

AUDIT AND GOVERNANCE COMMITTEE

29th September 2014

Present – The Chairman (Councillor Place) and Councillors Beck, Moorby, Mulligan and Turner.

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

Apologies for absence were received from Councillors Barrett, Jaquin and Staveley.

Start: 6.30pm

Finish: 8.50pm

The minutes of the Committee's meeting held on 23rd June 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 Minute AC.209(a) (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.207

EXTERNAL AUDIT – AUDIT COMPLETION REPORT

Further to Minute AC.182/13-14, the Chairman welcomed Cameron Waddell, Director and Engagement Lead, of Mazars LLP who was accompanied by Rochelle Tribe, Audit Manager, also of Mazars, the Council's external auditors. Mr Waddell was invited to present the Audit Completion Report for the year ended 31st March 2014, copies of which had been circulated.

Mr Waddell summarised the report's key findings and indicated that the audit had not identified any material issues that he would need to bring to the Committee's attention and that he would be able to issue unqualified opinions in respect of both the statement of accounts and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Improvements had been made in the preparation of the Statement of Accounts, but there was still scope for improvement which would make the accounts closure and audit process more efficient, saving both officer and auditor time. Mazars would continue to work with the Finance Manager to secure those improvements for 2014/15.

Resolved – (1) That the Audit Completion Report for the year ended 31st March 2014 is accepted

(2) That the required Management Representations Letter in respect of the audit is approved for signing by the Section 151 Officer and submission to Mr Waddell.

AC.208

STATEMENT OF ACCOUNTS 2013-14

Further to Minute AC.184/13-14, the Corporate Head (Financial Management) submitted a report presenting the Council's audited Statement of Accounts for 2013/14, together with explanatory

notes to the core financial statements therein. Details of minor amendments to the Statement were circulated at the meeting. The following points within the accounts highlighted major movements in the Statement for 2013/14 as compared to 2012/13:-

Net cost of services had decreased by £813,000 to £5,759,000 (2012/13 : £6.572m).

There was a surplus on the provision of services of £671,000 (2012/13: deficit of £1.115m).

Total reserves had increased by £9,861,000 to £11,486,000 (2012/13: £1.625m).

The General Fund balance had been maintained at £1,030,000.

Earmarked reserves had increased by £2,330,000 to £4,056,000 (2012/13: £1.726m).

The Finance Manager reminded members that at Minute AC.203 /14-15, the Committee had approved the draft Annual Governance Statement for 2013/14, that statement had been amended by the removal of an outstanding action from 2011/12 in respect of the fixed asset register and would be published as an appendix to the Statement of Accounts.

It was pointed out that the accounts had been made available for public inspection from 15th July to 11th August 2014; no queries had been received. The Finance Manager thanked Mr Waddell and his audit team for their assistance during the closedown of the Council's accounts.

Resolved – (1) That, subject to the minor corrections now presented / highlighted within the discussion, the audited Statement of Accounts for 2013/14 are approved.

(2) That the Finance Manager and officers within the Finance Department are thanked for their work in producing the Statement of Accounts.

AC.209

INTERNAL AUDIT

\$a. Internal Audit Reports

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

- Data Protection : Level of Assurance : Partial
- Payment Card Industry – Data Security Standard 2013/14 : Level of Assurance : Partial
- Creditors : Level of Assurance : Good

Resolved – (1) 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.209(b) below.

(2) That progress against implementation of Priority One recommendations within the above partial assurance audit reports are presented to the next meeting of this Committee.

(3) That the Head of the Information Services Department is asked to attend this Committee's meeting on 12th January, 2015 to address Members on the issue of staff turnover within the Department bearing in mind concerns raised regarding data protection.

b. Recommendations : Implementation Monitoring

Further to Minutes AC.138(a)/12-13 and AC.202(b)/14-15, the Corporate Head of Financial Management submitted reports seeking the Committee's agreement to a change in the frequency of reporting progress against internal audit recommendations, and updating the Committee on the position reached with implementation of internal audit recommendations in the first quarter of the current financial year.

- Resolved** – (1) That audit recommendations completed in the first quarter of 2014/15 are noted, and that the action taken in completing those recommendations is approved.
- (2) That outstanding audit recommendations with an agreed original target completion date prior to July 2014 are noted.
- (3) That, for a trial period of 12 months with effect from November 2014, frequency on the reporting of progress against internal audit recommendations, with the exception of Priority One recommendations is amended to six monthly; progress against Priority One recommendations to be reported to each meeting of this Committee.

c. Internal Audit Plan 2014-15 : Progress

Further to Minute AC.198(d)/13-14, the Internal Audit Manager submitted a report updating the Committee on progress made in the first quarter against the 2014/15 Internal Audit Plan and against improvement actions from the assessment of the shared internal audit service produced by Mazars and presented to the Committee in June 2014.

