

Minutes

Audit & Governance Committee

Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 26 October 2022
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), G Ashton (Vice-Chair), A Lee, J Mackman, K Franks and N Reader
Officers present:	Christopher Chapman (Accountant), James Collins (Partner, Mazars LLP), Abi Medic (Audit Manager, Mazars LLP), Daniel Clubb (Counter Fraud Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Officers present remotely, via Teams	Karen Iveson (Chief Finance Officer), Peter Williams (Head of Finance), Alison Hartley (Solicitor to the Council and Monitoring Officer) (to agenda item 9), Suzan Harrington (Director of Corporate Services and Commissioning), Phil Jeffrey (Assistant Director, Audit Assurance, Veritau); and Kirsty Bewick (Information Governance Manager, Veritau)
Others present:	Councillor T Grogan (Lead Executive Member for Health and Culture)

11 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor J Duggan.

12 DISCLOSURES OF INTEREST

Councillor K Arthur declared a personal interest in agenda item 10 – Statement of Accounts 2021-22, as he was the representative for North Yorkshire County Council on the board of Selby District Association of Voluntary Service (AVS); the organisation had received a grant from Selby District Council.

Councillor J Mackman declared a non-pecuniary interest in agenda item

10 – Statement of Accounts 2021-22, as he was the Chairman of the Selby District Housing Trust (SDHT).

13 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 27 July 2022.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 27 July 2022.

14 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

Members heard that the Chairman and the Chief Finance Officer would be attending a meeting with the North Yorkshire County Council's Audit Committee on the 3 November 2022, to discuss financial governance matters given the requirement for the authorisation of the district and borough accounts for 2202-23, by Selby District Council's Audit and Governance Committee.

15 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log. It was noted that a response to the questions in relation to Performance and Development Reviews (PDR's) had been circulated to Members, therefore the action was complete.

As part of that response, Members had been informed that officer PDR completion rates for the first five months of 2022-23 had stood at 5%, it was requested that the most recent completion figures be provided to the Committee.

RESOLVED:

- i. To note the Audit Action Log.**
- ii. To ask officers to circulate the current PDR completion rates to Members.**

16 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

17 APPLICATIONS FOR USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000: OCT 2021- OCT 2022 (RIPA) (A/22/6)

The Committee received the report, presented by the Solicitor to the
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Council who explained that the Council had a duty under the Regulation of Investigatory Powers Act (RIPA) 2000 to demonstrate how requests for covert directed surveillance activities were determined and recorded.

Members noted that following an inspection by the Investigatory Powers Commissioner (IPCO) in 2021, a revised RIPA Policy had been approved and taken effect from 1 October 2021. In accordance with the IPCO recommendations the policy now included reference to reviewing the RIPA policy and reporting of use or non-use of RIPA authorisations to the Audit and Governance Committee annually.

Members noted that there had been no applications for authorisations of the use of covert surveillance, pursuant to the Regulation of Investigatory Powers Act 2000, between the 1 October 2021 and the 1 October 2022.

RESOLVED:

To note the report.

18 CORPORATE COMPLAINTS & COMPLIMENTS ANNUAL REPORT, APRIL 2021 - MARCH 2022 AND LOCAL AUTHORITY OMBUDSMAN ANNUAL REVIEW LETTER 2022 (A/22/7)

The Committee received the report, presented by the Solicitor to the Council who explained that the Corporate Complaints and Compliments Annual report was an opportunity to inform Members on individual service area improvement within the Council. It was further explained that the Local Authority Ombudsman was the final stage for corporate complaints made against Local Authorities

The Committee heard that for the year 2021-22 there had been an increase in the number of complaints escalated to the Ombudsman, however of those 12 complaints only 2 had been investigated, and neither complaint made against the Council had been upheld. Therefore, Members noted that the LGO had reported a nil return for complaints upheld for Selby District Council in 2021-22.

The Lead Member for Health and Culture praised the Solicitor to the Council and reminded her of the comments made regarding the Corporate Complaints item at the Audit Committee held in September 2021. The Solicitor to the Council had stated at that meeting that the Council learned valuable lessons from the complaints received, this remark had been correct, as proved by the 100% record for 2021-22.

In relation to complaints from the local Member of Parliament (MP) which were dealt with separately to the Council's complaint procedure, it was confirmed that these complaints came in from the MP, but were made on behalf of their constituents.

Members queried why a large number of the complaints received were attributed to the planning service area, the Solicitor to the Council explained that this was not unusual for a local authority. The Committee

were informed that the LGO provided training courses specifically for this service area, and that it would be recommended to North Yorkshire Council that planning officers attend any relevant LGO training available.

Members queried the accuracy of the figures for the stage 1 corporate complaints data provided for the contracts service area, which was identical for the years of 2020-21 and 2021-22. The Solicitor to the Council was unable to provide an answer to the question but stated that she would speak with the officers concerned and circulate the information to the Committee.

