

Minutes

Audit & Governance Committee

Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 26 January 2022
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), M Jordan, K Franks, Mackay and C Richardson
Officers present:	Karen Iveson (Chief Finance Officer), Abi Medic (Audit Manager, Mazars LLP), Ed Martin (Audit Manager, Veritau), Daniel Clubb (Counter Fraud Manager, Veritau, present remotely), Kirsty Bewick (Information Governance Manager, Veritau), Connor Munroe (Audit Manager, Veritau); and Dawn Drury (Democratic Services Officer)

27 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Duggan and Reader.

28 DISCLOSURES OF INTEREST

There were no disclosures of interest.

29 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 29 September 2021.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 29 September 2021.

30 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

Members were asked to recall a previous update on the review of Local Audit by Sir Tony Redmond, to improve oversight of local audit and

transparency of local authority financial reporting, with one of the key issues being the timeliness of local audit.

The Committee heard that the Council had received a letter from the Department for Levelling Up, Housing and Communities and the relevant audit firms, to provide an update on action the government was taking to help tackle audit delays. The government had reiterated their view that the timely completion of local audit was a vital transparency method for the taxpayer and for sustaining public confidence in local democracy more broadly.

The letter went on to explain that for the timeliness of local audit to improve from the current situation, a collaborative approach to address the issues was required from across the whole system; to this end a new package of measures to help get the timeliness of local audit back on track had been announced and the full details had been published.

These measures covered all elements of the system, but some of the key measures committed to included:

- providing councils with £45m additional funding over the course of the next Spending Review period to provide support with the costs of strengthening their financial reporting and increased auditing requirements;
- strengthening training and qualifications options for local auditors and audit committee members;
- reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these were of lesser risk to councils; and
- extending the 21-22 audit deadline to 30 November 2022, and then 30 September until 2027-28.

The Chairman highlighted that any changes resulting from these measures would be incorporated into future work planning and this committee would be updated on any relevant issues should this be necessary.

Members noted that Selby Council had not experienced any significant issues in the completion of the final accounts audit but acknowledged that there were many authorities that had not yet signed off their audited accounts for 2020-21 due to the impacts of Covid and remote working, but also the increasing complexity of the audit regime. Whilst the Council had not experienced major issues to date, the pressure on external audit continued to grow, and these were beginning to impact.

The Chairman extended his thanks, on behalf of the Council, to Mr Kirkham and his team at Mazars LLP, and commented that these were challenging times, however the good working relationships that had been established would continue to support us all through what was likely to be another difficult year.

31 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

In response to a query regarding the Constitutional Amendment item listed on the work programme for April Committee, and whether there was a necessity for the item to be reported to Members in view of the local government review. The Chief Finance Officer stated that the Constitutional Amendment item was a standard item on the work programme and that a report would only be presented to Members if officers considered it necessary.

RESOLVED:

To note the Work Programme.

32 ANNUAL REPORT OF INFORMATION REQUESTS 2021 (A/21/13)

The Chief Finance Officer presented the report, which provided the annual update in relation to information requests received and responded to during 2021 under the Freedom of Information Act and Environmental Information Regulations.

Members noted that the Council had maintained an 85.99 percent response rate within the response time of twenty days, which in light of the ongoing pressures faced by the Covid pandemic in 2021 was to be commended and continued to demonstrate that the way in which information requests were handled was fit for purpose.

RESOLVED:

To note the report.

33 EXTERNAL AUDITOR'S ANNUAL REPORT 2021 (A/21/14)

The Manager, Mazars LLP presented the report and highlighted that the Auditor's Annual Report summarised the external audit work undertaken for the year ended 31 March 2021.

The Committee's attention was drawn to section three of the report which included the new style value for money commentary, Members were pleased to note that no weaknesses had been identified in the Councils arrangements, and that the external auditor had nothing to report by exception.

