

## NORTH YORKSHIRE COUNTY COUNCIL

### AUDIT COMMITTEE

Minutes of the meeting held on 30 June 2011 at 2.00 pm at County Hall, Northallerton.

#### PRESENT:-

##### **County Councillor Members of the Committee:-**

County Councillor Roger Harrison-Topham (Chairman); County Councillors Margaret-Ann de Courcey-Bayley, Mike Jordan, Robert Heseltine and Patrick Mulligan.

##### **External Members of the Committee:-**

Mr James Daglish and Mr David Portlock.

#### IN ATTENDANCE:-

County Councillor Carl Les (Executive Member).

Chris Powell, Celia Craig and Alistair Lince (Deloitte LLP).

Veritau Ltd Officers: Helen Fowler (Audit and Information Assurance Manager) and Max Thomas (Head of Internal Audit).

County Council Officers: Justine Brooksbank (Assistant Chief Executive (Human Resources and Organisational Development)), Ruth Gladstone (Principal Committee Administrator), John Moore (Corporate Director – Finance and Central Services), Geoff Wall (Assistant Director - Central Finance) and Peter Yates (Assistant Director - Corporate Accountancy).

#### APOLOGIES FOR ABSENCE:-

Apologies for absence were received from County Councillors Karl Arthur and Chris Pearson and from Mr Henry Cronin (External Member).

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### **COPIES OF ALL DOCUMENTS CONSIDERED ARE IN THE MINUTE BOOK**

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#### **142. MINUTES**

##### **RESOLVED –**

That the Minutes of the meeting held on 21 April 2011, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

#### **143. PUBLIC QUESTIONS OR STATEMENTS**

There were no questions or statements from members of the public.

#### **144. PROGRESS ON ISSUES RAISED BY THE COMMITTEE**

**Note: During discussion concerning the deliberations of the Pension Fund Committee, County Councillors Margaret-Ann de Courcey-Bayley,**

**Roger Harrison-Topham and Patrick Mulligan each declared a personal non-prejudicial interest as a Member of the Pension Fund Committee.**

CONSIDERED –

The joint report of the Corporate Director – Finance and Central Services and the Assistant Chief Executive (Legal and Democratic Services) advising of:-

- progress on issues which the Committee had raised at previous meetings; and
- other matters which had arisen since the Committee's previous meeting which related to the work of the Committee, namely:- Treasury Management and, in particular, the 2010/11 outturn report considered by the Executive on 21 June 2011; the Pension Fund Committee's consideration of the implications of the clarification provided by the Pensions Regulator that Trustees were responsible for checking that administrators were managing the accuracy of data held on Pension Scheme members; fidelity insurance cover and the annual premium; Audit Committee Member Training Needs Assessment; "The Future of Local Public Audit" consultation document issued by CLG; purchasing cards and their use within the County Council; and 2010/11 Related Party Transaction Returns, 3 of which were still outstanding from County Councillors (none of whom were Audit Committee Members).

The Head of Internal Audit reported orally concerning the recent CIPFA Audit Conference. He advised that the Conference had been very useful, although had been attended by reduced numbers compared to previous years. The main topic had been the future of Local Public Audit.

With regard to the future of Local Public Audit, Chris Powell (Deloitte LLP) advised that the situation regarding a possible formal tender process was still unclear. However, he was able to confirm that, for 2011/12, Deloitte LLP would be the County Council's External Auditor.

It was suggested that the Committee's Chairman should write to the 3 County Councillors whose 2010/11 Related Party Transaction Returns were still outstanding.

**RESOLVED –**

- (a) That the report be noted.
- (b) That letters be prepared for the Chairman's signature, to be sent to the 3 County Councillors whose 2010/11 Related Party Transaction Returns are still outstanding.

**145. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2010/11**

The Chairman advised that this item of business would be considered next for the convenience of officers who were in attendance at this meeting.

CONSIDERED –

The report of the Corporate Director – Finance and Central Services advising of the process and outcomes of the 2010/11 review of the effectiveness of the County

Council's internal audit arrangements. The conclusion within the report was that, based on the results of this review, the County Council's internal audit arrangements were considered to be operating in accordance with accepted professional best practice, and remained effective. The Committee could therefore continue to place reliance on the internal audit arrangements operating within the County Council when considering the draft Annual Governance Statement for 2010/11.

Officers responded to Members' questions, which sought clarifications on various issues including the following:- the rotation of internal audit staff; and feedback from the customer satisfaction surveys.

**RESOLVED –**

- (a) That the results of the review of the effectiveness of the County Council's internal audit arrangements be noted.
- (b) That a training session, linked to a future meeting of the Committee, be arranged to consider the issues arising out of the CIPFA review of audit committees, as set out at Appendix 1 to the report.

