

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE**

Minutes of the meeting held on 28 June 2012 at 2.00 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, Robert Heseltine, Mike Jordan, Chris Pearson and Joe Plant.

External Members of the Committee:-

Mr James Daglish and Mr David Portlock.

IN ATTENDANCE:-

County Councillor Carl Les (Deputy Leader of the Council).

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), John Moore (Corporate Director – Finance and Central Services), Tom Morrison (Principal Accountant - Corporate Accountancy), Geoff Wall (Assistant Director - Central Finance) and Peter Yates (Assistant Director - Corporate Accountancy).

APOLOGIES FOR ABSENCE:-

Apologies for absence were received from County Councillor Margaret-Ann de Courcey-Bayley and Mr Henry Cronin.

COPIES OF ALL DOCUMENTS CONSIDERED ARE IN THE MINUTE BOOK

214. MINUTES**RESOLVED –**

That the Minutes of the meeting held on 24 May 2012, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

215. PUBLIC QUESTIONS OR STATEMENTS

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

216. 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 Treasury Management and the rationalisation of systems and data.

The Committee's attention was drawn to its request, from its last meeting, to seek clarification of the work involving the compilation of the Member Register of Interests to be undertaken by December 2012. It was reported orally that the Monitoring Officer had advised that the current Register of Members' Interests was in place and had been refreshed on an on-going basis. There would be a new Register following the changes to the Ethical Framework. However, that would be introduced at the beginning of July 2012 or as soon as possible thereafter. The Monitoring Officer would be providing advice to Members and inviting each Member to complete a new entry for the Register. It was highlighted that the new Regulations, which defined registerable pecuniary interests, had only just been issued. The Monitoring Officer considered that the reference to December 2012, as set out in the report to the previous meeting, had now been superceded.

During debate:-

- It was highlighted that the list of outstanding issues raised at previous meetings was now lengthy. It was suggested that, once an issue had been included within the Committee's Work Programme, it no longer needed to be repeated in reports which listed outstanding issues raised at previous meetings.
- The Head of Internal Audit referred to the Committee's suggestion at the previous meeting, namely, that joint training events should be organised in conjunction with Members serving on District Councils' Audit Committees. He advised that this had not yet been implemented because he wished to have opportunity to become more familiar with District Council Audit Committees before making the necessary arrangements.
- County Councillor Mike Jordan confirmed that he had received responses to the six questions relating to Treasury Management which he had circulated by email on 18 June 2012.

RESOLVED –

- (a) That the report be noted.
- (b) That, once it has been reported that an issue raised by the Committee has been included within the Committee's Work Programme, it be deleted from the list of outstanding issues within "Progress on Issues Raised by the Committee" reports.

217. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2011/12

CONSIDERED –

The report of the Corporate Director – Finance and Central Services advising of the process and the outcomes of the 2011/12 review of the effectiveness of the County Council's internal audit arrangements. The conclusion within the report was that, based on the results of the 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 Annual Governance Statement for 2011/12.

During debate:-

- Members expressed concern that reports for the Committee's meetings were not always ready for circulation with agendas. The Corporate Director – Finance and Central Services acknowledged Members' concern and explained that the delays were due to volume of work, at certain times of the year, within his Directorate.
- The Head of Internal Audit explained the improvements which had been made to address 2010/11 customer concern about the timeliness of production of draft audit reports following the completion of fieldwork, particularly where an audit was addressing a corporate theme requiring fieldwork across a number of teams.
- The Head of Internal Audit clarified that, when Veritau Limited had been formed, the intention was to deliver more output (ie audit days) at the same cost. Subsequently the situation had changed and Veritau Limited had been required to deliver savings; joining with Veritau North Yorkshire would enable such savings to be achieved more readily.
- The Head of Internal Audit clarified that the Government had not yet published draft Regulations concerning public audit. Once such Regulations had been approved, consideration would then be given to whether it was necessary to review this Committee's structure and/or Terms of Reference.

RESOLVED –

That the report be noted, together with the more detailed explanations provided at this meeting (as recorded in the preamble to this Minute).

218. 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 2012 and expressed an opinion on the overall internal control environment in place within the County Council;
- provided details of breaches to Finance, Contract and Property Procedure Rules identified during 2011/12 audit work; and
- set out the Internal Audit performance outturn for 2011/12 and targets for 2012/13, together with the performance of Veritau, as a Company, in 2011/12.