RESOLVED:

To note the Corporate Complaints and Compliments Annual Report and the Local Authority Ombudsman Annual Review Letter 2022.

19 EXTERNAL AUDIT COMPLETION REPORT 2021-22 (A/22/8) - APPENDIX A TO FOLLOW

The Partner, Mazars LLP presented the report and explained that it set out a summary of the external audit conclusions for 2021-22.

The Committee heard that the external audit was still ongoing, however it was anticipated that an unqualified opinion, without modification, would be given on the financial statements; and that work was yet to be completed in respect of the Council's value for money arrangements, and that this would be reported to Members in the Auditors Annual Report in January 2023.

The Audit Manager, Mazars LLP highlighted that the Covid payments and Housing Revenue Account audits were now complete, however the work in relation to the year end value for Selby Business Centre, capital commitments, earmarked reserves and long-term investment balances remained ongoing. In terms of the audit of pensions, to date the assurance letter that had been requested from the pension fund auditor had not been received.

The Committee noted that in relation to the significant risks identified at section 4 of the report in terms of the valuation of property, plant and equipment (PPE), the net defined benefit liability valuation, the management override of controls, and NNDR appeals provision, additional procedures had been carried out; it was confirmed that the work had not identified any matters to bring to the attention of Members.

At section 5 of the report, the Committees attention was drawn to errors which had been identified in 2020-21 following reconciliation of the fixed asset register to the statement of accounts, and it was confirmed that for the year 2021-22 no such discrepancies had been identified. It was further confirmed that a series of capital contracts, which at the time of the audit had not been signed, between Engie and the Council, had since been signed on 16 September 2022.

Finally, Members heard that an error had been identified in PPE under Council Dwellings, in year property additions had been recorded at cost when the value should have been reduced by the 41% social housing factor, to reflect the property in use as social housing.

RESOLVED:

To note the report.

20 STATEMENT OF ACCOUNTS 2021-22 (A/22/9)

The Committee received the Statement of Accounts, presented by the Chief Finance Officer, which enabled Members to undertake an examination of the Council's financial accounts for the financial year 2021-22.

It was explained that the audit was still to be concluded as there were two significant matters outstanding, as Members had heard featured in the External Auditors Completion Report. It was further explained that two minor amendments had been made as part of the ongoing external audit, however both corrections were purely presentational in nature; and a change to the recommendation had been made to the report within the agenda pack.

Members heard that the two elements outstanding related to the current valuation of Selby Business Centre and Council Disclosures around Capital Commitments under Contract. The assurance letter from the North Yorkshire Pension Fund auditors also remained outstanding, however it had been indicated that this would be received in November 2022.

In respect of the year end value of Selby Business Centre, the Committee noted that an updated valuation of the site had recently been performed, this had led to a revaluation of the asset to £1.11m, a proposed impairment of the asset in year of £1.56m; the audit work to verify the updated value remained ongoing.

Members noted that with regards to Note 14. Commitments under Capital Contracts, the note currently showed £17.5m for modernisations to HRA land & buildings, this figure represented the amount budgeted by the Council for the coming three years for these schemes. As at 31 March 2022 £632k of this amount was subject to committed agreements with suppliers, but with no formal value attached to the contract in terms of committed spend. Ongoing discussions were taking place with regards to which value was materially correct to include as a disclosure within the note depending on the treatment. It was further noted that any change between these values would be self-contained within this note, and presentational only.

The Chief Finance Officer requested that, subject to the resolution of these outstanding matters, within the parameters outlined above as

representing the potential change, members delegate authority to her to make any minor amendments which may arise in the accounts in consultation with the Chair of the Committee; and authority to sign the letter of representation contained within the External Auditors Completion Report on completion of the audit.

In relation to earmarked reserves from developer contributions received towards the provision of affordable housing, it was queried why the figure was so high when the spend was time limited. It was further queried if Selby District Council (SDC) had plans in the pipeline for the monies and if not, would the figure be transferred to North Yorkshire Council (NYC) on vesting day. It was confirmed that SDC did have plans to acquire a number of properties within the Staynor Hall development in Selby, and that any assets and liabilities that SDC held at the 31 March 2023 would become opening balances for NYC on the 1 April 2023.

A number of queries were raised in relation to the accuracy of the figures contained within the report under officer remunerations and the movements in a number of senior officer posts between the 2020-21 & 2021-22 financial years, and the total value for member allowances in 2021-22 in the disclosure note. Further details as to the usage of the in-year transfer out of £8,507k from the Special Projects Unallocated Reserve was also requested.

The accountant explained that he would review the figures and circulate a detailed response to the Committee, and Members were assured that any material changes within the accounts would be reported back to the Committee as a whole.

The Committee approved the Statement of Accounts, subject to the completion of the audit.

