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| Meeting | Audit And Governance Committee |
| Date | 16 June 2021 |
| Present | Councillors Pavlovic (Chair), Daubeney, Fisher (Vice-Chair), Lomas, Mason, and Webb |
| Apologies | Councillors Wann |

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**

Cllr Fisher provided further clarification in relation to his declared Interest at the 17 February 2021 meeting, noting that a relative of his had received a small business Covid Business Grant and he had worked as a temporary unpaid 'employee' of the company.

Resolved: That the minutes of the meeting held on 17 February 2021 be approved and then signed by the Chair as a correct record.

Resolved: That the minutes of the meeting held on 31 March 2021 be approved and then signed by the Chair as a correct record.

Officers confirmed an advertisement had been placed for an independent member to join the Committee and discussions were underway internally regarding whether or not older FOI's could be shown on the Council website.

Resolved: That the minutes of the meeting held on 14 April 2021 be approved and then signed by the Chair as a correct record.

3. Public Participation

It was reported that there had been three registrations to speak at the meeting under the Council's Public Participation Scheme.

Gwen Swinburn raised concern about the capability of senior officers at the Council to conduct their role and raised governance issues. She noted that she did not think the action plan relating to the Public Interest Report (PIR) was fit for purpose. She also raised concerns about the Make it York (MIY) report findings and the running of MIY.

Andy Mendus also raised concerns around the findings of the PIR and the conduct of officers and members in relation to its findings. He asked if the Council was meeting the Nolan Principles for local government and the rules on spending in local government. He also asked if there were missing audit reports from 2019/20 and asked that the Committee invite MIY to discuss the findings of the report.

Cllr Douglas discussed the PIR findings and the potential damage to the Council's reputation due to the findings of the report. She asked why the PIR and action plan were not highlighted within the Councils Corporate Risk Register and raised concerns that the plan itself would not address issues relating to the working culture of the Council.

4. Progress Against The Action Plan

Members debated both the progress of and whether or not the action plan presented in the report, associated with the Public Interest Report (PIR) which was considered by Full Council on 4th May 2021, was robust enough.

Declarations of interest at Council meetings were discussed as well as what process was or would be in place to highlight a potential conflict of interest that another elected member could have. It was confirmed that under the Localism Act a Councillor had responsibility to determine if they had a conflict of interest, However, that member or another member could raise a

question regarding a conflict of interest with chief officers prior to the meeting or raise in the meeting itself. It was also noted that following discussion that to ensure members were able to determine that they had a conflict of interest, that further and more regular mandatory training, as well as, expert advisors could be sought for advice. It was also confirmed that Joint Standards Committee would be looking to finalise a new Model Code of Conduct which members could feed into.

Considering the action plan members highlighted that the review should look into the use of confidentiality clauses as the Council had already confirmed it did not use non-disclosure agreements. Information from the business case documents used were also discussed and it was confirmed these would be reviewed as part of the action plan. It was also confirmed that no budget had yet been set for the delivery of the action plan at this stage, but that Finance were considering a funding package for delivery.

In relation to the exit of the former chief executive and the findings of the PIR, members enquired about the role of the use of specialist external employment lawyers. Officers confirmed that while expert opinion could be sought it would not guarantee that it a decision advised would pass audit by the auditors as was seen in the case discussed. It was confirmed that the auditors issues highlighted in the PIR were in relation to the business case and the potential failure to declare an interest in the meeting where a decision was made.

How the action plan would be reviewed was discussed, it was noted that the document would be held by the Chief Operating Officer to deliver. Members considered the use of external peers reviewing the progress of the council and considered how a peer review could be undertaken, specific reference to the Local Government Association was made as a potential peer to review the progress against the action plan.

Resolved

- i. The Committee noted the detailed action plan attached at Annex A.
- ii. The Committee requested that officers explore the possibility of an external peer be brought in to review the progress of the action plan.

Reason: So that the Committee are kept up to date on the plan as agreed by Full Council.

5. Treasury Management Outturn Report

Officers introduced the report noting the role of the Committee to provide scrutiny of the management strategy and policies, as stated in the Treasury Management Strategy 2020/21 approved by Full Council on 27 February 2020. Members discussed the report and raised questions around borrowing by the Council, it was noted that the Council borrowed £51.5 million in 2020/21. Members enquired as to whether a potential rise in interest rates were a concern for any Council borrowing and it was confirmed that this would not affect what had been borrowed due to the Council borrowing on fixed terms, but could affect new borrowing. Members enquired about inter authority borrowing and it was noted that while it had seen a rise in parts of the country the Council had not borrowed from other local authorities.