In terms of the external auditor fees which had been set out in the Audit Strategy Memorandum, Members heard that there had been additional fee increases incurred in respect of additional work undertaken on the property, plant and equipment (PPE) valuation, the pension liability valuation and the new style value for money approach. As the Committee had heard during the Chairman's address, the government

would be providing councils with additional funding over the course of the next Spending Review period to provide support with the costs incurred by increased auditing requirements

In response to a query regarding how confident the external auditors were that all the audit work had been captured, as the work had been undertaken remotely; and if the auditors were confident with this way of working, should audits be conducted remotely in the future, the Manager, Mazars LLP stated in view of the pandemic the majority of their clients had learnt to work remotely. It was confirmed that Mazars LLP were in discussion with clients to see what suited their client's business needs, but it was felt that a hybrid situation would work well in the future.

The Chief Finance Officer agreed that conducting the audit work remotely had worked very well, however for the future a hybrid of remote and face-to-face meetings would be the preferable option.

RESOLVED:

To note the report.

34 EXTERNAL AUDIT PROGRESS REPORT (A/21/15)

The Manager, Mazars LLP presented the report which set out a summary of external audit work completed to date on the 2020-21 financial statements along with the progress made on the 2021-22 audit planning work.

The Committee noted that since the last Audit and Governance Committee meeting in September 2021 work on the 2020-21 financial statements had been completed. It was confirmed that an unqualified opinion had been issued along with a 'follow-up letter' which concluded on all the areas of outstanding work at the time of the September 2021 Committee, and the audit opinion had been issued on 1 October 2021. It was further confirmed that the work on the value for money arrangements was complete with no areas of significant weakness identified.

Members heard that work on the Housing Benefit Claim was due to commence and the Manager, Mazars highlighted that the Department for Work and Pensions (DWP) had revised the submission date for receipt of the reporting accountant's reports to 31 January 2022. However, in recognition of the challenges faced by audit firms at this time, the DWP had put in place arrangements for local authorities to request an extension if deemed necessary. It was confirmed that officers had applied to the DWP for an extension to the submission date of the 31 March 2022, but as yet a response had not been received.

In terms of the audit for 2021-22, Members were informed that planning work was scheduled to commence, and that the Audit Strategy Memorandum and the Audit Plan would be presented at the next meeting of the Audit and Governance Committee in April 2022.

RESOLVED:

To note the report.

35 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PROGRESS REPORT 2021/22 (A/21/16)

The Audit Manager, Veritau presented the quarterly report which provided the Committee with an update on the delivery of the internal audit work plan for 2021-22, along with an update on the counter fraud and information governance work undertaken to date in 2021-22.

The Committee were informed that nine 2021-22 audits were in progress. It was highlighted that at the onset of the pandemic, it had been agreed with the Leadership Team to concentrate resources on following up higher priority actions and normal activity had been suspended. Members noted that normal follow up activity had now been resumed therefore actions that remained outstanding would be escalated as appropriate.

The Audit Manager, Veritau provided an update on the Limited Assurance report which had been brought to Committee in September 2021, in relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), it was noted that the new income management system procured from Civica to enable PCI DSS compliance had gone “live” today and therefore the issue had been resolved. In terms of Performance Management, this action was still ongoing, but should be completed by the next Committee in April 2022.

In relation to Information Technology (IT) and the considerable effort to ensure that officers had the correct technology resources, were trained to work from home, and facilitate and attend remote meetings, Members queried if Veritau had undertaken checks in this area of work. It was confirmed that audit work was due to commence on IT, to look at the effective management of those assets, and once the audit had been completed the summary and findings would be brought to Committee in April 2022.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council’s counter fraud activity 2021-22.

The Committee heard that there had been an increase in both regional and national attempts by organised criminals operating from overseas to divert genuine payments made to Council suppliers. To combat this the counter fraud team were reviewing the Council’s processes for verifying changes to supplier’s details, to ensure the process was robust enough to counter the latest threats posed by fraudsters.

Members noted that the Revenue and Benefits team had benefitted from fraud awareness training sessions: in addition, two campaigns had been undertaken to raise awareness of fraud with officers and members of the public, to inform them of how to report fraud if they suspected it was

taking place.

