

**AUDIT AND GOVERNANCE COMMITTEE**

23<sup>rd</sup> June 2014

**Present** – The Chairman (Councillor Place) and Councillors Barrett, Jaquin, Mulligan, Staveley, Turner and Whaites.

**Officers** – Chief Executive, Finance Manager, VFM and Improvement Manager, Communications Manager and Committee Officer. Cameron Waddell, Director and Engagement Lead Mazars LLP and Martin Helm, Internal Audit Service : Audit Manager were also in attendance.

An apology for absence was received from Councillor Moorby.

Start: 6.30pm

Finish: 8.45pm

Councillor Staveley arrived at 6.38pm

The minutes of the Committee's meeting held on 24<sup>th</sup> March 2014 were confirmed and signed by the Chairman.

**Exclusion of the Public**

**Resolved** – That in accordance with the Council's Access to Information Procedure Rules, the public is excluded from the meeting during consideration of Minutes AC.200 and AC.202(a) below (marked\$) on the grounds that it is not in the public interest to disclose Category 3 (financial or business affairs of any particular person including the Council) exempt information therein.

**Minutes for Report**

\$AC.200

**PUBLIC SECTOR INTERNAL AUDIT STANDARDS - COMPLIANCE**

Further to Minute AC.191(b)/13-14, the Corporate Head of Financial Management submitted a report presenting Mazars LLP's report on their external validation of the shared internal audit service's compliance with Public Sector Internal Audit Standards.

The Chairman welcomed Cameron Waddell, Director and Engagement Lead with Mazars LLP who had been invited to the meeting to present the Company's report. The report had concluded that the Council's shared internal audit service was substantially compliant with the requirements of the Standards, but there were several areas for improvement which were the subject of an action plan appended to the report. The issues listed within the action plan would need to be addressed to ensure full compliance with the Standards.

One significant weakness where the internal audit service and the Council did not comply with the Public Sector Internal Audit Standards was the need to improve the annual review of the effectiveness of internal audit as required by the Accounts and Audit (England) Regulations 2011. Mr Waddell also reported that in undertaking the review a number of areas had been identified where there was scope to improve the work of the service, as well as the overall governance and assurance arrangements in place at the Council, and the role which the service played within those arrangements. Although those areas had not fed into the compliance assessment they represented opportunities for the Council and the audit service to improve its governance and assurance arrangements.

In responding to a Member's query as to effectiveness of the Audit Committee itself, Mr Waddell replied that undertaking an assessment of the effectiveness of the Committee would be seen as good practice and he was aware that it was done elsewhere. He undertook to provide a template which he suggested would be of help if the Committee was minded to carry out a self-assessment exercise.

**Resolved** – That the external validation report prepared by Mazars LLP in respect of the shared internal audit service's compliance with Public Sector Internal Audit Standards is received and the actions contained therein noted.

AC.201

### **RISK MANAGEMENT**

#### a. Tour de France Project

Further to Minute AC.190/13-14, the Communications Manager submitted an updated risk register in respect of the Council's involvement in arrangements for the opening stages of the 2014 Tour de France which would pass through the District on 5<sup>th</sup> and 6<sup>th</sup> July 2014. Although there was some doubt as to the amount the Council would receive from shared funding provision, Skipton had been officially designated as a spectator hub which would enable the Council to access other funding and support.

**Resolved** – That the update to the stand alone risk register for the Tour de France Project now presented, is noted.

#### b. Risk Register

Further to Minute AC.179/13-14, the Insurance, Risk and Procurement Manager submitted a report updating the Committee on changes to the Council's risk register and risk profile. Copies of an updated stand alone risk register for Skipton Town Hall had also been circulated.

Members were advised that no new risks had been added to the Register as a result of the most recent review. The Register therefore continued to be comprised of eight risks which had made varying degrees of progress, details of which were provided.

A risk assessment (CRAM) form had been completed in respect of on-going non-compliance issues with the Public Service Network. This risk had not scored high enough to feature on the Risk Register, but would sit within the IT Service's risk profile.

**Resolved** – (1) That the updated corporate risk register and the stand alone risk register for Skipton Town Hall are approved.

(2) That the CRAM form in respect of public service network compliance is approved.

AC.202

### **INTERNAL AUDIT**

#### \$a. Internal Audit Reports

The Internal Auditor presented copies of the audit reviews / reports listed below, which had been commissioned as part of the 2013/14 Internal Audit Plan.

- Housing Benefits : Level of Assurance : Significant
- Payroll : Level of Assurance : Significant
- Treasury Management : Level of Assurance : Partial
- Council Tax and Non Domestic Rates 2013-14 : Level of Assurance : Good
- Sundry Debtors 2013-14 : Level of Assurance : Good

The Finance Manager explained the reasons why, in consultation with the Chairman, it had been concluded that some internal audit reports, including those now submitted and particularly those in respect of computer or financial systems, should be excluded from publication.

**Resolved** – That the reports of the Internal Auditor now presented are received and that implementation of outstanding recommendations therein are monitored through the arrangements approved at Minute AC.138(a)/12-13.

b. Recommendations : Implementation Monitoring

Further to Minute AC.188(a)/13-14, the Corporate Head of Financial Management submitted a report updating the Committee on the position reached with implementation of internal audit recommendations in the final quarter of the 2013/14 financial year.

**Resolved** – (1) That outstanding audit recommendations with an agreed original target completion date prior to March 2014 are noted.

(2) That audit recommendations completed in the final quarter of 2013/14 are noted, and that the action taken in completing those recommendations is approved.

c. Annual Internal Audit Report 2013-14

The Internal Audit Manager submitted the Annual Internal Audit Report highlighting key findings and conclusions from the work undertaken by the Internal Audit Service in the 2013/14 financial year.

