

Meeting	Audit & Governance Committee
Date	21 June 2017
Present	Councillors Derbyshire (Chair), Dew (Vice-Chair), Shepherd, Cuthbertson, Fenton, Kramm, Steward and Mr Mendus
Apologies	Mr Bateman

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. None were declared.

2. Minutes

Resolved: That the minutes of the meeting held on 3 May 2017 be approved and then signed by the Chair as a correct record.

3. Public Participation

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme on general matters and Item 7. Draft Social Media Policy & Media Protocol.

Gwen Swinburn spoke about her blocking by CYC on social media and requested that there be a consultation and review of the social media protocols regarding appeals against blocking. She recommended that blocking should only happen in conjunction with an independent person, protocols should be in place for evidencing 'wrongdoing' and that a clear appeals process should be developed. She also spoke on her concerns around the grading given in the Annual Internal Audit Report, given the ongoing concerns around financial audit and procurement.

4. Mazars Audit Progress Report

Members considered a report from Mazars, the Council's external auditors, on progress in delivering their responsibilities as auditors. Representatives from Mazars were in attendance to present the report and answer Member questions. They stated that this was a short report as they were just about to receive the draft financial statements and therefore complete the main work for the year. They also highlighted a technical update on page 15 of the report, on matters which had progressed since the last meeting.

In response to Member questions they stated:

- The Better Care Fund had been identified as one of the main risk areas in the Value for Money work being completed this year.
- The financial sustainability of the Vale of York Clinical Commissioning Group (VoY CCG) had serious risk implications for CYC and this would be reported on at September's meeting.
- The work on Value for Money would cover concerns raised about good governance and transparency of the Better Care Fund.

Resolved: That Members note the matters set out in the Progress report presented by Mazars.

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

5. Monitor 1 2017/18 - Key Corporate Risks and Update on Major Projects

Members considered a report presenting them with an update on the key corporate risks and an update on major projects for City of York Council.

Officers gave a brief background to the report and information contained in the annexes. They highlighted a new Key Corporate Risk (KCR) relating to external market conditions, which covered situations where CYC was commissioning services. The Programme Manager also explained that the Project Management System had recently been upgraded which

had unfortunately led to some minor errors in the report. An updated version had been circulated to Members ahead of the meeting.

In response to Member questions, Officers stated:

- Public Health had been included on the KCR register as an element of Health and Wellbeing.
- When services cannot be provided by CYC, there are factors other than cost to consider.
- The Resilient Communities Working Group was a cross departmental Officer Board including representation from Local Area Teams, Children's Services and Adult Social Care and Chaired by the Director of Children, Education and Communities.
- Where some of the reports under Major Projects were seemingly brief, this was due to the length of time they had been in progress and more detail would be added in time.
- The 12 grade salary structure would be reviewed in the future, particularly with regard to the impact the National Living Wage had on grades 1-5.
- Digital Services and CRM projects were being monitored by Customer & Corporate Services Scrutiny Management Committee and work was now progressing.

In response to a question on controls in relation to how the open data platform, transparency code compliance and management of data architecture were monitored, Officers agreed to circulate more details after the meeting.

Resolved: That Members:

- a) Note the key corporate risks provided at Annex A
- b) Note the project information provided at Annex B

Reason: To provide assurance that the authority is effectively understanding and managing its key risk and is kept updated on major programme and project activities.

6. Treasury Management Annual Report

Members considered the draft Treasury Management Annual Report and Review of Prudential Indicators 2016/17. This

information provided Members with an update of treasury management activity for 2016/17.

Members attention was drawn to interest rates, in particular the reduction in 2016 of 0.25% and the likelihood of a rise in rates in quarter 4 of 2019. Officers also highlighted one new loan which had been taken out from West Yorkshire Combined Authority.

In response to Member questions on the report, Officers stated that:

- Advice was received daily on treasury activity and decisions were made accordingly.
- The loan from WYCA was taken out in the amount stated as this was the sum offered.
- Under 'Upper limit for fixed interest rate exposure' (Page 103, 7a) the figure for 16/17 was based on actual rates, where as figures for 17/18 were on forecast rates. This is why year end figures may vary in the way seen.

Resolved: That Members note the Treasury Management Annual Report and Review of Prudential Indicators 2016/17.

Reason: 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.

7. Draft Social Media Policy & Media Protocol

Members considered a report presenting the draft social media policy and media protocol for information and/or comment prior to approval by the Chief Executive. The report was requested by the Committee as part of the consideration of the council's Key Corporate Risks.

During a lengthy discussion Members raised the following issues:

- It was felt the phrase 'cause offence' on page 117 should be removed. It was felt his was too subjective and could not reasonably be enforced.

