on actions being taken to progress the recommendations arising from the Local Government Association (LGA) peer reviews. The peer review reports had been included with the online agenda papers.

Members were informed that it had been agreed to undertake a further Peer Review in late November 2016 to consider the progress the council had made to address the recommendations of the two earlier reviews. The terms of reference for the review and details of the LGA team would be reported to the committee in due course. Members stated that

they hoped that all Members would have the opportunity to contribute to the review.

Members clarified whether the review was voluntary in nature and whether there were costs involved. Officers confirmed that it was a voluntary review although it was good practice and generally expected that Local Authorities would work together in this way. The council would meet some of the costs involved and others would be met by the LGA. An indication of the costs involved could be presented when the full plan for the review had been agreed.

It was noted that the original review had originated from a motion at full council and that an approach had been made by LGA regarding a follow-up review which had been agreed with Group Leaders.

- Resolved: (i) That the decision to undertake a further Peer Review in November 2016 be noted.
- (ii) That it be noted that a revised action plan would be brought to the committee following the Peer Review.

Reason: To ensure that Members are kept updated on progress following the peer reviews.

26. Programme and Project Management

Members considered a report that outlined the arrangements that were in place in respect of project management to ensure transparency in general, but particularly in respect of projects with commercial sensitivities. The report had been requested at the previous meeting. Members noted that a more comprehensive report on the council's project management activity would be brought to the committee at the next meeting.

Members' attention was drawn to paragraph 9 of the report which detailed proposed arrangements to strengthen the role of the Audit and Governance Committee and scrutiny committees in the issue of major projects. It was proposed that quarterly major projects reports be produced for the committee to cover projects under the following broad headings:

- Where there is significant capital expenditure

- Where there is likely to be significant public interest
- Where there is a major saving target/change in the delivery of a service

Members stated that they welcomed the changes that were being implemented to improve transparency.

At the request of Members, officers detailed the arrangements that were in place to ensure that all officers who were involved in managing projects received an appropriate level of training. Details were also given of progress that was being made in developing the use of the Verto web based system to support the management of projects. Further information would be included in the next project management report to the committee.

- Resolved:
- (i) That the report be noted.
 - (ii) That quarterly project updates, as outlined in paragraph 9 of the report, be presented to the committee.
 - (iii) That it be noted that regular project updates would also be presented to the Executive (via the capital monitor report) covering the council's most significant projects.

Reason: To ensure greater transparency in project management.

27. Objection and Closure of the 2013/14 Audit

Members considered a report from Mazars which presented the outcomes from the objection and the closure of the 2013/14 audit.

It was noted that Mazars had determined the objection on 31 July 2015 and had not been persuaded that the item of account to which the objection related had been unlawful. A certificate had been issued closing the audit on 7 September 2015.

Members noted the costs relating to the objection.

Resolved: That the report be noted.

Reason: To ensure that Members are informed of the work carried out to complete the audit and the outcomes from the objection.

28. Annual Financial Report - Statement of Accounts 2014/15

Members considered a report which presented a final set of accounts for 2014/15 to reflect changes made since the draft pre-audit accounts were presented to the committee on 29 July 2015.

Officers confirmed that the areas identified in 2014/15, as outlined in paragraph 7 of the report, would form the basis of a structured improvement programme in the build up to the production of next year's accounts. Work on this was already ongoing.

Members noted that the Learning and Culture Policy and Scrutiny Committee would be carrying out a review on spending in respect of Tour de France activities.

Officers were thanked for their work in preparing the accounts.

- Resolved:
- (i) That the matters set out in the Audit Completion Report presented by the external auditor be noted.
 - (ii) That the amended Annual Financial Report at Annex A of the report be approved for signature by the Chair in accordance with the Accounts and Audit Regulations 2003.
 - (iii) That the letter of representation, as included in the Audit Completion Report, be approved for signature by the Director of Customer and Business Support Services.

- Reasons:
- (i) 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.

- (ii) and (iii) To ensure compliance with the International Auditing Standards and any relevant legislative requirements.

29. Audit Completion Report

Members gave consideration to the Audit Completion Report from Mazars for the year ended 31 March 2015.

Members noted that since the report had been published Mazars had received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements. An update was tabled [*included with the online agenda papers for the meeting*].

Members noted that Mazars would be issuing an unqualified opinion, without modification, on the statement of accounts and had concluded that proper arrangements had been made to secure economy, efficiency and effectiveness in the use of resources. Tribute was paid to the work that council officers had carried out and the improvements that had been made.