Resolved:

- i. Audit & Governance Committee noted and scrutinised the Treasury Management Annual Report and Review of Prudential Indicators 2020/21 at Annex 1.

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.

6. Redmond Review - Update

The Committee received an update the Government's response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities. It was also confirmed that a white paper has also been published setting out details of how the Government

proposes to establish a new regulator, the Audit, Reporting & Governance Authority (ARGA).

Resolved:

- i. The Committee noted the report.

Reason: So that the Committee are kept up to date on the progress in delivering the recommendations of the Redmond Review.

7. Key Corporate Risks Monitor 1

The Committee received update on the key corporate risks (KCRs) for City of York Council (CYC) and a detailed analysis of KCR8 (Local Plan). Members discussed the Councils KCRs and what mitigation was in place. KCR 10 was raised in relation to concerns around staffing involved in refuse collection and whether this was incorporated as a risk due to the impact on the city. Officers confirmed that staffing shortages within the area fell within the key risk but it would be raised with HR and the Directorate. More widely how directorates feed into the key corporate risks register was discussed, it was confirmed that regular meetings were held with directorates and their own risk registers then feed into the corporate register.

In relation to KCR 2 members enquired as to whether the register should reference the Public Interest Report (PIR), officers confirmed that the actions associated with the PIR were included within KCR 2, but agreed to include reference to the PIR for further narrative against the risk.

Members discussed KCR 10 and enquired about the delays to the Local Plan, issues with developers, the green belt, and issues around Strensall Common, alongside Covid-19 were highlighted as having impacted the delivery of the Local Plan. Staffing levels for the delivery of the Local Plan were discussed and officers noted that they would raise concerns if staffing issues impacted the delivery of the Local Plan.

Resolved:

- i. The Committee noted the key corporate risks included at Annex A, summarised at Annex C;

- ii. The Committee noted the information provided in relation to KCR8 Local Plan included at Annex B;
- iii. The Committee noted that the 2021/22 Monitor 2 report will include a detailed analysis of KCR11 External Market Conditions;

Reason: To provide assurance that the authority is effectively understanding and managing its key risks.

8. Mazars Audit Strategy Memorandum

Members discussed the Mazars Audit Strategy Memorandum and raised about risk for local authorities. Mazars confirmed that there was enhanced risk across the whole sector, noting that, after 11 years of austerity and the pandemic had increased financial risk.

Resolved:

- i. Noted 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.

9. Annual Report of the Head of Internal Audit

The Committee considered and discussed the Annual Report of the Head of Internal Audit for 2020/21 and the report setting out counter fraud activity and performance. Members raised questions about the internal auditor opinion of governance and management within in the Council, noting that in 2020/21 they gave the Council a rating of substantial assurance despite having received its second Public Interest Report (PIR) and highlighted the issues raised by the external auditor. The internal auditor confirmed that they were aware of and had taken into account the PIR, their findings were rated as substantial assurance because they were content with the actions outlined in the action plan to address problems raised by the external auditors.

The report into Make it York (MIY) was also discussed by Members with concerns highlighted from the report into the structural problems identified within MIY. In relation to this members enquired as to whether reviews had been undertaken with all of the Council's tea cup companies and the internal auditors confirmed that they would check this. The Committee also enquired as to whether reviews of these tea cup companies would come under Audit and Governance or the Shareholders Committee and it was noted that this would be considered by officers and the auditors.

Resolved:

- i. Auditors to review the Service Level Agreement of Make it York and report back to the Committee as to whether it is suitable for the management of MIY.

Reason: To address concerns around the structure of MIY.

- ii. Noted the results of internal audit and counter fraud work undertaken.

Reason: To enable members to have considered the implications of internal audit findings, and inform their assessment of the effectiveness of counter fraud arrangements.

- iii. Noted 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.

Reason: To enable members to consider the implications of internal audit findings.

- iv. Noted the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.

Reason: To enable members to consider the opinion of the Head of Internal Audit.

- v. Noted that no significant control weaknesses had been identified by internal audit during the year which were relevant to the preparation of the Annual Governance Statement.

Reason: To enable the Annual Governance Statement to be prepared.

10. Audit And Governance Committee Work Plan

Officers introduced the Audit and Governance Committee Work Plan and members considered the items currently scheduled to be considered. A review of how Committees were held in at the Council was raised and officers confirmed that while it would take place, work had been paused due to the current local government reorganisation project by government which could alter the Council.

Resolved:

- i. The Committee agreed to delegate to the Chair and Vice Chair to discuss with officers and further populate the Committee work plan.

Reason: To ensure that the Committee manages its work plan effectively.

Cllr Pavlovic, Chair

[The meeting started at 5.35 pm and finished at 9.20 pm].