

## **NORTH YORKSHIRE COUNTY COUNCIL**

### **AUDIT COMMITTEE**

Minutes of the meeting held on 19 April 2012 at 1.30 pm at County Hall, Northallerton.

#### **PRESENT:-**

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

County Councillor Patrick Mulligan (in the Chair); County Councillors Karl Arthur, Bill Chatt, Margaret-Ann de Courcey-Bayley, Robert Heseltine, Mike Jordan, Chris Pearson and Joe Plant.

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

Mr Henry Cronin and Mr David Portlock.

#### **IN ATTENDANCE:-**

County Councillor Arthur Barker (Executive Member for Schools, 16-19 year old Education, Early Years Provision and Youth Service).

County Councillor Carl Les (Lead Executive Member for Children's Services, Special Educational Needs, Youth Justice and Chief Executive Group Services).

Deloitte LLP Officers: Celia Craig and Alistair Lince.

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

County Council Officers: Ruth Gladstone (Principal Democratic Services Officer), Anton Hodge (Assistant Director - Finance and Management Support, Children and Young People's Service/Finance and Central Services Directorates), John Moore (Corporate Director – Finance and Central Services) and Cynthia Welbourn (Corporate Director – Children and Young People Service).

#### **APOLOGY FOR ABSENCE:-**

An apology for absence was received from Mr James DGLISH.

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

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#### **199. MINUTES**

##### **RESOLVED –**

That the Minutes of the meeting held on 8 March 2012, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to the word "auditors" within the first sentence of the fifth paragraph of the preamble to Minute 198 being replaced with "Section 151 Officer, the External Auditors or the Internal Auditors", so that that sentence then reads: "A Member sought confirmation that, regardless of the Programme of Work, if the Section 151 Officer, the External Auditors or the Internal Auditors became aware of an issue which needed to be brought to the attention of the Committee, such an issue would be notified at the first available meeting".

## **200. PUBLIC QUESTIONS OR STATEMENTS**

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

## **201. PROGRESS ON ISSUES RAISED BY THE 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 providing updates concerning the following:- Treasury Management, including a self-assessment document designed by CIPFA to assist an Audit Committee consider the effectiveness of the governance arrangements relating to Treasury Management; the rationalisation of systems and data; revisions incorporated, in accordance with a request of the Committee, to the updated Counter Fraud Strategy for consideration by the Executive on 24 April 2012; and the formation, on 1 February 2012, of the new company Veritau North Yorkshire and the successful transfer of staff from five District Councils to the new company on 1 April 2012.

Members had a detailed discussion about the outcome of the self-assessment concerning the effectiveness of the governance arrangements relating to Treasury Management. Members discussed, in particular, the level of knowledge of Treasury Management which they felt they needed to have in order to achieve the Committee's responsibility for being assured that the processes in place, and the way those processes were executed, were in order. It was emphasised that the Committee should place reliance on work undertaken by the Auditors who could provide evidence and assurance and be questioned by the Committee. Members expressed an interest in learning more about Treasury Management, whilst acknowledging that there was a risk of becoming immersed in the subject due to its complexity. They also noted that it was not the Committee's responsibility to get involved in the day to day management of any subject. The Chairman highlighted that he attended meetings with the Corporate Director – Finance and Central Services, the Deputy Leader, and the Corporate Portfolio Holder concerning Treasury Management. He suggested that, once other Committee Members had received further training, they might also attend in rotation. The Corporate Director – Finance and Central Services advised that he would seek to improve Members' understanding of Treasury Management through 30 minute training sessions.

A Member suggested that joint training events could be organised in conjunction with Members serving on District Councils' audit committees. The Head of Internal Audit undertook to explore that suggestion.

**RESOLVED –**

- (a) That the report be noted.
- (b) That it be noted that, subject to Committee Members receiving further training, the Committee is satisfied with the outcome of the self-assessment concerning the effectiveness of the governance arrangements relating to Treasury Management, as set out at Appendix A to the report.
- (c) That the Head of Internal Audit consider the suggestion of organising joint training events in conjunction with Members serving on District Councils' audit committees.

