

Minutes

Audit & Governance Committee

Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 30 January 2019
Time:	5.00 pm
Present:	Councillor K Arthur (Chair), Councillor I Reynolds (Vice-Chair), Councillor J Cattnach, Councillor J Chilvers and Councillor B Sage (from minute item 32)
Officers present:	Janet Waggott (Chief Executive), Peter Williams (Head of Finance), Stuart Robinson (Head of Business Development & Improvement, from minute item 31), Caroline Fleming (Senior Solicitor), Nicola Hallas (Manager, Mazars LLP), Mark Kirkham (Partner, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau) Daniel Club (Senior Fraud Investigator, Veritau) Palbinder Mann (Democratic Services Manager / Deputy Monitoring Officer) and Dawn Drury (Democratic Services Manager)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources)
Public:	0
Press:	0

26 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillors McCartney and Marshall.

27 DISCLOSURES OF INTEREST

There were no disclosures of interest.

28 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 24 October 2018.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 24 October 2018.

29 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair stated that he did not have anything to report.

The Chief Executive reported that an announcement had been made by the Ministry of Housing, Communities & Local Government (MHCLG) on local government preparedness for Brexit and associated additional funding. A briefing note was circulated to the Committee and the Chief Executive stated that she would provide a full update at the end of the meeting.

30 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

The Democratic Services Officer confirmed that the remaining action had been completed, which was noted by the Committee.

RESOLVED:

To note the Audit Action Log.

31 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

32 INFORMATION GOVERNANCE ANNUAL REPORT 2018 (A/18/13)

The Senior Solicitor presented the report, which provided the annual update on information governance within the Council for 2018. The Committee was informed that the recommendation to provide an annual report on information governance came from the 2014 internal audit.

The Senior Solicitor highlighted the following information when presenting the report.

- With regard to the General Data Protection Regulations (GDPR) a new Information Governance Strategy and policies had been put

in place; with a Central Information Governance Group (CIGG) consisting of internal officers and Veritau to monitor compliance. It was confirmed that Veritau and the CIGG have identified priority areas going forward and in the preparation of an information governance strategy for 2019/20.

- All staff had received mandatory training on GDPR and, it was also part of the induction process for new staff.
- An information security check had been carried out in 2018 at the Civic Centre by Veritau, to check that information was stored appropriately, particularly when staff had left the office. The audit findings had outlined that some cupboards had been left unlocked; in order to mitigate this risk, key safes had been installed across the building. It was noted that a recent check had been carried out and the findings would be reported to the next meeting of the Committee.
- In relation to data protection breaches as set out in the report, one breach had been at a level which required reporting to the Information Commissioner's Office (ICO), who decided that the data protection breach did not meet their criteria for formal enforcement action.
- With regard to freedom of information requests the Council had a well defined system in place to administer and respond to such requests. The Council was currently responding to just over 90% of requests on time, above its target of 86%.
- In relation to freedom of information requests, the Committee praised the response rate of officers and queried what records were kept on the requests received. The Senior Solicitor confirmed that a log of all requests was kept along with the length of time spent on each request.

RESOLVED:

To note the report.

33 EXTERNAL AUDIT PROGRESS REPORT (A/18/14)

The Manager, Mazars LLP presented the report which highlighted that the planning work in relation to the 2018/19 external audit was underway, and the Audit Strategy Memorandum would be presented to the Audit and Governance Committee in April 2019.

The Committee was informed that the 2017/18 Housing Benefits Subsidy return required amendments, with detailed findings reported in a qualification letter to the Department of Work and Pensions dated 29 November 2018. The Manager, Mazars highlighted that following the prescribed testing, two reporting issues out of a sample of 60 had been

detected in rent rebates and rent allowances however the issues were minor when compared with the total claim.

The Committee was informed that the Internal Auditing Standards required auditors to enquire about the arrangements put in place at the Council to prevent and detect fraud, and comply with applicable law and regulations. They were further informed that the report contained a list of questions which the Chair would respond to on behalf of the Committee.

