

## Minutes

### Audit & Governance Committee

---

|                                      |   |
|--------------------------------------|---|
| Venue:                               | Microsoft Teams - Remote  |
| Date:                                | Wednesday, 21 October 2020  |
| Time:                                | 5.00 pm   |
| Present remotely via Teams:          | Councillors K Arthur (Chair), N Reader (Vice-Chair), J Chilvers, M Jordan, T Grogan, K Franks and J Duggan  |
| Officers present remotely via Teams: | Karen Iveson (Chief Finance Officer), Alison Hartley (Solicitor to the Council and Monitoring Officer), Michelle Oates (Senior Accountant), (Mark Kirkham (Partner, Mazars LLP), Nicola Hallas (Manager, Mazars LLP), Ed Martin (Audit Manager, Veritau), Jonathan Dodsworth (Assistant Director - Corporate Fraud, Veritau), Rebecca Bradley (Assistant Director, Information Governance, Veritau); and Dawn Drury (Democratic Services Officer) |
| Others present remotely via Teams:   | Councillor C Lunn (Lead Executive Member for Finance and Resources),  |

---

#### **17 APOLOGIES FOR ABSENCE**

Apologies for absence had been received from Councillor Mackay.

#### **18 DISCLOSURES OF INTEREST**

There were no disclosures of interest.

#### **19 MINUTES**

The Committee considered the minutes of the Audit and Governance Committee meeting held on 29 July 2020.

#### **RESOLVED:**

**To approve the minutes of the Audit and Governance Committee meeting held on 29 July 2020.**

## **20 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE**

The Chair thanked all Councillors who had served on the Audit and Governance Committee during 2019-20 for their support and continued hard work and welcomed the new members of the Committee. He further thanked all officers for their contribution.

The Chair updated the Committee on the work of Sir Tony Redmond, who had led an independent review into oversight of local audit and transparency of local authority reporting.

Members noted that the purpose of the Redmond Review, which had been commissioned by the Government, was to test not only the impact of external audit activity in local government but also to look at how it helped to demonstrate public accountability, particularly to service users and council taxpayers; issues which were considered highly relevant to the work of the Committee.

A number of detailed recommendations had been put forward in the review, to include:

- A review and potential simplification of local authority accounts and a revision to the deadline for publishing the audited accounts from 31 July to 30 September each year;
- A review of the governance arrangements within local authorities by local councils with the purpose of an annual report being submitted to Full Council by the external auditor; consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually;
- And a revision to the current fee structure for local audit to ensure that adequate resources were deployed to meet the full extent of local audit requirements.

The Chair highlighted that the review had yet to be considered by Government and that he would watch with interest as this progressed and looked forward to a formal report from officers if and when any of the contents become mandatory.

## **21 AUDIT AND GOVERNANCE WORK PROGRAMME**

The Committee considered the current Audit and Governance Work Programme.

### **RESOLVED:**

**To note the Work Programme.**

## **22 EXTERNAL AUDIT COMPLETION REPORT 2019-20 (A/20/11)**

The Partner, Mazars LLP presented the report and explained that it set out a summary of the external audit progress for 2019-20.

The Partner, Mazars LLP highlighted that the audit report had been slightly modified to include an Emphasis of Matter paragraph in regard to the material uncertainty related to the valuation of land and buildings due to the pandemic. Members heard that the opinion of the external auditor was not modified in respect of this matter, and it was confirmed that this was not unusual and had happened at other local authorities.

In reference to the risk relating to the 'Management override of control' the Committee noted that there were no risks found, and it was confirmed that the Council would be issued with an unqualified value for money conclusion for the 2019-20 financial year, with no matters to report.

In relation to the 'Defined Benefit Pension Liability Valuation', the Partner, Mazars LLP explained that the valuation of the Local Government Pension Scheme relied on a number of assumptions, this presented a significant risk as estimated figures were used as part of the audit work. It was further explained that the audit was not quite complete as certain steps within the procedure to be followed required completion; figures from the North Yorkshire County Council's (NYCC) auditor for the Council's Pension Scheme were also awaited.

In response to a question regarding how assurance of the valuation of the NYCC Pension Scheme was acquired, it was confirmed that there was a routine liaison arrangement in place with the auditor at NYCC to provide yearly figures.

Members asked a number of questions in relation to material certainty on the valuation of property, plant and equipment made at the 31<sup>st</sup> March, how assets were valued and how the 33k triviality level was determined. It was confirmed that challenge on the valuation estimation was undertaken and the judgement reached by the valuer had been considered, assets were valued at fair value; and the triviality level was a proportion of the Council's gross revenue expenditure.

**RESOLVED:**

**To note the report.**

**23 CIPFA FINANCIAL MANAGEMENT CODE (A/20/12)**

The Chief Finance Officer presented the report which provided a self-assessment, action plan and progress update on the Financial Management (FM) Code.

The Committee heard that the FM Code identified risks to financial sustainability and provided a framework of assurance and it was explained that compliance with the FM Code was mandatory for all local authorities from 2021-22 onwards.

