

Minutes

Audit & Governance Committee

Venue:	Microsoft Teams - Remote
Date:	Wednesday, 21 April 2021
Time:	5.00 pm
Present remotely via Teams:	Councillors K Arthur (Chair), N Reader (Vice-Chair) (from agenda item 11), J Chilvers, T Grogan, J Duggan and D Mackay
Officers present remotely via Teams:	Karen Iveson (Chief Finance Officer), Alison Hartley (Solicitor to the Council, and Monitoring Officer) (up to agenda item 11), Mark Kirkham (Partner, Mazars LLP), Phil Jeffrey (Assistant Director, Audit Assurance, Veritau), Daniel Clubb (Counter Fraud Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present remotely via Teams:	Councillor C Lunn (Lead Executive Member for Finance and Resources)

42 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M Jordan and K Franks.

43 DISCLOSURES OF INTEREST

There were no disclosures of interest.

44 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 27 January 2021.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 27 January 2021.

45 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

There was no Chairs address.

The Chair indicated that he would be amending the order of business to allow agenda item number 11, Investigatory Powers Commissioner's Office – Remote Inspection 2021 to be considered first as agenda item number 7; the rest of the business would follow as set out in the agenda.

46 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

The Democratic Services Officer explained that following the Audit and Governance meeting in January, when Members stated that they wished to undertake a “deep dive” into Industrial Units within the District, the terms of reference for the Committee had been examined and it was found that the Committee best placed to investigate this was the Scrutiny Committee.

Members requested that the matter be referred to Councillor Steve Shaw-Wright, as Chair of Scrutiny, to see if the matter could be taken forward through the Scrutiny Committee Work Programme.

RESOLVED:

- i. To note the Audit Action Log.**
- ii. To refer the matter of Industrial Units owned by the Council on to the Chair of Scrutiny Committee, as detailed above.**

47 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

48 INVESTIGATORY POWERS COMMISSIONER'S OFFICE - REMOTE INSPECTION 2021 (A/20/30)

The Committee received the report, presented by the Solicitor to the Council which informed Members of the Commissioner's Report along with the Council's response and Action Plan, following a Remote Inspection on 9 February 2021.

The Committee heard that the Council had investigative powers to include carrying out directed covert surveillance in certain circumstances, however, to do so, strict procedures were in place to ensure that such

infringement of privacy was only authorised where proportionate and justified in the circumstances, in accordance with the Regulation of Investigatory Powers Act 2000 (RIPA).

Members noted that the last inspection had taken place in October 2018 and was routine every three years, and the inspection had taken the form of a detailed discussion over Microsoft Teams. It was further noted that this year the Commissioner's Office (CO) had adopted an advisory, light touch approach to the inspection regime, as the Council does not use covert surveillance; procedures were in place but not used.

It was confirmed that the CO was satisfied that there were no formal recommendations to be made, but in response to observations made by the Inspector, an action plan was submitted to them. It was further confirmed that a response had been received from the CO, who had confirmed they were satisfied with the arrangements in place in Selby, and that the action plan showed a commitment from the Council to raise and maintain the compliance standards.

Members raised concerns around fly tipping in the district and the Council's approach in tackling it, and in particular the use of "overt" CCTV cameras which had signs in place warning that CCTV was being recorded.

One of the Members stated that other larger authorities such as Bradford and Wakefield made use of the RIPA legislation to utilise "covert" cameras and requested that the RIPA legislation be explored to see how it could benefit the Selby district and assist enforcement officers in the use of "covert" cameras to affect change.

With regard to the problem of fly tipping of tyres, Members felt that tyres were coming from outside the district, and that it was counterproductive to display CCTV warning signage, as the culprits simply moved to another location.

It was explained that the use of "covert" cameras was a regulatory matter which would be part of an investigation process and would have to go through a formal process for authorisation; there was also a need for covert surveillance to be necessary and proportionate.

The Solicitor to the Council noted the Committee's concerns and comments and assured Members that the matter would be discussed further with the Council Enforcement officers.