RESOLVED:

To note the report.

34 REVIEW OF RISK MANAGEMENT STRATEGY (A/18/15)

The Audit Manager, Veritau presented the report, which included the Council's reviewed Risk Management Strategy, amendments to which were highlighted in yellow and shown as track changes in Appendix 1. The Committee was informed that the strategy remained largely unchanged following the review however, minor amendments had been made in some sections to improve readability; and also to dates and references where appropriate.

RESOLVED:

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

35 CORPORATE RISK REGISTER 2018/19 (A/18/16)

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 2018.

The Committee was informed that there were a total of 11 risks on the Council's Corporate Risk Register for 2018/20; no new risks had been added to the register since it was previously reported to the Committee in July 2018. The Committee's attention was drawn to page 53 of the agenda which contained a summary of the current risks.

RESOLVED:

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

36 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT (A/18/17)

The Audit Manager, Veritau presented the quarterly report to the Committee which depicted current progress in relation to the 2018/19 Internal Audit Plan for the Committee to note.

The Committee was updated that since the Internal Audit Progress report
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had been written, the audit on Council Tax was now in progress and that the action on Sundry Debtors had been completed and signed off; with Richmondshire District Council and Selby District Council renegotiating and agreeing the reviewed Service Level Agreement.

In response to a query regarding Civica Cx, the new Housing Management System and, in particular the 'Contractor module' to support repairs and maintenance, the Chief Executive explained that the particular module was currently being developed by Civica and would not be available to go live until August 2019. This would not significantly impact on the implementation of the rest of the system and, the Chief Executive assured the Committee that the Council were receiving value for money.

The Audit Manager, Veritau highlighted that the external assessment of Veritau, required to comply with the Public Sector Internal Audit Standards (PSIAS) had been undertaken by the South West Audit Partnership (SWAP) in November 2018. It was confirmed that the assessment had concluded that Veritau's internal audit activity generally conformed to the PSIAS. It was further confirmed that the results of the assessment would be included in the annual report to be presented to the Committee in July 2019.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2018/19 which highlighted that savings of £9.5k had been achieved through fraud investigation.

In relation to data matching, the Committee received an update on the 2018/19 National Fraud Initiative (NFI) Business Rates pilot, the exercise had identified savings of £5.7k for the Council to date; with the potential for further savings.

The Committee was informed that in relation to fraud detection and investigation, £10k of fraud had been detected in Council Tax Support during the current financial year; and that officers had recovered one property which was being fraudulently sub-let. The Committee also heard that the Council had fallen victim to a "mandate fraud".

In relation to questions about Blue Badge Parking Fraud, the Counter Fraud Manager, Veritau stated that the Council outsourced all parking inspections to Harrogate Borough Council, if and when Parking Inspectors suspect fraud was being committed they reported it immediately to Veritau.

RESOLVED:

- i. To note the report.**
- ii. To note the results of the external assessment of internal audit.**

37 REVIEW OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2017/18 (A/18/18)

The Head of Finance presented the report, which updated the Committee on progress made against the Action Plan for the Annual Governance Statement for 2017/18; this was the half yearly review and the Action Plan was included at appendix A.

The Head of Finance explained that since the last update, a Quarterly Work Programme Liaison Group between the Executive and the Chairs of Audit and Governance, Scrutiny and Policy Review Committees had been established. It was further explained that training had been delivered to members of the Executive and Scrutiny Committees, with role profiles for the Chairs developed, agreed and adopted into the Constitution at the meeting of Council in July 2018.

In relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), the Committee were informed that Northgate PARIS, the Council's current payments and income management system, which had to date not fully supported PCI DSS compliance; had been bought out by Civica. Civica had informed the Council that they could not commit to supporting the software in the long term and we will need to procure a replacement system. Council will consider a bid for funds for replacement software as part of the draft budget for 2019/20 and it is hoped that replacement, PCI DSS compliant, software will be implemented in 2019/20.

