

| | |
|-----------|---|
| Meeting | Audit & Governance Committee |
| Date | 22 June 2016 |
| Present | Councillors N Barnes (Chair), Dew (Vice-Chair), Cuthbertson, Fenton, Flinders and Lisle Mr Mendus and Mr Bateman |
| Apologies | Councillor Kramm |

Part A - Matters Dealt with Under Delegated Powers

1. 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 disclosable pecuniary interest in agenda item 8 - Annual Report of the Head of Internal Audit (minute 6 refers), due to his employment as a project manager.

2. Minutes

Resolved: That the minutes of the meeting of 10 May 2016 be approved as a correct record and then signed by the Chair.

3. Public Participation

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

4. Draft Annual Governance Statement

Members gave consideration to the draft Annual Governance Statement. Members were asked to consider and approve the Annual Governance Statement 2015/16.

Members noted that a signed version, as agreed by the Leader and Chief Executive of the Council, would accompany the Statement of Accounts 2015/16. The Chief Executive, Leader

and Deputy Leader had been consulted on the draft Annual Governance Statement and were satisfied with its contents.

Members noted that consideration had been given to the format of the Annual Governance Statement of other Local Authorities to find examples of good practice, the web links to some of these were listed in paragraph 7 of the report.

Members' attention was drawn to the table at section 5 which outlined the significant governance issues and more general issues facing the Council, along with details of actions that had been taken or which were planned. Members noted that the Annual Governance Statement made reference to issues, including the ICO Audit and Absence Management, for which the Committee continued to receive reports to update them on progress.

Members requested that the following additions to be made to the draft Annual Governance Statement:

- Peer Review: include further information, making reference to the action plan that was due to be approved by Executive.
- Financial Risks: include an action for the Audit and Governance Committee to review the Code of Corporate Governance in the light of recently issued revised guidance from CIPFA.
- Devolution: include additional detail to acknowledge the breadth of the dialogue that was taking place.
- Project Management: whilst it was acknowledged that progress had been made in respect of project management, Members suggested that more detail should be included in the Annual Governance Statement in view of the internal audit report on Project Management that had been issued in May 2016 and which had give a limited assurance overall audit opinion.

Referring to the sections on financial management and compliance arrangements, officers were asked if they had the necessary resources to carry out these functions effectively. The Section 151 Officer paid tribute to the quality of the staff that were involved in delivering these duties and acknowledged that financial pressures presented ongoing challenges. He stated that, as Section 151 Officer, he had a statutory duty to notify Council if he believed that the necessary resources were not in place but did not believe this to be the case.

Members commented that the recent training session that had been held on the Annual Governance Statement had been very useful.

Resolved: That, subject to the additions outlined above, the draft Annual Governance Statement 2015/16 be approved.

Reason: To enable Members to consider the effectiveness of the Council's governance framework, and in particular the significant control issues.

5. Mazars Audit Progress Report

Members considered a report from Mazars that provided an update on their progress in delivering their responsibilities as City of York Council's external auditors. The report also highlighted key emerging national issues and developments.

Members noted that an audit certificate had now been issued to formally conclude the 2014/15 audit.

An update was given on the work that was taking place in respect of the 2015/16 audit. This year, officers had experimented with bringing forward the accounts production timetable in preparation for the requirement to prepare the accounts by the earlier date of 31 May from 2017/18.

Members' attention was drawn to the section of the report that set out the Value for Money work planned by Mazars, as well as the more detailed work planned on four key project areas. The report set out the timing of the planned work and the relevant fees.

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

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

6. Annual Report of the Head of Internal Audit

Members considered a report that summarised the outcome of audit and fraud work undertaken in 2015/16 and which provided

an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

Noting the opinion of the Head of Internal Audit that the council's framework of governance, risk management and control provided "Substantial Assurance", Members queried whether there had been an improvement since the previous year. The Head of Internal Audit explained the factors that had been taken into account when reaching the opinion and stated that last year a "Substantial Assurance" had been given. The council was in a similar position and had maintained good governance arrangements.

Members gave consideration to the following internal audit reports which had received limited assurance opinions:

- Project Management
- Section 117 of the Mental Health Act audit report

Noting that the committee was due to receive an update report on project management at the next meeting, Members requested that the report included information as to how the issues identified in the audit report were being addressed. They also sought clarification as to the extent to which the Verto system was being used.¹

Referring to the issues raised in the internal audit report on Section 117 of the Mental Health Act, Members agreed that it would be appropriate for the Health and Adult Social Care Policy and Scrutiny Committee to be asked to consider the audit report as part of their work plan.²

- Resolved:
- (i) That the results of audit and counter fraud work undertaken in 2015/16 be noted.
 - (ii) That the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control be noted.
 - (iii) That the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards be noted.

