

# Minutes

## Audit & Governance Committee

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Venue:	Committee Room, Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Tuesday, 30 July 2019
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), K Franks, E Jordan and J Mackman
Officers present:	Karen Iveson (Chief Finance Officer), Julie Slatter (Director of Corporate Services and Commissioning), Peter Williams (Head of Finance), Nicola Hallas (Manager, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources), and Catherine Dent (Mazars LLP)
Public:	0
Press:	0

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### **1 APOLOGIES FOR ABSENCE**

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillor's Duggan, Brook and Reader. Councillor Welch attended as Councillor Duggan's substitute and Councillor Jordan attended as Councillor Brook's substitute.

### **2 DISCLOSURES OF INTEREST**

There were no disclosures of interest.

### **3 MINUTES**

The Committee considered the minutes of the Audit and Governance Committee meeting held on 10 April 2019.

**RESOLVED:**

**To approve the minutes of the Audit and Governance Committee meeting held on 10 April 2019.**

**4 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE**

The Chair welcomed the new members of the Committee.

**The Chair indicated that he would be amending the order of business to allow agenda item number 9, Annual Report of the Head of Internal Audit 2018-19 to be considered first as agenda item number 8; the rest of the business would follow as set out in the agenda.**

**5 START TIME OF AUDIT & GOVERNANCE COMMITTEE MEETINGS**

It was proposed and seconded that the start time of the Audit and Governance Committee meetings for the 2019/20 municipal year be 5.00 pm.

**RESOLVED:**

**To approve the start time of the Audit and Governance Committee as 5.00 pm for the 2019/20 municipal year.**

**6 AUDIT ACTION LOG**

The Committee heard that there were no outstanding audit actions from 2018-19. The Democratic Services Officer explained the purpose of the audit log for the benefit of the new members.

**RESOLVED:**

**To note the Audit Action Log.**

**7 AUDIT AND GOVERNANCE WORK PROGRAMME**

The Committee considered the current Audit and Governance Work Programme. The Chair explained that the work programme was normally standing items, however if additional items were identified during the course of the year, they could be added by the committee as necessary.

**RESOLVED:**

**To note the Work Programme.**

**8 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2018-19 (A/19/2)**

The Committee received the report, presented by the Audit Manager, Veritau, which provided a summary of the internal audit and counter fraud work carried out during the year 2018-2019.

The Audit Manager confirmed that the overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council was that it provided Reasonable Assurance. It was further confirmed that a total of 96% of reports were completed to draft report stage by the end of April 2018, which exceeded the performance target for Veritau of 93%.

Discussion took place regarding the setting of the Veritau performance target and it was queried whether the performance target set by Veritau should be raised. The Chief Finance Officer assured the Committee that regular meetings were held with the Auditors to monitor progress of the respective audits, and added that all agreed actions had a target date which if not met were followed up by Veritau to ascertain the reason they had not been completed.

The Committee queried why the audit of Community Engagement, planned for quarter four of 2018-19 had been cancelled. The Audit Manager explained that the service had requested a deferral to early 2019-20, which had been agreed with the Chief Finance Officer due to the relatively short delay.

The Committee questioned if they could propose items to be added to the internal audit plan 2019-20. The Chief Finance Officer explained that the proposed audit plan had been approved at the previous Committee meeting on the 10 April 2019. It was further explained that Veritau had a fixed number of days committed to complete the work agreed in the audit plan; therefore any new item would have to be prioritised over an existing planned audit.

The Chair queried if the audit of the Economic Development Framework had been completed, as the due date was outlined as 31 July 2019, however the narrative stated that the work was currently underway. The Audit Manager was unable to confirm that the action had been completed but stated that he would contact the responsible officer and circulate the response to the Committee.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity in 2018-19, which highlighted that actual savings of £22k had been achieved through fraud investigation.

**RESOLVED:**

- i. **To note the report.**
- ii. **To ask the Democratic Service Officer to circulate the internal audit plan 2019-20 to the Audit and Governance Committee.**

**9 EXTERNAL AUDIT COMPLETION REPORT 2018-19 (A/19/1)**

The Council's external auditor Mazars LLP presented the report and  
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explained that it set out a summary of the external audit progress for 2018/19. Members noted that some audits had still been in progress at the date the report had been published however, these audits had now been completed apart from Property, Plant and Equipment.

In reference to the risk relating to the 'Management override of control' the Committee noted that there were no risks found, and that there had been no significant matters encountered in completing the audit. In relation to the 'Defined Benefit Pension Liability Valuation', the Manager, Mazars LLP explained that the valuation of the Local Government Pension Scheme relied on a number of assumptions, the reasonableness of the assumptions used to determine the figures had been reviewed as part of the audit work, and no issues had been identified with the basis of the estimation technique.

The Committee was informed that in relation to the risk relating to 'Property, Plant and Equipment, an error had been identified in the value of Council Dwellings. For one group of Council Dwellings, the value in the asset register did not agree to the value provided by the valuer, this resulted in a £2.2m understatement in the valuation of Council Dwellings.

The Members noted that eight assets had been identified where the value in the asset register did not agree to the value provided by the valuer. This had resulted in an overstatement of assets in the financial statements of £334k; as this was below the materiality threshold, the Council had not adjusted the financial statements for this error.