## **202. INTERNAL AUDIT PLAN FOR 2012/13**

**CONSIDERED –**

The report of the Head of Internal Audit seeking approval for the planned programme of audit, counter fraud, and information governance work proposed to be undertaken in 2012/13 by Veritau Limited.

The Head of Internal Audit, in introducing the report, highlighted that, subsequent to consideration of the Draft Plan by the Committee on 8 March 2012, two additional audits had now been included in the Plan at the request of management, details of which were set out at paragraph 2.2 of the report. It was also highlighted that the Plan needed to be flexible in order to respond as new risks and/or priorities emerged.

Members questioned the Head of Internal Audit concerning the Plan, during which the Committee was advised that no projects had been removed from the Plan in order to accommodate the two audits now included and instead audit days had been taken from the contingency provision.

**RESOLVED –**

That the Internal Audit Plan for 2012/13, as set out at Appendix 1 to the report, be approved.

**203. CORPORATE GOVERNANCE**

**CONSIDERED –**

The oral report of the Corporate Director – Finance and Central Services advising that, following consultation with the Chairman, it was suggested that a special meeting of the Committee should be held during May 2012 to consider Corporate Governance matters. Such action was suggested because it was necessary to avoid overloading either today's Agenda or the Agenda for the meeting on 28 June 2012.

Members expressed support for the suggestion and discussed arrangements for the special meeting.

**RESOLVED –**

- (a) That Counter Fraud Training Part II be held on Thursday 17 May 2012 at 1pm at County Hall.
- (b) That a special meeting of the Audit Committee be held on Thursday 17 May 2012 at 1.30pm, or on the rising of the Counter Fraud Training Part II, whichever is the later, to consider Corporate Governance issues.

## **204. HENRY CRONIN'S MEMBERSHIP OF THE COMMITTEE**

**Note: Prior to consideration of this item of business, Mr Henry Cronin declared a personal and prejudicial interest because it related to his membership of the Committee. He left the room whilst the item was considered.**

CONSIDERED –

The report of the Assistant Chief Executive (Legal and Democratic Services) advising that the term of office of Mr Henry Cronin (non-voting External Member of the Committee) would terminate shortly on the disestablishment of the existing Standards Committee.

Members commented that Mr Henry Cronin had gained experience of the Audit Committee's work and had made a valuable contribution. In view of his experience, Members commented that they would like Mr Henry Cronin to be offered re-appointment to the Committee.

The Committee's attention was also drawn to the existing provision, agreed by the County Council on 16 December 2009, that one of the three seats for External Members on the Audit Committee should be for a Member of the Standards Committee, preferably the Chairman, but not a County Councillor. As at 19 April 2012, the County Council had not made a decision on whether to establish a voluntary Standards Committee under the new Standards regime and it was also unknown, if such a committee was established, whether its membership would include one or more Independent Persons as Co-opted Members of that Committee.

**RESOLVED –**

- (a) That it be recommended to the County Council:-
  - (i) That Mr Henry Cronin be re-appointed as a non-voting External Member of the Audit Committee, to serve for the remaining life of the County Council plus up to a further 12 months.
  - (ii) That the existing provision (approved by the County Council on 16 December 2009), that one of the three seats for External Members on the Audit Committee should be for a Member of the Standards Committee, preferably the Chairman, but not a County Councillor, be removed.
- (b) That, once the County Council has decided whether it will establish a voluntary Standards Committee and membership of any such Committee, a report be submitted to a future meeting of this Committee concerning options for having any non-County Council Members of the voluntary Standards Committee on the Audit Committee.

## **205. RISK MANAGEMENT - PROGRESS REPORT**

CONSIDERED –

The report of the Corporate Director – Finance and Central Services inviting the Committee to consider an updated Corporate Risk Management Policy, receive details of the updated Corporate Risk Register, and consider progress made on Risk Management matters.