- There should be a report to Members when an individual is blocked on any form of social media to ensure transparency. There was an understanding that there are vulnerable adults who may be blocked for various reasons and so releasing individual data would not be helpful, however statistics could be provided to enable Members to have an overview of these instances.
- Under Media Policy (Item 8, page 106) it was felt the statement '*...It reflects the prevailing political leadership model in the council and is likely to change if the model changes*' was badly worded.
- There appeared to be too many social media accounts being set up for different council departments and not being updated regularly. It was suggested that Officers should be encouraged to publicise events and news via the main CYC accounts.
- There should be an independent person, perhaps an Independent member of the A&G committee reviewing any decision made by the Chief Executive to block individuals. This would provide robustness and ensure that the Chief Executive's decisions withstand scrutiny.

It was requested that Officers circulate the revised version, with tracked changes, to the committee. There was a further request that an update report on the implementation of these policies be brought back to committee.

Resolved: That, in relation to their risk management role, Members;

- a) note the draft social media policy at Annex A to the report; and
- b) note on the draft media protocol at Annex B to the report.

Reason: In order that Members can comment on the reports ahead of approval by the Chief Executive.

8. **Annual Report of the Head of Internal Audit**

Members considered a report summarising the outcome of audit and counter fraud work undertaken in 2016/17 and providing an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control. The Head of Internal Audit was in attendance to

present the report and answer Member questions. He stated that in delivering the report there had been good cooperation from CYC and that when issues had been identified management were happy to accept these and address them within reasonable timescales.

In response to questions on the report he stated that his opinion of 'Substantial Assurance' in Annex 1 was based on work undertaken over the whole year and progress that the management team had made on issues raised. This was not a mechanistic process but rather based on experience and judgement. However there had been more audits in the past 12 months which scored in the higher categories.

He also stated:

- In Adult Services Officers had been aware of issues and had asked for an audit to assist with tackling these. They had been fully accepting of the result of the audit and were taking steps to address issues raised.
- There were ongoing discussions as to how best to manage risk in relation to housing tenancy fraud.

The Director of Customer and Corporate Services clarified that the rules around procurement, and language used, were being reviewed and issues raised by the LGA Review would be brought to Committee, possibly in September.

The Chair reminded Members that they could meet with the Head of Internal Audit if there were matters they wished to clarify which may not be suitable for discussion in a public meeting.

Resolved: That Members;

- a) note the results of audit and counter fraud work undertaken.
- b) note 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 .
- c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.

- d) note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.
- e) approve the proposed changes to the internal audit charter at annex 7.

Reason:

- a) To enable members to consider the implications of audit and counter fraud findings.
- b) To enable members to consider the implications of audit and counter fraud findings.
- c) To enable members to consider the opinion of the Head of Internal Audit.
- d) To enable the Annual Governance Statement to be prepared.
- e) 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.

9. Annual Report of the Audit and Governance Committee

Members considered a report seeking views on the draft annual report of the Audit and Governance Committee for the year ended 5 April 2017, prior to its submission to Full Council.

Resolved: That Members agree the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

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.

10. Annual Governance Statement 2016/17

Members considered a report presenting the draft Annual Governance Statement (AGS) 2016/17 for approval. Members were reminded that they would see this report twice more after this meeting, once in June as part of the Draft Statement of Accounts and again in September as part of the final accounts.

Members suggested the following points for consideration:

- On page 219 in relation to the system of risk registers – rather than ‘*to which all Directors have access*’ it could be worded ‘*to which all Directors contribute*’.
- The report does not adequately reflect the level of financial and governance risk involved in the relationship between CYC and VoY CCG in distributing the Better Care Fund. It was felt that this significant risk should be addressed in either Item 1 or Item 3 of the report.
- The report could be amended to reflect the potential involvement that scrutiny could have in looking at some of these issues – for example procurement.

Resolved: That Members;

1. approve the AGS 2016/17 with consideration given to the above points.
2. recommend a that specific and clear comment should be made on the financial risks that the VoY CCG poses to CYC, both in relation to the Better Care Fund and more generally.

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

11. Audit and Governance Committee Forward Plan

Members considered the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2017.

There was a lengthy discussion of how CYC could review the work of the Audit and Governance Committee. Mazars suggested that they were able to provide a straightforward self assessment questionnaire for the Committee, but that any additional review would need to go through the procurement process as there were several providers who offered these services.

It was agreed that the Committee would await the outcome of the ongoing Local Government Association review before moving forward with this.

Members also took this opportunity to thank Mr Bateman for his work as an independent Member of this committee after he recently stepped down.

Resolved: That the Committee's Forward Plan for the period up to April 2018 be received and noted.

Reason: To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

Councillor Derbyshire, Chair

[The meeting started at 5.30 pm and finished at 7.40 pm].