The Committee were informed that in December 2021 the Chancellor had announced an additional support scheme for the hospitality and leisure sector, the counter fraud team had supported officers with pre and post payment assurance work and investigated potential suspected frauds highlighted when officers verified the applications.

In terms of housing fraud, Members noted that investigative work had supported the recovery of a council property which would be made available to a prospective tenant on the housing waiting list.

The Information Governance Manager, Veritau drew the Committee's attention to Annex 3 of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan.

Members were informed that to date, 24 privacy notices had been reviewed, the relevant changes applied and once finalised would be published; and the amended Information Governance Policies had been approved and published onto the Council website.

In terms of officer training, dates were in the process of being identified to provide online training sessions on subjects to include Records Management, Data Protection Rights and Principles and a new session around Data Protection Impact Assessments. A virtual law enforcement training course was now available for selected officers and had been specifically designed to meet the requirements of the Council.

RESOLVED:

To note progress on delivery of internal audit, counter fraud and information governance work, and the plans for work to be completed in 2021-22.

36 REVIEW OF THE RISK MANAGEMENT STRATEGY (A/21/17)

The Audit Manager, Veritau presented the annual report, which set out the reviewed strategy for managing risk within Selby District Council following consultation with the Leadership Team.

The Committee noted that the strategy still aligned with best practice and the objectives of the Council in terms of corporate priorities, therefore the strategy remained unchanged following the review.

Members requested that should changes be identified to the strategy during future risk management reviews that said changes be highlighted, for ease of reading, at the beginning of the report.

Discussion took place regarding the forecast for inflation, interest rate increases, the rising cost of living and the potential for a recession that would impact on both social and political risks. Members were informed that the risk categories were there for guidance and that some risks fell

into more than one category, if this was the case, the risk would be analysed and assessed, and controls would be implemented to reduce the impact of the risk.

RESOLVED:

To note the revisions to the Risk Management Strategy.

37 CORPORATE RISK REGISTER (A/21/18)

The Committee received the report, presented by the Audit Manager, Veritau who explained that this report contained the twice-yearly update on movements within the Corporate Risk Register, which was last reported to the Committee in July 2021.

The Committee was informed that there was a total of 12 risks on the Council's Corporate Risk Register for 2021-2022, with no new risks being added. It was highlighted that the Local Government Reorganisation (LGR) risk had been updated to reflect the government announcement that the unitary North Yorkshire proposal had been accepted, which offered increased clarity around plans for the future.

Members noted that the Economic Environment and Managing Customer Expectations risks had both reduced to a score of 6 following the latest assessments; these were as a result of a stronger than anticipated economic performance, the re-commencement of face-to-face appointments for the most vulnerable, and the return of reception provision at the Civic Centre.

Members heard that the Corporate Risk Register included four risks with a score of 12 or more (high risk), these were closely monitored on an ongoing basis.

The Committee asked a number of questions in relation to the Local Government Reorganisation, the need for it to be considered as a risk and what would happen to the approved projects on which work had not commenced, as yet. The Chief Finance Officer explained that the risk lay in the Council not being able to deliver on the projects that it had said would be accomplished on the Council's Corporate Plan, and the impact this would have for the district. In terms of planned projects that had not commenced once the new Council came into effect, it was confirmed that these projects would then be for the new unitary authority to determine whether the project was a priority for them and whether to continue with the project.

In response to a query from the Chairman, as to why there was not a risk included on the risk register in relation to the cost of living or inflation, the Chief Finance Officer stated that these two risks were covered under the financial resources risk; this risk carried a score of 16 making it one of the highest scoring risks on the corporate risk register.

RESOLVED:

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To note the current status of the Corporate Risk Register.

At this point in the meeting, Councillor Mike Jordan left the meeting and did not return.