The Corporate - Finance and Central Services introduced the report, highlighting the following:-

- ◆ The County Council's Corporate Risk Management Policy and the supporting Strategy were reviewed and updated every two years. Proposed revisions to the Policy were set out at Appendix A to the report. The amendments reflected the latest International Standards on Risk Management, together with Best Practice. There were a number of revised principles and benefits but the objectives and how they would be achieved were substantially unchanged. The existing Strategy identified what was required to implement and achieve the Policy. The Strategy was essentially a narrative which described the various roles and responsibilities within the County Council, the risk management methodology, arrangements for monitoring and reporting etc. This was considered to be valid material but the text was lengthy and might be better presented as supporting material to a Strategy. The Corporate Director - Finance and Central Services suggested therefore that, given the current climate of change, the Strategy itself needed to focus more sharply on such issues as:- how the organisation identified and managed its risks in the current "dynamic" times; how the organisation identified and prepared for potential future risks; and how governance risks were mitigated via the various assurance processes. It was therefore suggested that the current Strategy should be subject to a fundamental review and reporting back, with an action plan, to a subsequent meeting. The Corporate Risk Management Group would oversee that review process.
- ◆ The Corporate Risk Register was reviewed annually and updated by the Chief Executive and Management Board during August/September. A six monthly review was then carried out in February/March. The six monthly update of the Register, carried out in March 2012, was attached as Appendix B to the report. During the review, various amendments had been made and these were described in the report.
- ◆ The role of the Corporate Risk Management Group was described at paragraph 5.1 of the report. The Group met six times a year and the notes of its meetings held on 12 September 2011 and 25 January 2012 were attached as Appendices C and D to the report. The key issues discussed at those meetings were summarised in the report.
- ◆ The 13th Risk Management Conference took place on 3 November 2011 and had been attended by approximately 100 delegates from across the County Council. The topics covered, and the awards presented, were described in the report.
- ◆ The CIPFA Better Governance Forum had recently published a self-assessment checklist to help organisations review their risk governance arrangements. A copy of the self-assessment prepared by relevant County Council officers was attached as Appendix E to the report. The Committee was invited to review the self-assessment.
- ◆ The CIPFA Better Governance Forum had published a briefing paper for Audit Committee Members which had been considered at the Committee's previous meeting. The Committee had agreed that a report should be submitted to a future meeting concerning the County Council's position with regard to the risk areas listed in the Better Governance Forum paper. The Corporate Director - Finance and Central Services suggested that, given the extended nature of the list of risks, the relatively short period which had elapsed since the previous meeting, and the need to prioritise staff time towards the financial year end etc, the analysis should be included in the next

Risk Management report scheduled for the Committee's meeting on 27 September 2012.

The Corporate Director – Finance and Central Services responded to various questions from Members concerning issues within the report. He also undertook to arrange for the appropriate officer to contact County Councillor Margaret-Ann de Courcey-Bayley regarding access to a copy of the Asbestos Register for a school at which she was a Governor.

#### **RESOLVED –**

- (a) That it be a recommendation to the Executive – That the updated Corporate Risk Management Policy, as set out at Appendix A to the report, be recommended for approval by the County Council.
- (b) That the updated Corporate Risk Register, as set out at Appendix B to the report, be noted.
- (c) That the self-assessment of Risk Governance arrangements, as set out at Appendix E to the report, be noted.
- (d) That the proposal to submit a report on the Risk Outlook 2012 to the Committee's meeting on 27 September 2012 be noted.
- (e) That the Corporate Director – Finance and Central Services arrange for the appropriate officer to contact County Councillor Margaret-Ann de Courcey-Bayley regarding access to a copy of the Asbestos Register for a school at which she is a Governor.

#### **206. INFORMATION GOVERNANCE – PROGRESS REPORT**

##### **CONSIDERED –**

- (a) The report of the Corporate Director – Finance and Central Services providing an update on the progress made in respect of improving the effectiveness of the Information Governance arrangements in the County Council.
- (b) An additional paper circulated at the meeting which provided details of data breaches and losses which had occurred recently within the County Council,

The report described work undertaken in relation to the following:- Information Governance Framework; information security; compliance; and records management. The report also listed the priority tasks for the subsequent 6 months, these being to:-

- implement the revised e-learning training package for employees;
- complete the development of a new electronic system for monitoring and recording data security breach investigations;
- ensure information asset registers have been completed for all Directorates with their accompanying security classifications; and
- address the storage issues at the Record Office.