It was reported that the overall opinion of the Head of Internal Audit, concerning the controls operated in the County Council, was that they provided Substantial Assurance. However, in giving that opinion, attention was drawn to four significant control issues which were considered relevant to the preparation of the 2011/12 Annual Governance Statement. The four issues were listed in paragraph 6.3 of the report and related to the following:- information governance arrangements; the system for processing travel and subsistence claims; charges for adult social care; and with a number of Directorate/Service based IT applications.

The Chairman, on behalf of the Committee, congratulated Veritau Limited on meeting its targets and for all the work it had undertaken for the County Council during 2011/12.

In response to Members' questions:-

- The Head of Internal Audit explained the reasons why the number of significant breaches of Contract Procedure Rules had increased in schools in 2011/12 compared to the previous year whereas, over the same period, such breaches had decreased in other parts of the County Council. The Head of Internal Audit also advised of the work being undertaken to address the situation within schools.
- The Corporate Director – Finance and Central Services advised that the control weaknesses identified with a number of Directorate/Service based IT applications were being addressed. As part of this process, a number of Directorate/Service staff undertaking ICT related duties had now been transferred to ICT Services.

RESOLVED –

- (a) That the overall “Substantial 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 these matters, be noted.
- (c) That the Internal Audit performance outcome for 2011/12 and the performance targets for 2012/13 be noted.
- (d) That the performance of Veritau as a Company in 2011/12 be noted.

219. PROGRESS ON 2012/13 INTERNAL AUDIT PLAN

CONSIDERED –

The report of the Head of Internal Audit informing of the progress made to date in delivering the 2012/13 Internal Audit Plan and developments likely to impact on the Plan through the remainder of the financial year.

It was highlighted that internal audit work, since 1 April 2012, had been focused on concluding the outstanding reviews from 2011/12, with most of those audits having now been issued in final form. As at 31 May 2012, two audits from the 2012/13 audit plan had been completed and issued in final form.

In response to Members' questions, the Corporate Director – Finance and Central Services advised that the number of requests received under the Freedom of

Information Act had now levelled out. Following further discussion, Members acknowledged that consideration of suggestions to publicise the identities of the small group of people who submitted large numbers of such requests to the County Council was not within the remit of this Committee.

RESOLVED –

That the progress made to date by Veritau Limited, in delivering the 2012/13 Internal Audit Plan, be noted.

220. EXTERNAL AUDITOR – AUDIT PLANNING REPORTS

Note: Prior to consideration of the documents relating to the North Yorkshire Pension Fund, County Councillor Patrick Mulligan declared a personal non-prejudicial interest as both a Member of the North Yorkshire Pension Fund and also as a Member of the Pension Fund Committee.

CONSIDERED –

The following documents from Deloitte LLP:-

- (a) North Yorkshire County Council - Planning Report for 2011/12 Audit
- (b) Briefing on Audit Matters – County Council
- (c) North Yorkshire Pension Fund – Planning Report for the 2011/12 Audit
- (d) Briefing on Audit Matters – Pension Fund

The various documents were introduced by Celia Craig and Alistair Lince of Deloitte LLP.

During debate:-

- The Chairman advised that the Finance and Central Services Directorate had done a very good job during 2011/12. He highlighted that Members had been concerned that an increase in fraud and governance issues would arise due to the current economic situation. He highlighted that there had been no noticeable decline in governance and control but that, at the same time, Deloitte LLP was advising that there was a still a danger in coming years and that it was stated, on page 61 of the papers for this meeting, that the adequacy of capacity and capability in both the finance and performance management functions continued to be particularly critical during the current period of change and financial pressures. Celia Craig of Deloitte LLP confirmed that that was a fair summary of the situation and that this was an issue which Deloitte LLP would be mindful of in undertaking their forthcoming work.
- In response to a Member's question, Celia Craig advised of the arrangements which were in place within Deloitte LLP for the rotation of their staff in order to protect against any allegation that relationships were "too cosy".
- In response to a Member's question, the Corporate Director – Finance and Central Services confirmed that the Pension Fund had access to the necessary technical expertise and advice.

RESOLVED –

That the documents be noted.