RESOLVED:

To note the Report of the Investigatory Powers Commissioner's Office, and the response from the Chief Executive on behalf of the Council, including the Action Plan.

49 EXTERNAL AUDIT STRATEGY MEMORANDUM (A/20/26)

The Partner, Mazars LLP presented the report, which outlined the external audit plan for the Council for the year ending 31 March 2021.

The Partner, Mazars LLP explained that there were a few significant risks in carrying out the audit work, and the report highlighted three risks had been deemed to be significant: management override of control, property, plant and equipment valuation; and defined benefit liability valuation, however it was confirmed that these risks were not unusual across the sector.

RESOLVED:

To note the report.

50 EXTERNAL AUDIT PROGRESS REPORT (A/20/27)

The Partner, Mazars LLP presented the report which set out the progress of external audit work to date on the 2020-21 financial statements.

The Committee heard that the National Audit Office (NAO) had updated their Code of Audit Practice from 2020-21, as part of the new Code the reporting requirements on the Council's arrangements to deliver value for money in their use of resources had changed. Therefore, the External Audit would no longer include a value for money conclusion as part of the Financial Statements Audit Report, this would now be reported in a new Auditor's Annual Report which replaced the Annual Audit Letter.

In response to a query regarding the impact of Covid-19 on the Council, it was confirmed that in terms of expenditure and grant related income received in the emergency response to the pandemic in 2020-21, that this would be covered as part of the normal audit procedures; it was not anticipated at this moment in time to be a significant audit risk to the Council.

RESOLVED:

To note the report.

51 INTERNAL AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE PROGRESS REPORT (A/20/28)

The Assistant Director, Audit Assurance, Veritau presented the quarterly report which provided the Committee with an update on the delivery of 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. It was noted that due to Covid-19, work on the annual audit plan had been delayed therefore the report also updated Members on the plans for completion of work over the remainder of 2020-21.

Members noted that nine 2020-21 audits were in progress and expected to be completed by the end of April 2021, with priority being given to the

main financial system audits to minimise the impact on officers, who had additional demands due to the on-going Covid-19 pandemic.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2020-21 which highlighted that savings of £8.1k had been achieved through fraud investigation.

The Committee heard that the counter fraud team had supported the Council with pre, and post payment Covid-19 grant assurance work. Members were informed that 1,500 applications had been received for the first grant schemes put into operation, of these, a sample had been reviewed by the counter fraud team as part of the government's post assurance requirements. It was confirmed that all the grants had been paid in line with the government issued criteria, to legitimate companies; and no issues had been identified.

The Committee was informed that as part of Council's annual billing process for Council Tax which took place in February 2021, a message to residents had been included to raise fraud awareness and publicise the Council's "0800" fraud hotline telephone number.

The Assistant Director, Audit Assurance, 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. It was explained that Veritau had provided advice and support to officers in respect of data protection impact assessments and surveillance and law enforcement processing.

In response to a query regarding the progress of the payment card industry data security standard (PCI DSS) audit, it was confirmed that some delays had occurred due to Covid-19, however the system was now expected to be implemented by July 2021.

In relation to a query regarding whether the Council had any current investigations in progress under the Regulation of Investigatory Powers Act 2000 (RIPA), and if so, how many, the Assistant Director, Audit Assurance, Veritau was unable to provide an answer but stated that he would speak with the officers concerned and circulate the information to the Chair.

The Committee asked a number of questions in relation to the reduction in the target figures for counter fraud investigations completed in 2019-20 and 2020-21, whether this was related to Covid-19, and if there was sufficient capacity to complete the work still required. It was confirmed that in 2020-21 time had been taken on the verification of the Covid-19 grant applications which did not result in criminal investigation outcomes and therefore this had affected the overall figures. It was further confirmed that the resources were there, as Veritau had a large team of auditors.

RESOLVED:

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To note progress on the delivery of internal audit, counter fraud and information governance work, and the plans for work to be completed in 2020-21.

52 INTERNAL AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE WORK PROGRAMMES 2021-22 (A/20/29)

The Assistant Director, Audit Assurance, Veritau presented the report, which contained the proposed Internal Audit, Counter Fraud and Information Governance Work Programmes for 2021-22.