RESOLVED:

- i. To approve the Statement of Accounts 2021-2022, subject to the completion of the audit.**
- ii. To delegate authority to the Chief Finance Officer to make minor amendments to the accounts in consultation with the Chair of the Committee.**
- iii. To authorise the Chief Finance Officer to sign the letter of representation as set out in draft in the External Auditors report at item 9 of the agenda.**

21 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PROGRESS REPORT (A/22/10)

The Assistant Director, Audit Assurance, Veritau presented the report which provided the Committee with an update on the delivery of the internal audit work plan for 2022-23, along with an update on the counter fraud and information governance work undertaken to date in 2022-23.

Member's attention was drawn to Annex 1 of the agenda pack which detailed the audit work finalised to date, the priorities for the remainder of 2022-23; and provided a summary of key issues from the individual audits completed since the last meeting of the Committee in July 2022.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2022-23, it was explained that the key focus of the counter fraud work was in preparation for Local Government Reorganisation (LGR) in North Yorkshire, to ensure that strong counter fraud policies and procedures were in place for inception day of the new authority.

The Committee heard that there was the potential for an increased risk of fraud occurring in the run-up to LGR, as criminals may try to take advantage of the uncertainty caused by any change in administrative arrangements to commit fraud. It was highlighted that an e-learning package for employees had been produced at all the Councils involved in LGR, this raised awareness of the increased risk, and focused on threats that may be experienced before and after the new Council was formed.

Members noted that the counter fraud team had raised awareness of whistleblowing on World Whistleblowers' Day in June 2022, to make all officers aware that they should raise any concerns they had in the public interest, and that there were protections in place should they do so.

The Committee were informed that the Council's counter fraud transparency data had been updated in May 2022 to include data on counter fraud work completed in 2021-22, this helped the Council to meet its obligations under the Local Government Transparency Code 2015.

In terms of investigative work, Members heard that a total of 54 referrals of suspected fraud had been received in the financial year, to include potential council tax fraud, council tax support fraud, housing fraud and business rates fraud. In addition, investigatory work had resulted in amended business rates assessments for two businesses who had incorrectly received small business rate relief, and a warning was issued to a business which had inappropriately claimed a £10k Covid-19 grant.

The Information Governance Manager, Veritau drew the Committee's attention to annex 3 of the report which provided an update on Information Governance matters, developments in the Council's Information Governance arrangements and compliance with relevant legislation.

Members noted that following completion of the privacy notice review in 2020-2021, Veritau had, in consultation with the relevant service areas, applied the relevant changes to the privacy notices, and of the thirty four privacy notices in total, seventeen had been completed and uploaded to the Council website. A further seventeen privacy notices were subject to ongoing review before publication onto the website.

The Committee acknowledged that the Council had completed a review of the Information Governance policies, and all were now published on the Council's website.

The Committee were informed that a review of the Information Asset Register (IAR) had been completed in March 2022, to reflect the United Kingdom's (UK) GDPR compliance needs, and apart from two service areas, Housing and Property Services, the register reflected all the Council's current information assets. It was noted that a further review of the IAR would consider alignment and consistency of information across the district councils in advance of LGR.

In terms of Information Security incidents involving personal data, Members were informed that three such incidents had been reported to Veritau, one of which was assessed as very low risk, and two as a low risk after investigation.

The Committee queried what was the cost to the Council in terms of counter fraud man hours to recover monies which had been identified as lost through fraud investigation. It was confirmed that there were a number of factors which made it very difficult to quantify the cost, however overall, the figures were similar across all local authorities both regionally and nationally. Members felt it would be useful to have a breakdown of the officer salary costs needed to investigate and recover the £8k of actual savings in 2021-22, to ensure value for money had been achieved.

As at the meeting in July 2022, Members raised further concerns regarding the completion rates for officer PDR's, as stated within the report the figure for the first five months of 2022-23 had stood at 5%, it was requested that the Committee be provided with current PDR completion figures.

RESOLVED:

- i. To note the progress made on the delivery of internal audit, counter fraud and information governance works.**
- ii. To provide Members with a breakdown of percentage figures showing the amount of monies recovered against the cost to the Council of the counter fraud work required to investigate and make the recovery.**
- iii. To ask officers to circulate the current PDR completion rates to Members.**

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22 PRIVATE SESSION

It was proposed, and seconded, that the Committee sit in private session
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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.

23 CONSIDERATION OF INTERNAL AUDIT REPORTS (A/22/11)

The Assistant Director, Audit Assurance, from the Council's internal auditors Veritau presented the report, which advised that two audits had been completed on 13 October 2022 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.

Members noted that actions had been agreed which were appropriate to address the risks identified and proportionate in view of Local Government Reorganisation; and that some of the actions were showing a significant improvement or had already been completed.

The Committee asked a number of questions in relation to the audits, it was confirmed that Veritau were working with the Leadership Team to cascade key messages and provide hands on training to officers. Members were assured that appropriate action was being taken.

RESOLVED:

To note the report.

The meeting closed at 6.59 pm.