The Head of Finance explained that a number of duplicate invoices and payments had been identified during a previous audit; although a further audit of Creditors completed in 2017/18 had found reasonable progress had been made, with a clear process in place should an invoice be received without a purchase order; due to the high risk this action had stayed on the Action Plan and would be followed up as part of the 2018/19 audit.

The Head of Finance confirmed that the action on Payroll Reconciliation had been completed with all issues being resolved.

The Committee was informed that positive progress had been made in relation to the Action Plan.

RESOLVED:

To note the report.

38 COUNTER FRAUD FRAMEWORK UPDATE (A/18/19)

The Chair informed the Committee that Appendix C, Fraud Risk Assessment, contained exempt information and therefore if the Committee wished to discuss this information, they would need to move into Private Session.

The Counter Fraud Manager, Veritau presented the report, which updated the Committee on the progress made against the actions set out in the Counter Fraud Policy and Corruption Strategy; in addition the Council's Counter Fraud Risk Assessment had been updated to reflect fraud risks currently facing the Council.

The Committee was informed that in May 2018 the Council participated in the CIPFA fourth annual Fraud and Corruption Tracker (CFaCT) survey, with results received from local authorities in all regions in the UK; to show the changing shape of the fraud landscape and to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

The Counter Fraud Manager, Veritau highlighted that Procurement Fraud remained the highest perceived area of threat nationally with an average loss per case of £36k. The Committee was informed that to mitigate the risk Veritau used data matching; along with raising awareness by working with officers to put stringent checks in place.

The Committee was informed that there had been a 20% increase in the number of fraud reports received in 2018/19, this was due to greater engagement by members of Council staff and the public.

The Counter Fraud Manager, Veritau confirmed that £33.6k of loss due to fraud and error at the Council in 2018/19 had been detected.

The Committee stated they wanted to discuss the information outlined in appendix C, therefore agreed to move into private session.

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 item as there will be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.

It was proposed, and seconded, that the Committee moved into Private Session.

The Counter Fraud Manager, Veritau informed the Committee that the Fraud Risk Assessment was reviewed annually, with the highest area of risk identified as creditor payments.

The Counter Fraud Manager, Veritau provided the Committee with details of the fraud incidents that had affected the Council. The Committee asked a number of questions in relation to the incidents.

RESOLVED:

- i. To approve the updated Counter Fraud and Corruption Strategy Action Plan.**
- ii. To note the updated Counter Fraud Risk**

Assessment.

It was proposed, and seconded, that the Committee return to Public Session.

39 ANNUAL REVIEW OF THE CONSTITUTION (A/18/20)

The Committee received the report presented by the Democratic Services Manager / Deputy Monitoring Officer, who explained that the review of the Constitution had been undertaken to ensure that it was up to date and fit for purpose, prior to its consideration at Full Council in March 2019. It was further confirmed that the proposed amendments were highlighted in Appendix A, however that only minor changes had been made.

RESOLVED:

To note the report.

40 MINISTRY OF HOUSING, COMMUNITIES & LOCAL GOVERNMENT (MHCLG) ANNOUNCEMENT REGARDING BREXIT

As stated earlier in the meeting the Chief Executive conveyed the announcement, made the previous day from the Ministry of Housing, Communities & Local Government (MHCLG), regarding local government preparedness for Brexit and associated funding to the Council. The Committee was informed that the objective was to help local government ensure a successful transition phase with minimal impact on Council services and local people; to support this additional funding had been announced amounting to £35k over a two year period in 2018/19 and 2019/20.

The Chief Executive assured the Committee that the Council was playing an active part, with a special Extended Leadership Team (ELT) meeting to be arranged to consider planning for a no deal Brexit; and further explained the proposal to adopt a formal corporate risk around preparing for a no deal Brexit. The Committee was asked to note the information on the report.

RESOLVED:

To note the report.

The meeting closed at 5.55 pm.