Members noted that the self-assessment was completed in December 2019 and adopted by the Leadership Team in January 2020. It was highlighted that some areas for improvement had been identified with a number of actions on the action plan agreed by the Leadership Team.

**Resolved:**

**To note the report.**

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

## **24 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PROGRESS REPORT 2020-21 (A/20/13)**

The Audit Manager, Veritau presented the report which provided an update on progress made in delivering the internal audit work plan for 2020-21, along with an update on the counter fraud and information governance work undertaken to date in 2020-21.

The Audit Manager, Veritau explained that due to Covid-19 work on the annual audit plan had been delayed, however planning had commenced on eleven audits for 2020-21, with fieldwork expected to commence shortly. It was further explained that there were nine 2019-20 audits where fieldwork had been completed and where action was required, this would be agreed with managers as part of the 2020-21 work.

In relation to the counter fraud aspect of the report, the Assistant Director Counter Fraud, Veritau informed Members that normal areas of work for the Counter Fraud team had been hindered by Covid-19 but new work had emerged relating to Covid-19 grants. It was highlighted that four investigations of suspected fraudulent Covid-19 grant applications had been completed to date and £30k of payments had been prevented. It was further confirmed that post assurance checks had been undertaken on successful grant applications; of the seventy two successful applications reviewed seventy one applications were verified as being correctly awarded, and one had been flagged for further checks.

The Assistant Director Information Governance, Veritau drew the Committee's attention to appendix C of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with data breaches. Members were informed that to respond to Covid-19 a new privacy notice for council employees had been written and published; and an overall Information Sharing Agreement (ISA) had been put in place with North Yorkshire County Council for Covid-19 related sharing.

In relation to a query regarding when the Council had last been inspected for compliance regarding the Regulation of Investigatory Powers Act 2000 (RIPA), the Solicitor to the Council was unable to confirm the specific date but confirmed that the policy was being reviewed at present, and stated that she would circulate the information to the Committee.

The Committee asked a number of questions in relation to the three identified fraudulent Covid-19 grant applications, it was confirmed that one company had not been operational and two had provided false details to divert monies. It was further confirmed that the perpetrators had been reported to the necessary authorities and were being pursued.

In relation to the review of the Council's privacy notices, Members queried what gaps had been identified in the review, and why a new privacy notice had been written for Council employees in response to Covid-19. The Assistant Director Information Governance, Veritau informed Members that the gaps had been identified in service areas where specific privacy notices were required, and that the new employee privacy notice informed employees about what the Council did with their personal details and how they protected the data.

**RESOLVED:**

**To note the progress on delivery of internal audit, counter fraud and information governance work.**

**25 STATEMENT OF ACCOUNTS 2019-20 (A/20/14)**

The Chair drew Members' attention to the supplementary agenda which had been circulated for this item and contained appendices A and B to the report.

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 gave commentary on key issues at the Council during the financial year. It was further explained that following discussion with the External Auditor, additional wording related to the pension fund had been added at page 48 of appendix A, which highlighted material uncertainty in the valuation of some of the Pension Fund assets. This uncertainty had to be highlighted in Selby's accounts and was in keeping with other members of the Pension Fund; it featured in the External Auditors completion report but did not impact on any of the figures within the accounts.

The Chief Finance Officer highlighted that in view of the Pension Fund asset valuation the audit was not complete and requested that 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 agenda pack on completion of the audit.

The Committee's attention was drawn to appendix B which set out key movements between the financial years of 2018-19 and 2019-20 and identified key changes.

The Chair queried what had occurred in the General Fund to produce the variance in customer and client receipts, it was confirmed that the scale of

planning applications received had not been as high as had been budgeted for, this had resulted in reduced income from planning fees, there was also reduced property and recycling income, and reduced occupancy in industrial units.

In response to a query regarding why targets had not been realised in budget savings, the Chief Finance Officer advised Members that the Council had a comprehensive Savings Plan which was reported to the Executive quarterly. It was highlighted that the shortfall in savings was due to a number of different reasons to include capacity to progress the Digital Strategy and transformation.

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

**RESOLVED:**

- i. To approve the Statement of Accounts 2019-20, 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 6 of the agenda.**

**26 LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2019-20 (A/20/15)**

The Committee received the report, presented by the Solicitor to the Council who explained that the Local Government and Social Care Ombudsman was the final stage for complaints made against Local Authorities.

The Committee heard that the Council had received 12 complaints in the year 2019-20; of those only 5 cases had been progressed to a detailed investigation by the Ombudsman, of which 3 had been upheld. It was further explained that the Council showed a 100% record of implementation of the recommendations made by the Ombudsman.

The Committee was assured that the complaints process was operating effectively and noted the importance of complaints in terms of positive learning and improvement of services following their consideration.

**RESOLVED:**

**To note the Local Government and Social Care Ombudsman Annual Review Letter 2020.**

**27 AUDIT & GOVERNANCE ANNUAL REPORT 2019-20 (A/20/16)**

The Committee received the report from the Chair, which asked them to approve the Audit and Governance Committee Annual Report 2019-20.

**RESOLVED:**

**To approve the Audit and Governance Annual Report 2019-20.**

The meeting closed at 6.05 pm.

This page is intentionally left blank