**146. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT**

**CONSIDERED –**

The report of the Head of Internal Audit which:-

- provided a summary of the internal audit work performed during the year ended 31 March 2011 and expressed an opinion on the overall internal control environment in place within the County Council;
- providing details of breaches to Contract, Finance and Property Procedure Rules identified during 2010/11 audit work; and
- set out the Internal Audit performance outturn for 2010/11 and the 2011/12 performance targets for Veritau.

Members congratulated the Head of Internal Audit and his staff for all they had achieved during the year ended 31 March 2011. They also commended Veritau's achievement in being recommended for Investors in People accreditation.

Officers responded to Members' questions, which sought to clarify various issues including:- whether the target for 2011/12, to deliver 93% of the agreed Internal Audit Plan, was sufficiently stringent; the intention to include performance improvement targets for internal audit for 2011/12; the fact that the Head of Internal Audit was not unduly concerned that his opinion on the controls operated in the County Council had reduced compared to the previous year; and the highlighting, by Management Board, that the "One Council" vision for the future of the Council would create additional tensions within the internal control environment of the County Council.

**RESOLVED –**

- (a) That the overall Moderate Assurance opinion of the Head of Internal Audit regarding the internal control environment of the County Council be noted.

- (b) That the findings on the breaches to Contract, Finance and Property Procedure Rules and the actions taken to address such matters be noted and that it be further noted that there have been no substantial breaches.
- (c) That the performance outturn for 2010/11 and the performance targets for Veritau for 2011/12 be noted.

**147. EXTERNAL AUDITOR - AUDIT PLANNING REPORTS**

CONSIDERED –

The report of the Corporate Director – Finance and Central Services to which the following documents, prepared by the External Auditor, were appended:-

- North Yorkshire County Council - Planning Report for 2010/11 Audit.
- North Yorkshire Pension Fund – Planning Report for the 2010/11 Audit.
- Briefing on Audit matters – County Council.
- Briefing on Audit matters – Pension Fund.

Officers responded to Members' questions, which sought clarifications concerning various issues including the following:- the loan to NYnet and the arrangements to scrutinise NYnet's finances; the arrangements in place to deal with bad debts relating to social care; schools which became Academies were independent employers and therefore admissible bodies to the Pension Scheme, although Academies were unable to guarantee longevity for funding.

**RESOLVED –**

That the documents submitted by the External Auditor be noted.

**148. INTERNAL AUDIT REPORT ON CORPORATE THEMES**

The Chairman advised that this item of business would be considered next for the convenience of the officers in attendance at this meeting.

CONSIDERED –

The joint report of the Corporate Director – Finance and Central Services and the Head of Internal Audit advising of the internal audit work performed during the year ended 31 May 2011 on corporate/cross-cutting themes and giving an opinion on the systems of internal control in respect of the areas examined. A summary of the risks identified when the Corporate Risk Register was reviewed during April 2011 was set out at Appendix 2 to the report. The overall opinion of the Head of Internal Audit on the controls operated in respect of corporate themes was that they provided Moderate Assurance.

Officers responded to Members' questions, which sought clarifications on various issues including the following:- the risk of mitigation for failure to provide services; the possibility that financial penalties would be imposed on the County Council under the Carbon Reduction Commitment Scheme if schools did not forward, to the County Council's Energy Team, details of all relevant energy bills and the possible subsequent inaccuracy in assessing the baseline in the County Council's

performance in reducing carbon emissions; the reliance on Directorates to implement agreed actions eg within Workforce Planning, to correctly code leavers and also, in relation to recruitment and selection, to retain evidence of full employment checks; and arrangements to administer the Asbestos Register and clarification that the primary responsibility for managing asbestos in schools rested with the relevant school.

**RESOLVED –**

- (a) That it be noted that, subject to (b) of this Resolution, the Committee is satisfied that the internal control environment operating in relation to the audit areas examined is both adequate and effective.
- (b) That the Executive be advised that this Committee has some concern that in a number of areas relating to HR processes as applied by managers with clear guidelines are not always being followed by directorates.

**149. GOVERNANCE ARRANGEMENTS OF THE NORTH YORKSHIRE PENSION FUND**

**Note: Prior to consideration of this item of business, County Councillors Margaret-Ann de Courcey-Bayley, Roger Harrison-Topham and Patrick Mulligan each declared a personal non-prejudicial interest as a Member of the Pension Fund Committee.**

**CONSIDERED –**

The report of the Corporate Director – Finance and Central Services providing details of the governance arrangements of the North Yorkshire Pension Fund.

In response to Members' questions, the officers advised that there was no material evidence that employees were opting out of the Pension Scheme. It was also reported that a new professional consultant and an advisor had been appointed during the year to provide investment advice to the Pension Fund Committee.

**RESOLVED –**

That the governance arrangements for the North Yorkshire Pension Fund be taken into account by this Committee as part of its consideration of the Statement of Final Accounts for the Pension Fund.