Under public sector internal audit standards the Internal Auditor was required to give an overall opinion on the adequacy and effectiveness of the Council's risk management, governance arrangements and internal controls. On each of these three areas the opinion was as follows:-

- Risk Management : The Council had adequate and effective arrangements in place with risk management embedded within the Authority.
- Governance : Generally speaking, adequate and effective arrangements were in place, although there were concerns regarding the Council's arrangements for information governance, those concerns were now being addressed.
- Internal Controls : Fundamentally sound systems of internal control were generally in place

The contribution paid to Harrogate Borough Council for hosting the shared internal audit service in 2013/14 had amounted to £56,813. The approved internal audit plan for the year had provided for 250 days, but as at the end of March 2013, total days had amounted to 317. The increase in number of days had been primarily attributable to completion of audits brought forward from 2012-13, addition of a strategic review of trade waste and additional work on risk assessed systems.

An appendix circulated with the Audit Manager's report presented details of the position in respect of each audit within the 2013-14 plan.

**Resolved** – That the Annual Internal Audit Report for the 2013/14 financial year is noted.

d. Internal Audit : Effectiveness

The Internal Audit Manager submitted a report presenting the outcome of a review of the effectiveness of the Council's internal audit service, together with the evidence collected, which had concluded that the service was effective.

The review had identified some improvements which could be made to the service and in the role it played within the assurance and governance arrangements of the Council. Those improvements

were being addressed through agreed actions, and progress on implementation would be reported in due course.

It was pointed out that an annual review of the effectiveness of the internal audit service was required by the Accounts and Audit (England) Regulations 2011. The external assessment of Internal Audit by Mazars (Minute AC.200 above) had identified that a suitable review had not been undertaken since the start of the shared service arrangement with Harrogate Borough Council. Presentation and consideration of the report now submitted addressed that area of weakness.

**Resolved** – That the Committee agrees with the view that the Internal Audit Service is effective overall, and that the Chairman is authorised to sign the required certificate to that effect.

e. Internal Audit Charter

Further to Minute AC.172(e)/13-14, the Internal Audit Manager submitted a report seeking approval of a revised internal audit charter for the shared internal audit service.

In carrying out the external assessment of Internal Audit, Mazars, had pointed out that the Charter did not explicitly cover the arrangements to ensure appropriate resourcing and the existing arrangements within the Council's anti-fraud and corruption policies. The relevant sections of the Charter had therefore been amended accordingly. The opportunity had also been taken to update other paragraphs where necessary.

The revised Charter had been considered and accepted by senior management at both authorities..

**Resolved** – That the revised Internal Audit Charter for the shared audit service for this Council and Harrogate Borough Council, as now submitted, is approved.

AC.203

**ANNUAL GOVERNANCE STATEMENT 2013-14**

Further to Minute AC.177/13-14, the Corporate Head of Financial Management submitted a report presenting the draft Annual Governance Statement for 2013/14 which would form part of the Annual Statement of Accounts 2013/14.

Members were reminded that the Council was required to publish an Annual Governance Statement explaining its arrangements for reviewing the effectiveness of its governance framework, including the system of internal control, alongside its annual statement of accounts. The Statement also summarised the governance arrangements in place and how they would be improved in the year ahead. Appendices to the Statement detailed significant governance issues outstanding at the end of 2013/14 and proposals for addressing them during the course of the current year.

The draft Statement had been compiled following CIPFA guidance. The final version to be presented to the Committee in September 2014 as part of the audited Statement of Accounts would need to be signed by the Chairman of this Committee and the Chief Executive .

**Resolved** – That the draft annual Governance Statement 2013/14 is approved.

AC.204

**CONTRACT PROCEDURE RULES - EXEMPTIONS**

Further to Minute AC.194(b) /13-14, Corporate Head of Financial Management submitted a report presenting a summary of exemptions granted from the Council's Contract Procedure Rules in the period January to June 2014. Four exemptions had been granted in the period.

In responding to a question from the Chairman as to whether the proposed exemptions had been drawn to the attention of the Member Champion for procurement, the Chief Executive confirmed that the Champion had been made aware, but the Monitoring Officer had recently highlighted a need to review the Member Champion's role and membership of the Audit Committee bearing in mind the Committee's responsibility for the audit aspects of procurement. The Chairman suggested, and it was

**Resolved** – (1) That the exemptions granted from the Council's Contract Procedure Rules are noted.

(2) That in reviewing the Contract Procedure Rules on 29<sup>th</sup> September 2014, consideration is also given to the Member Procurement Champion's involvement in the exemptions process.

AC.205

**CO-OPTION OF INDEPENDENT PERSON**

Further to Minute SEL.73/13-14, the Committee was asked to discuss arrangements for the co-option of an independent person to sit as a non-voting member of this Committee.

During the course of the ensuing discussion it was

**Resolved** – That delegated authority is granted to the Chief Executive, in consultation with a Sub-Group of this Committee comprised of Councillors Barrett, or nominated deputy, Mulligan and Turner, to

- a. agree a person specification for the independent person, the specification to be drafted by the Chief Executive and circulated to all Members of this Committee for comment.
- b. advertise the proposed role, conduct interviews and make a recommendation on an appointment direct to Council.
- c. make a recommendation on possible remuneration arrangements

AC.206

**MEETINGS – START TIME**

**Resolved** – That for the remainder of the current municipal year, meetings of this Committee continue to start at 6.30pm.

**Minutes for Decision**

- None -

Chairman.