Representatives from Mazars went through the significant findings from the audit, as detailed in the report.

Members questioned the representatives from Mazars about the issue of bank reconciliation. They were informed that there had been a significant improvement since the previous year and the work undertaken by officers had significantly reduced the number and value of adjustments required to carry out the year end bank reconciliation. There did, however, remain a non-material discrepancy between the bank account and the financial ledger. CYC officers explained that this was an historic issue and work was being carried out to address the problem. They were confident that the matter would be fully resolved in the current financial year.

Members noted the work that Mazars had carried out in respect of the transformation programme. A detailed findings document had been produced for CYC management and it was proposed to bring a report to the next committee meeting.

Resolved: That the report be noted.

Reason: To ensure that Members are notified of the findings of the audit.

30. Risk Based Verification Policy

Members gave consideration to a report which presented the council's Risk Based Verification (RBV) policy.

Members were informed that the council had been provided with the opportunity to implement Risk Based Verification into its housing benefit processes by the Department for Work and Pensions through the DWP Fraud and Error Reduction Initiative Scheme.

Members questioned officers about the impact of this initiative on customers. They were informed that it was intended that the RBV would provide a quicker and less onerous service for many customers, as there would be a reduction in processing time.

It was noted that the software for this initiative would be free until at least June 2016. Members suggested that the policy should be reviewed at that time to ascertain whether the initiative was working effectively.

- Resolved:
- (i) That the implementation of RBV for change of circumstance housing benefit claims be approved.
 - (ii) That the RBV Policy, as set out in Annex A of the report, be approved.
 - (iii) That the policy be reviewed by June 2016.

- Reasons:
- (i) To more efficiently manage change of circumstances reported by Housing Benefit customers. This will improve customer service, deliver efficiencies and increase the value and detection of fraud and error.
 - (ii) To meet the requirements of Department for Work and Pensions guidance, allowing the council to participate in this initiative.

- (iii) To enable the effectiveness of the policy to be reviewed.

31. Audit and Counter Fraud Monitoring 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.

Resolved: That the progress made in delivering the 2015/16 internal audit work programme, and current counter fraud activity be noted.

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

32. Regulation of Investigatory Powers Act (RIPA) and Inspection by the Surveillance Commissioner

Members considered a report which presented statistics about the council's application of the Regulation of Investigatory Powers Act 2000 (RIPA) and which described the council's progress in completing the recommendations made following the most recent inspection by the Office of the Surveillance Commissioner (OSC).

Members were pleased to note that the OSC report had been positive. Attention was drawn to paragraph 15 of the report which detailed the small number of improvements that had been identified.

Resolved: That the small but important contribution to crime prevention made by covert investigations by council officers, the current levels of activity and the outcomes of the recent inspection be noted.

Reason: To ensure that the council conducts covert surveillance in accordance with relevant legislation and fulfils the public interest in maintaining the privacy of its citizens.

Part B - Matters Referred to Council

33. Deputy Leader's Report to Council

Members considered a report which asked the committee to give further consideration to the introduction of a Deputy Leader's report to Council. At the previous meeting, Members had considered the principle of introducing such a report and Members were now asked to consider a specific proposal for consideration.

Differing views were put forward as to whether a Deputy Leader's report should be presented to Council. Whilst some Members commented that such an arrangement would not improve governance and may reduce the opportunity to hold the Leader to account, the majority of Members stated that they were reassured that the proposed new arrangement addressed the issues that had previously been raised regarding the time pressures at Council meetings. Members felt that the proposal also recognised the way in which power was shared within the Executive and would improve transparency.

It was noted that the proposal to include a Deputy Leader's report had arisen because of the joint administration arrangement that was now in place, but the implementation of such a report would need to be reviewed in future if there were changes to governance arrangements.

- Recommend: (a) That Council consider a proposal that:
- (i) The Council procedure rules include provision for a report from the Deputy Leader.
 - (ii) The existing rules for Cabinet Members' reports be applied to the report of the Deputy Leader.
 - (iii) The Deputy Leader's right to respond to the Leader's report be removed from the Constitution.
 - (iv) The time for questions on the Leader's report be reduced from fifteen to ten minutes.

(b) That Council note the comments of the committee on the proposals.

Reasons: (i) To allow Full Council to consider the introduction of a Deputy Leader's report.

(ii) To enable Council to have the benefit of the Committee's advice when debating the proposal.

Councillor N Barnes, Chair

[The meeting started at 5.30 pm and finished at 7.50 pm].