**150. STATEMENT OF FINAL ACCOUNTS 2010/11 – NORTH YORKSHIRE PENSION FUND**

**Note: Prior to consideration of this item of business, County Councillors Margaret-Ann de Courcey-Bayley, Roger Harrison-Topham and Patrick Mulligan each declared a personal non-prejudicial interest as a Member of the Pension Fund Committee.**

**CONSIDERED –**

The report of the Corporate Director – Finance and Central Services inviting the Committee to consider a draft Statement of Final Accounts of the North Yorkshire Pension Fund for the financial year 2010/11.

**RESOLVED –**

That the draft Statement of Final Accounts of the North Yorkshire Pension Fund for 2010/11 be noted.

**151. ANNUAL GOVERNANCE STATEMENT AND LOCAL CODE OF CORPORATE GOVERNANCE**

CONSIDERED –

The report of the Corporate Director – Finance and Central Services seeking approval of the Annual Governance Statement of the County Council and recommending a revised Local Code of Corporate Governance to the County Council.

The Corporate Director – Finance and Central Services confirmed that all necessary Statements of Assurance had been duly signed by members of Management Board. He also highlighted that Appendix D to the report summarised the issues identified by members of Management Board in their individual Statements of Assurance 2010/11.

An External Member suggested that the Committee might ask the Standards Committee to let this Committee have sight of the new Standards of Conduct expected of County Councillors at such time as such standards were adopted.

**RESOLVED –**

- (a) That the Annual Governance Statement 2010/11, as set out at Appendix A to the report, be approved with the wording set out in paragraph 5.6 of the report and that the Chairman of the meeting sign the Annual Governance Statement on that basis.
- (b) That the revised Local Code of Corporate Governance, as set out at Appendix B to the report, be recommended for approval by the County Council.
- (c) That the Standards Committee be requested to let this Committee have sight of the new Standards of Conduct expected of County Councillors at such time as such standards are adopted.

**152. STATEMENT OF FINAL ACCOUNTS 2010/11 – NORTH YORKSHIRE COUNTY COUNCIL**

CONSIDERED –

The report of the Corporate Director – Finance and Central Services inviting the Committee to consider a draft Statement of Final Accounts for 2010/11 for the County Council in advance of these accounts being audited by Deloitte LLP during July and August 2011 and being re-submitted to this Committee for formal approval on 29 September 2011 after the external audit had been completed.

Officers responded to Members' questions, which sought clarifications on various issues, including the following:- confirmation that more than two sets of accounts had to be operated following the introduction of IFRS; confirmation that the Harrogate Grammar School land and building assets had been transferred to the Academy Trust for no consideration, resulting in a "balance sheet loss" of £26.8m; Deloitte LLP would be liaising with the Officers concerning information currently unknown relating to Material Contingent Liabilities to which page 198 of the papers for this meeting

referred; that provision had been made for all projected expenditure in respect of grants; that all persons required to be identified in the accounts in accordance with the Disclosure of Remunerations Regulations were identified on pages 251 and 252 of the papers for this meeting.

**RESOLVED –**

- (a) That the draft Statement of Final Accounts for 2010/11, as set out at Appendix A to the report, be noted in advance of the accounts being audited and resubmitted to the Audit Committee on 29 September 2011 for formal approval.
- (b) That the Assistant Director – Corporate Accountancy be congratulated on the preparation of these accounts.

**153. PROGRESS ON 2011/12 INTERNAL AUDIT PLAN**

CONSIDERED –

The report of the Head of Internal Audit advising of the progress made to date in delivering the 2011/12 Internal Audit Plan and developments likely to impact on the Plan throughout the remainder of the financial year.

**RESOLVED –**

That the progress made by Veritau Ltd in delivering the 2011/12 Internal Audit Plan be noted.

**154. SERVICE CONTINUITY PLANNING**

CONSIDERED –

The report of the Corporate Director – Finance and Central Services reporting on progress with establishing a comprehensive Service Continuity Planning process across the County Council.

**RESOLVED –**

- (a) That the current position and the process in place to address the issues which have been identified be noted.
- (b) That a further report on progress be submitted to the Committee's meeting to be held during December 2011.

**155. PROGRAMME OF WORK**

CONSIDERED –

The report of the Corporate Director – Finance and Central Services reviewing the Programme of Work for 2011/12.

County Councillor Roger Harrison-Topham advised that it was his intention, at the beginning of the meeting on 29 September 2011, to resign as the Committee's Chairman. He advised that therefore "Election of Chairman" should be the first item of business on the agenda for that meeting. County Councillor Roger Harrison-Topham expressed his thanks to the External Members of the Committee and to

County Council Members of the Committee with whom he had enjoyed working, and also to the External Auditors, John Moore, Peter Yates, Max Thomas and all their staff. An External Member responded that the Committee would wish, at the relevant time, to express its gratitude to County Councillor Roger Harrison-Topham for the way in which he had chaired the Committee.

**RESOLVED –**

- (a) That the Programme of Work for 2011/12 be noted.
- (b) That “Election of Chairman” be the first item of business on the Agenda for the Committee’s meeting on 29 September 2011.

The meeting concluded at 4.55 pm.

RAG/ALJ