

Meeting	Audit & Governance Committee
Date	13 April 2016
Present	Councillors N Barnes (Chair), Dew (Vice-Chair), Cullwick, Fenton, Gunnell, Kramm and Lisle Mr Bateman and Mr Mendus

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### **57. 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 prejudicial interest in respect of agenda item 9 (Mazars Audit Strategy Memorandum) as his employer was a sponsor of one of the future occupants of the Community Stadium and Mazars were proposing to carry out an audit of this project. Councillor Barnes stated that he would withdraw from the meeting for the item and Councillor Dew would take the Chair.

### **58. Minutes**

Resolved: That the minutes of the meeting of 10 February 2016 be approved and signed as a correct record.

### **59. 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 one Member of Council had also registered to speak.

Ms Gwen Swinburn spoke on the following issues:

- Referring to the Public Interest Report, Ms Swinburn expressed concern that an item had not been included on the agenda to bring forward the governance review. She stated that many of the recommendations contained within the Public Interest Report fell within the committee's remit.

Ms Swinburn informed the committee that members of the community, herself included, would be willing to take part in the governance review.

- Referring to the proposed audits to be carried out by the internal and external auditors, Ms Swinburn stated that more rigorous processes, for example scoring systems, should be put in place in identifying priorities for audit. She welcomed the more in depth audit of the Community Stadium project that was being proposed.
- Referring to agenda item 6, Ms Swinburn expressed concern that the audit reports had been made available online and had not been included in the paper copies of the agenda. She stated that this agenda item should be made clearer to enable full consideration to be given to the audit reports.

Mr Whiteley raised the following issues:

- He paid tribute to the work that Mazars had carried out regarding the Public Interest Report. He drew attention to the costs of this work, including the legal fees. He expressed concern at events that had occurred at the Full Council meeting at which the report had been considered and at the subsequent editing of the webcast.
- Mr Whiteley stated that he was also concerned about the way in which information was presented to the committee and issues in respect of agenda management.

Councillor Warters raised the following issues:

- He stated that he was pleased to note that Mazars would be carrying out a review of the Community Stadium project and stressed the importance of ensuring that this was a detailed and forensic examination. He expressed his concern at the financial costs of the project and stated that there was a need to ensure that residents received value for money.
- Councillor Warters commented on the costs of the Public Information Report and associated legal costs. He also referred to the legal costs arising from the decision to initially edit the webcast of the Council meeting.
- Referring to agenda item 6, Councillor Warters expressed his concerns regarding the scratch card car park permit scheme and the potential for abuse of the system that was in place.

## **60. 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 February 2017. It was noted that an additional meeting had been convened in view of the number of items on the Forward Plan.

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

The Chair confirmed that, as requested at the previous meeting, arrangements were being made for the committee to meet in private with the external and internal auditors. As part of the committee's development plan, training sessions were also to be offered on the Statement of Accounts and the Annual Governance Statement.

Referring to the resolution that had been passed by Full Council referring the recommendations arising from the Public Interest Report to the Executive, Members requested that they be informed of the timescale within which the recommendations were to be addressed. Members also requested that the committee be involved in the monitoring of progress in implementing the recommendations.

Concerns were raised regarding issues that had arisen at the Full Council meeting on 24 March 2016 under the public participation item and the subsequent editing of the webcast of the meeting. Members requested that they receive a briefing on the issues that had arisen, including details of the relevant protocols and how they had been applied. The Chair agreed to raise these issues with the Chief Executive on behalf of the committee.<sup>1</sup>

Members also agreed that, although the protocols on public participation and on webcasting had previously been considered by the Audit and Governance Committee, it might be timely for these to be reviewed to ensure that they were robust.

Members sought clarification regarding the proposed agenda item on the review of the Constitution and the format that this would take. Officers stated that this would be an update report, as the Constitution was being reviewed on a rolling programme. Members questioned whether there was an opportunity to

involve members of the public in this process. The Chair commented that the committee had previously held a public event to look at ways of increasing public involvement in local democracy but it had not been well attended. Further consideration could, however, be given to this matter.