38 COUNTER FRAUD FRAMEWORK UPDATE (A/21/19)

The Corporate Fraud Manager, Veritau presented the annual report, which updated the Committee on the review of the Council's Fraud and Corruption Policy, and the recommendation to update the policy to include specific anti-bribery provisions. The report also provided an update on progress against the actions set out in the counter fraud strategy and presented an updated counter fraud risk assessment which reflected the current fraud risks facing the Council.

Members were informed that the Covid-19 pandemic had created new online opportunities for potential fraudsters to attack public sector organisations, private businesses, and members of the public. In response to the threat of cybercrime the government had introduced an improved national fraud and cybercrime reporting system to replace the Action Fraud organisation, which would increase intelligence sharing between national and local agencies to help combat fraud.

The Committee were assured that as the Council had been responsible for administering support payments to business and residents during the pandemic, robust application processes and verification checks had been established from the onset to minimise the impact of fraudulent attempts to claim funds.

Members noted that the counter fraud team liaised with external agencies such as the National Anti-Fraud Network, and National Investigation Service to help identify potential fraud and contribute to the central investigation of organised crime.

The Committee heard that a review of the fraud risk assessment had been undertaken, and it was highlighted that two changes had been made in the risk rating. Firstly, Covid-19 grant frauds had been reduced from high risk to a medium risk due to a reduction in the number of schemes available, the value of the amounts payable, an increase in tools available to officers to verify the payments and the experience gained by officers from administering the schemes to date. The theft of assets risk had also been downgraded from a high risk to a medium risk, this was as a result of the easing of Covid-19 related restrictions and increased staff presence at Council premises.

Members acknowledged that raising officers' awareness of fraud was key to identifying and tackling fraud, and noted that training aimed at cybersecurity awareness, and a campaign to raise awareness of bribery and corruption would be delivered to officers during the coming year.

RESOLVED:

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- i. **To recommend that the Executive approve the updated Counter Fraud and Corruption Policy.**
- ii. **To note the updated Fraud Risk Assessment and Counter Fraud Strategy Action Plan.**

39 ANNUAL GOVERNANCE STATEMENT ACTION PLAN REVIEW 2020-21 (A/21/20)

The Chief Finance Officer presented the report, which updated the Committee on progress on the Annual Governance Statement (AGS) 2020-21 Action Plan approved in September 2021.

Members heard that the report contained two progress updates in relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS) and Performance Management.

The Committee was informed that the new income management system procured from Civica to enable PCI DSS compliance had experienced delays, however, has had already been identified in an earlier item, the new system had gone “live” today and therefore the issue had been resolved.

In terms of Performance Management, Members noted that some progress against the approved action plan had been made although the actions were on-going due to a variety of circumstances and a further revised deadline had been agreed.

RESOLVED:

To note the progress made against the Action Plan for the Annual Governance Statement 2020-21.

40 PROCUREMENT OF EXTERNAL AUDIT FOR THE PERIOD 2023-24 TO 2027-28 (A/21/21)

The Chief Finance Officer presented the report, which set out proposals for appointing the external auditor to the Council for the accounts, for the five-year period from 2023-24.

The Committee were informed that the current auditor appointment arrangements covered the period up to and including the audit of the 2022-23 accounts, as the Council had opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018-19 to 2022-23.

The Chief Finance Officer explained that the PSAA was now undertaking a procurement for the next appointing period, covering audits for 2023-24 to 2027-28, and had advised that existing councils could, if they chose to do so, opt-in to the arrangements in case the local government reorganisation (LGR) should be delayed for any reason.

It was further explained that the section 151 Officers of all eight Councils in North Yorkshire had looked at the alternative options, and although the Council could elect to appoint its own external auditor, given the transition to a new unitary council from 1 April 2023 it had been decided that the sector-wide procurement conducted by PSAA would, on balance, deliver the best value for money and produce better outcomes for the Council.

Members noted that if the Council wished to take advantage of the national auditor appointment arrangements, then the final decision would be taken at full Council.

RESOLVED:

To recommend that Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

The meeting closed at 6.06 pm.