It was pointed out that as a consequence of the time (66 days) spent on completing audits brought forward from 2013/14, time allocations on some of the planned audits for 2014/15 where adequate and effective controls had been found to be in place in 2013/14 would have to be slightly reduced in order to stay within the overall provision of 250 days.

- Resolved** – (1) That progress against the current internal audit plan and audit service improvement plan is noted.
- (2) That the revised allocation of audit days within the 2014/15 Internal Audit Plan is approved as now presented.

AC.210

RISK MANAGEMENT

Further to Minute AC.201/14-15, the Corporate Head of Financial Management submitted a report updating the Committee on changes to the Council's risk register and risk profile following the annual review of the risk profile in August 2014. An updated stand alone risk register for Skipton Town Hall Refurbishment Project had also been circulated.

The risk profile was now comprised of 114 risks, of which eight continued to score sufficiently high enough to warrant inclusion on the corporate risk register which was comprised of three strategic and five operational risks. The following risks had been removed from / added to the register:-

Risks Removed : Risk 40 Tour de France
Risk 57 Financial Position of the Council

Risks Added : Failure to comply with Waste Amendment Regulations 2012 (England and Wales) for separate collection of recyclates. (new risk), and
Risk 121 Failure to comply with the Cabinet Office Public Services Network Code of Compliance.

A review of the Council's Risk Management Strategy and Policy Statement had not resulted in any material changes other than a change in membership of the Corporate Risk Management Group.

The Committee was asked to agree the proposed changes to the risk profile and risk registers

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

(2) That the risks added to, and deleted from the risk profile are noted.

AC.211

REVIEW OF TENDER LIMITS

As requested at Minute AC.198(d)/13-14, the Corporate Head of Financial Management submitted a report presenting an assessment of the potential impact of a reduction in the threshold within the Council's contract procedure rules at which formal tendering for goods and services was required. At Minute AC.198(d) it had been suggested that the threshold be reduced from £50,000 to £30,000.

In presenting the above report the Finance Manager pointed out that a number of changes to European Union Procurement Directives were due to take effect in January 2015, bearing in mind this, and a number of other procurement related issues which needed to be addressed in the coming months, it was recommended and

Resolved – (1) That consideration of possible changes to the existing tendering levels within the Contract Procedure Rules is deferred pending a further report on procurement matters to this Committee in January 2015.

(2) That any changes which may be agreed to the Contract Procedure Rules in January 2015 are not introduced before the start of the 2015/16 financial year.

AC.212

FINANCIAL PROCEDURE RULES - UPDATE

Further to Minute AC.66/09-10, the Corporate Head of Financial Management submitted a report presenting a number of updates to the Council's Financial Procedure Rules.

The Finance Manager pointed out that the Financial Procedure Rules had been last updated in 2011 and that since that time there had been a number of changes to staffing and agreed working practices which needed to be reflected in the Rules. Following publication of the Corporate Head's report the Internal Auditor had also drawn attention to the need to update references to the internal audit function.

A more detailed review of the Financial Procedure Rules would be needed in due course but for the meantime it was recommended and

Resolved – That the updated Financial Procedure Rules as submitted and now amended to incorporate additional minor corrections to titles and roles are approved.

Minutes for Decision

AC.213

INTERNAL AUDIT SERVICE – FUTURE DELIVERY

Further to Minute AC.117/11-12, the Corporate Head of Financial Management submitted a report presenting the Committee with options for the future delivery of the Council's internal audit function with effect from 1st April 2015.

Members were reminded that the service was currently delivered under a shared service arrangement with Harrogate Borough Council at a cost in the current year of £57,390. The arrangement was due to end on 31st March 2015 and as such the Council needed to make a decision on future delivery to ensure an internal audit function was in place from 1st April 2015.

In light of the information provided by the Public Sector Internal Audit Standards compliance report on the shared internal audit service, presented by Mazars plc at Minute AC.200/14-15, and also the costs involved in procuring what was a relatively small service, it was considered that the most cost effective solution would be to continue with the current method of service delivery. The aggregated cost of the arrangement over three years would exceed the European Union procurement threshold and, as such, the need or otherwise for the proposed arrangement to be published by means of a voluntary transparency notice in the European Journal to enable third parties to lodge objections to the Council's intention would need to be clarified.

It was therefore recommended and, after a brief discussion

RECOMMENDED – That, subject to clarification as to the need or otherwise for the proposed arrangement to be published by means of a voluntary transparency notice in the European Journal, the internal audit shared service arrangement with Harrogate Borough Council is continued for a further three years from 1st April 2015.

Note : The Internal Audit Service Manager left the meeting taking no part in the discussion on the above matter.

Chairman.