Resolved: That the Forward Plan be approved subject to the inclusion of the following items:

- Review of protocols on Public Participation and Webcasting (June 2016 meeting)<sup>2</sup>

Reason: To ensure that 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. Raise the issues with the Chief Executive
2. Update Forward Plan

NB  
EA

**61. Internal Audit and Counter Fraud Plan 2016/17**

Members considered a report which sought the committee's approval for the planned programme of internal audit, and counter fraud work to be undertaken in 2016/17.

Officers confirmed that the suggestions put forward by the Committee at the previous meeting had been incorporated into the planned programme of work. Members were informed that the programme focussed on areas considered to be of highest risk but it also needed to be flexible to respond to changing priorities. Any variations to the programme would be reported to the committee.

Referring to the proposed audit of Adult Social Services, Members queried whether the proposed allocation of days would be sufficient in view of the pressures on the portfolio. Officers confirmed that, in addition to the days stated, the portfolio would be subject to audits on cross-directorate issues.

Members suggested that, in carrying out the proposed audits, consideration be given to the following issues:

- The format of ward committee meetings in respect of decision making re ward funding. It was suggested that the audit should also involve discussions with Members.
- The project management qualifications of those involved in this area of work

Officers were asked when the Section 106 agreements audit would be carried out. They stated that no decision had yet been made regarding this matter but the committee would be kept informed.

Members clarified the audit arrangements that were in place in respect of IT in view of the impact that any failure in this area could have on the work of the Council. Officers confirmed that aspects of IT were included in each year's audits.

Members suggested that there was a need to look at ways in which the Council's relationships with outside organisations and bodies such as the West Yorkshire Combined Authority were appropriately audited.

Members queried whether sufficient resources were allocated to audit. Officers stated that the Council had a statutory duty to ensure that an effective audit function was in place and although there were challenges and financial pressures, this duty was recognised when budgets were set. Veritau continued to look for efficiency savings as well as consideration of additional income generation.

Resolved: That the 2016/17 internal audit and counter fraud plan be approved.

Reason: In accordance with the committee's responsibility for overseeing the work of internal audit.

## **62. 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.

Noting that copies of the audit reports had been published on-line with paper copies only available on request; discussion took place regarding the format in which Members would wish to

receive future reports. Members made the following requests regarding future Audit and Counter Fraud Monitoring Reports<sup>1</sup>:

- Paper copies to be provided of audit reports which had been given limited or no assurance
- The cover report to list those audit reports that were available on-line only
- Consideration to be given as to whether Members could receive unredacted copies of the reports to enable them to have a greater awareness of the issues that had been identified.
- Consideration to be given as to whether more detailed information could be provided in respect of non-opinion audit work.

Members noted that, in respect of audits completed, it was anticipated that the 93% target for the year would be exceeded by the end of April 2016.

Referring to Annex 3 of the report, officers were asked why savings identified through fraud investigations would not be as high as in 2014/15. They explained that factors such as the responsibility for investigating and prosecuting Housing Benefit Fraud transferring from the Council to the Department for Work and Pensions had impacted on the figures. There had also been two vacancies for fraud investigators, although arrangements were in place for these posts to be filled.

Clarification was sought as to how decisions were made in respect of the deferral of audits. Members were informed that audit plan variations were discussed with the Director of Customer and Business Support Services. Members suggested that, to avoid any potential conflict of interest, it may be appropriate for the Chair of the Audit and Governance Committee to also be consulted.

Members were reminded that, if they had concerns regarding particular audit reports, they could request a report on the issues and ask service managers to attend a meeting to provide information as to the actions that were being taken to address the findings. It was noted that an update report on absence management was due to be considered at the next meeting. Members requested that, when finalised, a report on Section 106 Agreements also be included as an agenda item.<sup>2</sup>

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.