The Committee received an update on the six internal control recommendations which had been made in the previous year; all the recommendations had been actioned. It was confirmed that the Council would be issued with a value for money conclusion for the 2018/19 financial year; no significant risks had been identified, and there had been no threats to Veritau's independence.

The Committee queried the officer's title, Finance and Corporate Services Director, under the draft auditors report in appendix B, and again on page 16 of agenda item number 10; it was confirmed that the responsibilities sat with the Chief Finance Officer, and therefore the wording should be amended.

**RESOLVED:**

**To note the report.**

**10 STATEMENT OF ACCOUNTS 2018-19 (A/19/3)**

The Chair drew Members' attention to the revised Statement of Accounts 2018-19 that had been circulated for this item.

The Committee received the Statement of Accounts, presented by the Chief Finance Officer. It was explained that this was a technical set of statements, with a narrative statement which set out the responsibilities of

both the District Council and the Chief Finance Officer, along with a chart showing where the income received in the year of £50.230m came from.

In response to a question regarding the New Homes Bonus, it was confirmed that this was a grant awarded by the government, and credited to the income and expenditure statement.

The Committee noted that there was a £59k surplus on the General Fund after budgeted activities for the year, and that the Housing Revenue Account (HRA) had a surplus of £1.5m; with a saving of £374 on interest payable as additional borrowing to support the Housing Development Scheme was not necessary.

The Chief Finance Officer highlighted that £11m had been spent on the Council's Capital Programme as detailed on pages 10 and 11 of the report.

Members queried whether there were any anticipated threats on the horizon, the Chief Finance Officer explained that central government had yet to put forward funding propositions for the next financial year, however reductions were expected to continue for the foreseeable future; and the Brexit process was creating additional uncertainty but the situation was being closely monitored.

In response to a question regarding investing in the District Wealth Fund, members were informed that the Council's treasury function was supported by North Yorkshire County Council, who invested on the Council's behalf, with a shared investment strategy and a list of approved bodies to be invested with. It was further confirmed that a range of options were required with balanced long and short term investments, ensuring that the investment risk was effectively managed. The Chief Finance Officer queried whether members would welcome a training session on the treasury function, to which they agreed.

A number of questions were asked in relation to the Housing Revenue Account (HRA); it was confirmed that a rental income shortfall of 49k had occurred due to the volume of void properties and the length of time to bring the properties back into use.

The Committee approved the Statement of Accounts.

**RESOLVED:**

**To approve the Statement of Accounts 2018-19.**

**11 RISK MANAGEMENT ANNUAL REPORT 2018-19 (A/19/4)**

The Committee received the report from the Audit Manager, Veritau, which summarised the risk management activity during the year 2018/19, whilst also showing planned work for the current 2019/20 municipal year.

Members noted that over the past year, in addition to supporting

managers to review risks in their service areas, project risk management training had been delivered to the Council's corporate project managers; and a risk workshop had been held with the Extended Management Team which had resulted in a revised and refreshed Corporate Risk Register (CRR).

In response to a query regarding major incidents within the District which created a significant risk to the public, the Chief Finance Officer explained that the Council had individual service risk registers which were reviewed regularly, and also relied on the vigilance of the planning enforcement team, officers and councillors to highlight any areas of concern.

It was further explained that the Council had a disaster recovery arrangement and that risks were assessed as part of the annual budget process. For incidents beyond the Councils control the government provided emergency financial assistance under the Bellwin Scheme, which reimbursed local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property as a result of a disaster or emergency in the district.

**RESOLVED:**

**To note the report.**

**12 CORPORATE RISK REGISTER (A/19/5)**

The Committee received the report, presented by the Audit Manager, Veritau, who explained that the report provided an update on the movements which had taken place within the Corporate Risk Register since it was last reported to the committee in January 2019.

**RESOLVED:**

**To endorse the actions of officers in furthering the progress of risk management.**

**13 PRIVATE SESSION**

It was proposed, and seconded, that the Committee sit in private session due to the nature of the business to be transacted.

**RESOLVED:**

**That, in accordance with Section 100(A)(4) of the Local Government Act 1972, in view of the nature of the business to be transacted the meeting be not open to the press and public during discussion of the following items as there will be disclosure of exempt information as described in paragraph 3 of Schedule 12(A) of the Act.**

**14 CONSIDERATION OF INTERNAL AUDIT REPORTS (A/19/6)**

The Audit Manager from the Council's internal auditors Veritau presented the report, which advised that an audit had been completed on 17 July 2019 and the overall opinion was that the controls within the system only

provided “Limited Assurance”. As such, the findings had been brought to the Committee for presentation and discussion.

The Committee was presented with details of the fraud incidents that had affected the Council, and a number of questions were asked of officers in relation to the incidents.

The Director of Corporate Services & Commissioning informed the Committee that actions had been agreed to address the issues identified, and further confirmed that the priority one action had already been implemented, with the other actions currently in progress.

The Committee was satisfied that appropriate action was being taken.

**RESOLUTION:**

**To note the report.**

***The Chair of the Audit and Governance Committee and the Chief Finance Officer signed off the Statement of Accounts.***

The meeting closed at 6.40 pm.