The Corporate - Finance and Central Services introduced the report, highlighting the main actions taken recently by the Corporate Information Governance Group, including:- the approval of a security classification system for records, documents and information assets; a review of training needs for Information Governance to target training more closely on the needs of various staff groups; and on-going

development of a revised process for reporting and reviewing information security breaches within the County Council.

During discussion, Members acknowledged that the Children and Young People's Service Directorate and the Health and Adult Services Directorate, due to the nature of their work, held more personal data on individuals than other Directorates. The Corporate Director – Finance and Central Services, in response to Members' questions, provided examples of the circumstances when data breaches and losses might occur and when the Information Commissioner needed to be notified. He also advised that the number of requests made under the Freedom of Information Act 2000 now appeared to have stabilised.

**RESOLVED –**

- (a) That, in pursuance of Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the additional paper circulated at the meeting which provided details of data breaches and losses which had occurred recently within the County Council, this exclusion being approved on the grounds that it involve the disclosure of exempt information as defined in 1 of Schedule 12A to the Local Government (Access to Information)(Variation) Order 2006.
- (b) That the report be noted.
- (c) That the Committee's congratulations be extended to relevant staff in recognition of the County Records Office being approved as a four-star record office by the National Archives, thereby placing it in the top 6, nationally, for the provision of archival services.

**207. INTERNAL AUDIT WORK AND RELATED INTERNAL CONTROL MATTERS FOR THE CHILDREN AND YOUNG PEOPLE'S SERVICE DIRECTORATE**

**Note: During discussion about the risk of failure to review contributions to the funding of joint services, Mr Henry Cronin declared a personal interest because he was the Chair of the Hambleton/Richmondshire/Whitby Clinical Commissioning Group.**

**CONSIDERED –**

The joint report of the Head of Internal Audit and the Corporate Director – Children and Young People's Service advising of the internal audit work performed during the year ended 29 February 2012 for the Children and Young People's Service Directorate and giving an opinion on the systems of internal control in respect of that area. The report also invited the Committee to consider the Statement of Assurance for 2011/12 signed by the Corporate Director – Children and Young People's Service and the latest Risk Register for that Directorate.

The Audit and Information Assurance Manager, in introducing the report, highlighted that the overall opinion of the Head of Internal Audit on the controls operated in the Children and Young People's Service Directorate was that they provided Substantial Assurance.

The Audit and Information Assurance Manager and the Corporate Director – Children and Young People's Service, accompanied by County Councillors Carl Les and Arthur Barker (Executive Members) and the Assistant Director - Finance and Management Support, Children and Young People's Service/Finance and Central Services Directorates, responded to Members' questions. The questions related, in

particular, to the introduction of Academies and an assurance was provided that this was not, at present, having an adverse impact on remaining schools and their pupils. However, it was noted that, if large-scale enforcement of Academy status was introduced, it would be problematic to the Children and Young People's Service which would continue to have responsibility for every child. The Corporate Director – Children and Young People's Service undertook to consider whether an entry should be included in the Risk Register about the risk of introduction of large-scale enforcement of Academy status and its impact on the overall Service.

**RESOLVED –**

- (a) That it be noted that the Committee is satisfied that the internal control environment operating in the Children and Young People's Service Directorate is both adequate and effective.
- (b) That the Corporate Director – Children and Young People's Service consider whether an entry should be included in the Risk Register about the potential risk arising from the introduction of large-scale enforcement of Academy status.

**208. PROGRAMME OF WORK**

**CONSIDERED –**

The report of the Corporate Director – Finance and Central Services setting out the Committee's Programme of Work for 2012/13.

**RESOLVED –**

That the Programme of Work for 2012/13, as set out at Appendix A to the report, be approved, subject to amendments to include reference to the additional meeting of the Committee being held during May and any further information provided by Deloitte LLP concerning their reporting dates.

The meeting concluded at 3.35 pm.

RAG/ALJ