Action Required

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| 1. Consider Committee's requests       | MT |
| 2. Include on committee's Forward Plan | EA |

**63. Internal Audit Follow up Report**

Members considered a regular six monthly report which set out progress made by council departments in implementing actions agreed as part of internal audit work.

Members requested that future reports provided greater detail in respect of the priority 1 and priority 2 actions that had been deferred, including the reasons for the deferral and the revised implementation dates.<sup>1</sup>

Resolved: That the report be noted.

Reason: To enable Members to fulfil their role in providing independent assurance on the Council's control environment.

Action Required

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| 1. Provide more detailed information re actions with revised implementation dates | MT |
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**64. Mazars Audit Progress Report**

Members considered a report from Mazars which provided an update on progress in delivering their responsibilities as external auditors. The report also highlighted key emerging national issues and developments.

It was noted that the Public Interest Report on governance issues in relation to remuneration of council officers for work as Directors of City of York Trading Ltd, had been considered at the Full Council meeting of 24 March 2016 and the recommendations in the report would be followed up. At the request of Members, clarification was given in respect of the

legal fees incurred by Mazars during the work. Members were informed that Mazars were currently awaiting approval of these fees by Public Sector Audit Appointments Ltd but they would form part of Code audit work fees for 2014/15.

Members' attention was drawn to the changes impacting on the public inspection of the accounts, as outlined in the report.

Resolved: That the report be noted.

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

## **65. Mazars Audit Strategy Memorandum**

*[Councillor Barnes withdrew from the meeting for this item.  
Councillor Dew in the Chair]*

Members considered a report which presented the Audit Strategy Memorandum for City of York Council for the year ending 31 March 2016. The document summarised the audit approach taken by Mazars, highlighted significant audit risks and provided details of the audit team.

Representatives from Mazars drew Members' attention to the significant risks and key judgement areas, as outlined in section 3 of the report, and of the criterion for the value for money conclusion.

Members noted the proposed fees for the audit work, including additional work considered necessary in relation to the value for money conclusion. The work would include:

- A review of the Community Stadium project
- A review of the operation of the first year of the Better Care Fund
- Follow up on progress made on the housing for older people procurement and
- A review of the operation of the improved programme and project management arrangements

Members queried whether Mazars would be considering the risks facing the Council in its dealings with arms length organisations and the associated governance arrangements. They were informed that the recommendations contained within the Public Interest Report did not apply solely to City of York



Trading Ltd and hence the actions arising from the report would have implications in respect of the council's working arrangements with other organisations.

The representatives from Mazars were asked if consideration had been given to the risks involved in respect of the York Central project in view of the significance of the project and the need to ensure that it was steered appropriately. They stated that, at this stage, they did not consider that the project merited a separate audit although it would be included in the work that would be carried out in respect of project management and they would reflect on the issues that Members had raised. Officers commented that no detailed funding arrangements had been agreed at this stage.

Clarification was sought regarding the proposed review of the Community Stadium. Members were informed that the work would be in greater detail than the previous audit and that its scope would be brought to the committee's attention. Factors that had been taken into account when determining that a further review would take place had been the significant change in finance and the change in the project's personnel.

Referring to the section on group audit approach, Members noted that the Council's view was that group accounts were not required for 2015/16 in respect of City of York Trading Ltd and Make it York although the fully audited accounts of all the Council's trading subsidiaries would be made available to Mazars as part of the audit of the Council's accounts. Members sought clarification from Mazars as to the circumstances in which they would challenge the Council's view that the group accounts were not required. They were informed that if the Council increased trading with external organisations this view would need to be reconsidered.

Members suggested that it would be useful if Mazars were able to provide examples of best practice in respect of Annual Governance Statements.

At the request of Members, details were given of the factors that were taken into account when setting the audit fees and determining the scope of the work.

Members requested that the Council provide a cover report in respect of reports presented by Mazars to include recommendations for consideration by the committee.<sup>1</sup>

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. Make the necessary arrangements

EA

Councillor N Barnes, Chair

[The meeting started at 5.30 pm and finished at 8.15 pm].