- (iv) That the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement be noted.
- (v) That the Health and Adult Social Care Policy and Scrutiny Committee be asked to consider the Section 117 Mental Health Act Internal Audit Report as part of their committee's workplan.

- Reasons:
- (i) To enable Members to consider the implications of audit and counter fraud findings.
 - (ii) To enable Members to consider the implications of audit and counter fraud findings.
 - (iii) To enable Members to consider the opinion of the Head of Internal Audit.
 - (iv) To enable the Annual Governance Statement to be prepared.
 - (v) To ensure that the committee is aware of the issues raised in the internal audit report.

Action Required

- | | |
|--|----|
| 1. Report author to be notified of request | EA |
| 2. Refer to Scrutiny Chair | JC |

7. Internal Audit Charter

Members gave consideration to a report which sought approval for changes to the Council's internal audit charter. Members noted that the proposed amendments were to reflect changes to the Public Sector Internal Audit Standards (PSIAS). A number of other minor changes to the charter were also proposed. To highlight the proposed changes, a copy of the proposed charter showing tracked changes was tabled. *[The document is attached to the online agenda papers for the meeting].*

Resolved: That the proposed internal audit charter (Annex 1 of the report) be approved and adopted.

Reason: In accordance with the responsibility of the Committee to consider reports dealing with the management of the internal audit function, and to comply with proper practice for internal audit.

8. Update on Information Governance including Local Government Transparency Code 2015

Members considered a report which provided:

- An update on the Information Commissioners Office (ICO) audit;
- A compliance update report on the Transparency Code 2015;
- Information on the current consultation by the Department for Communities and Local Government (DCLG) on changes to the Local Government Transparency Code (LGTC) 2015.

Members' attention was drawn to Annex 2 of the report which detailed the findings of the ICO follow up audit. The ICO had recognised that the council had partially completed the majority of recommendations made after the previous audit and, whilst they had been disappointed that more recommendations had not been fully completed within the timescales, they had acknowledged that the partially completed recommendations would be completed in the next three months. Members questioned officers as to whether the outstanding actions could be completed within the revised timescales. They confirmed that they were working hard on the outstanding actions and that the revised timescales were realistic. Noting that the Committee was due to receive an Information Governance Update Report at their meeting in December 2016, Members requested that this report included details of the implementation of the ICO recommendations.¹

Officers gave an update on the way in which the council was meeting its requirements under the Local Government Transparency Code 2015. Members were also informed of the consultation that was taking place regarding a proposed update of the Code. Officers were asked if the proposed changes were likely to have an impact in terms of staffing and resources. They stated that there was likely to be significant burdens in

some areas. The council would be responding to the consultation.

Members commented that more should be done to raise awareness of the information that was held on the York Open Data platform and to ensure that its contents were easily accessible through the search function of the City of York Council website.

Resolved: That the contents of the report and annexes be noted.

Reason: To ensure that Members are kept updated on matters in respect of information governance.

Action Required

1. Include in update report for December 2016 meeting LL

9. 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 April 2017.

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

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

- Review of the Code of Corporate Governance (date of meeting to be agreed)
- ICO Update Report scheduled for December 2016 to include an update on progress in implementing the actions arising from the ICO recommendations.¹

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. Update Forward Plan

EA

Part B - Matters Referred to Council

10. Annual Report of the Audit and Governance Committee

Members gave consideration to the draft Annual Report of the Audit and Governance Committee for the year ended 13 April 2016, prior to its submission to Full Council.

Recommended: That the Annual Report of the Audit and Governance Committee for the year ended 13 April 2016 be received.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the Council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

11. Contract Procedure Rules Update

Members gave consideration to a report which set out proposed changes to the current Contract Procedure Rules.

The proposed changes were mainly for clarification and were in response to concerns and queries that had arisen since the current Contract Procedure Rules had been in use.

In response to questions from Members, officers gave details of tendering arrangements that were in place and of the efforts that were made to encourage local companies to register in this process.

Recommended: That the revised Contract Procedure Rules be approved.

Reason: To ensure appropriate governance of the Council's purchasing activity.

Councillor N Barnes, Chair
[The meeting started at 5.30 pm and finished at 7.20 pm].