Members heard that traditionally the Council had an Audit Plan, however, in view of the significant amount of uncertainty arising from the impact of Covid-19, post-Brexit United Kingdom and Local Government Reorganisation, to allow for a more responsive audit during 2021-22, a flexible approach had been taken. It was further explained that the proposed Work Programmes summarised the overall areas where audit work was expected to be undertaken, based on the current assessment of risk, but that the list was not exhaustive.

It was highlighted that the internal audit work programme 2021-22 was based on a total commitment of 375 days, this was unchanged from 2020-21.

The Counter Fraud Manager, Veritau confirmed that a total of 105 days of counter fraud work had been agreed for 2021-22.

The Committee noted that a total of 60 days had been agreed for the information governance plan 2021-22 work, with the allocation split across the three elements of the service: data protection officer role, information governance strategy and support; and the provision of advice and training.

In response to a query regarding the potential impact on the regulatory aspect of Brexit on the Council, it was confirmed that there had been no direct impact to date, but a watching brief would be kept on the issue; the flexible work programme would allow for more focused resources if and when required. The Chief Finance Officer highlighted that there was to be a review of the legislation as a result of Brexit, and that changes were expected in the areas of the procurement regime and contract procedure rules, but assured Members that the Committee would be kept apprised of any such changes.

RESOLVED:

- i. To approve the Internal Audit Work Programme 2021-22.**
- ii. To note the Counter Fraud and Information Governance Work Programmes 2021-22.**

53 REDMOND REVIEW UPDATE (A/20/31)

The Chief Finance Officer presented the report, which provided an update on the review into oversight of local audit, and transparency of local authority reporting, led by Sir Tony Redmond.

Members heard that the review had been considered by the government and a response to the recommendations had been published, with a number still requiring further consideration. It was noted that the key change to be implemented in 2020-21 concerned the statutory dates and arrangements for publishing draft and audited accounts. The deadline for the approval of the audited 2020-21 accounts would be moved back to 30 September 2021, and this extended date would also apply for the 2021-22 accounts, with a further review undertaken for 2022-23 onwards.

The Chief Finance Officer explained that whilst the accounts publication deadline had been extended to 30 September for a period of 2 years, the Council's intention was to continue to produce the draft Statement of Accounts in line with the earlier timetable of 31 May. This would enable resources to be diverted towards in year financial management and forward planning.

Members noted that as part of the recommendation Councils would be required to produce an easily accessible annual statement of their service costs by the external auditor, however it was confirmed that as part of the response the government had committed an additional £15 million in 2021-22 to support Councils fund the likely increase in audit fees, and to produce these annual statements.

The Chair commented upon the recommendation that consideration be given to the appointment of at least one independent member, who was suitably qualified, to sit on the Audit and Governance Committee, as he felt that this would be advantageous to the Committee as a whole.

The Chief Finance Officer confirmed that additional guidance from the government was being awaited, and once received the recommendations would be implemented as required.

RESOLVED:

To note the Government's response to the recommendations of the Redmond Review.

54 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2020-21 (A/20/32)

The Committee received the report from the Chair, which asked them to approve the annual report for 2020-21; and to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the final version of the annual report 2020-21 following the inclusion of details from the current meeting.

The Chair highlighted two errors in the introduction, the Audit and Governance Committee had met four times over the municipal year and not three times, and there had been no Member briefings prior to the Committee meetings as stated; the Chair asked that both these issues be corrected.

RESOLVED:

- i. **To approve the Annual Report of the Audit and Governance Committee for 2020-21, submitted by the Chair of the Committee, subject to the amendments above.**
- ii. **To delegate authority to the Democratic Services Officer, in consultation with the Chair of the Committee, to update the final version of the Annual Report 2020-21, following the inclusion of details from the meeting on 21 April 2021.**

55 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2021-22 (A/20/33)

The Committee considered and agreed the Audit and Governance Committee work programme for 2021-22.

RESOLVED:

To approve the Audit and Governance Work Programme for 2021-22.

The meeting closed at 6.00 pm.