221. GOVERNANCE ARRANGEMENTS OF THE NORTH YORKSHIRE PENSION FUND

Note: Prior to consideration of this item of business, County Councillor Patrick Mulligan declared a personal non-prejudicial interest as both a Member of the North Yorkshire Pension Fund and also 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 introducing the report, the Corporate Director – Finance and Central Services advised that the Pension Fund Committee, on 21 June 2012, had been reassured by the comments of the Independent Professional Observer appointed by the Fund to provide an independent review of the Fund's governance arrangements. The comments of the Independent Professional Observer were set out in Part B of Appendix 1 to the report. The Corporate Director – Finance and Central Services advised that the Independent Professional Observer had commented specifically on the training – knowledge and skills framework and that this had been discussed by the Pension Fund Committee which was aware of a developing need and increased CIPFA requirements.

During debate:-

- In response to a Member's question, the Corporate Director – Finance and Central Services clarified that some of the issues within the Independent Professional Observer's report were not specific comments about North Yorkshire Pension Fund but instead referred to developments occurring nationally. It was highlighted that North Yorkshire Pension Fund could demonstrate that it was one of the most cost effective Funds within the country and that it was also well governed. Mergers had been suggested as a way of assisting some Funds, although the North Yorkshire Pension Fund Committee had concerns about such suggestions in terms of the benefits they would provide to the North Yorkshire Pension Fund.
- In response to Members' questions, various issues concerning the operation of the North Yorkshire Pension Fund were clarified.

RESOLVED –

- (a) 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.
- (b) That any changes to regulations relating to the governance arrangements of the North Yorkshire Pension Fund be reported to the Audit Committee.

222. STATEMENT OF FINAL ACCOUNTS 2011/12 – NORTH YORKSHIRE PENSION FUND

Note: Prior to consideration of this item of business, County Councillor Patrick Mulligan declared a personal non-prejudicial interest as both a Member of the North Yorkshire Pension Fund and also as a Member of the Pension Fund Committee.

CONSIDERED –

The report of the Corporate Director – Finance and Central Services inviting the Committee to consider the draft Statement of Final Accounts of the North Yorkshire Pension Fund for the financial year 2011/12.

During debate, and in response to Members' questions, the Corporate Director – Finance and Central Services confirmed that the Pension Fund Committee fully understood the deficit position and that the related Investment Strategy was followed at all times.

RESOLVED –

That the draft Statement of Final Accounts of the North Yorkshire Pension Fund for 2011/12 be noted.

223. 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 for 2011/12, together with the Committee's recommendation to the Executive that the updated Local Code of Governance be approved by the County Council.

In response to Members' questions, the Corporate Director – Finance and Central Services provided further detail in relation to the Personalisation agenda in Adult Social Care, Connecting North Yorkshire, and other Authorities exercising ordinary residence rights of clients living within the North Yorkshire boundary.

RESOLVED –

- (a) **THAT IT BE A RECOMMENDATION TO THE EXECUTIVE** – That the updated Local Code of Corporate Governance, as set out at Appendix A to the report, be recommended for approval by the County Council.
- (b) That the Annual Governance Statement 2011/12, as set out at Appendix B to the report, be approved and that the Chairman of the meeting sign the Statement before its submission to the External Auditor.

224. STATEMENT OF FINAL ACCOUNTS 2011/12 – 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 2011/12 for the County Council in advance of those accounts being audited by Deloitte LLP during July and August 2012 and being submitted to this Committee for formal approval on 27 September 2012 after the external audit had been completed.

In response to Members' questions, the Corporate Director – Finance and Central Services and the Assistant Director – Corporate Accountancy provided further detail with regard to numerous aspects of the accounts. One issue, which the Corporate Director – Finance and Central Services suggested should be referred to the Committee's next meeting, related to Intangible Assets (page 68 of the draft Statement of Accounts) and, in particular, how the period of expected life was assessed and how such assets were valued.

RESOLVED –

- (a) That the draft Statement of Final Accounts for 2011/12 be noted.
- (b) That explanations be provided, at the Committee's meeting on 27 September 2012, about Intangible Assets (page 68 of the draft Statement of Accounts) and, in particular, how the period of expected life is assessed and how such assets are valued.

225. 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 Programme of Work for the remainder of 2012/13 be noted.

The meeting concluded at 4.20 pm.

RAG/ALJ