

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 6 December 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, Bernard Bateman MBE (as Substitute for Joe Plant), Margaret-Ann de Coursey-Bayley, Robert Heseltine, Mike Jordan and Chris Pearson.

External Members of the Committee:-

Mr James Daglish and Mr David Portlock.

In Attendance:-

Deloitte LLP Officers: Chris Powell and Celia Craig.

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

County Council Officers: Gary Fielding (Corporate Director - Strategic Resources), Peter Yates (Assistant Director - Corporate Accountancy), Sian Hansom (Assistant Director, Resources Performance and Improvement, Business and Environmental Services Directorate), Fiona Sowerby (Corporate Risk and Insurance Manager) and Ruth Gladstone (Principal Democratic Services Officer).

Apology for Absence:-

An apology for absence was received from County Councillor Bill Chatt.

Copies of all documents considered are in the Minute Book

In opening the meeting, the Chairman welcomed Gary Fielding to his first meeting of the Committee in the role of Corporate Director - Strategic Resources.

244. Minutes

Resolved –

That the Minutes of the meeting held on 27 September 2012, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

245. Public Questions or Statements

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

246. Progress on Issues Raised by the Committee

Considered –

The joint report of the Corporate Director – Strategic Resources 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 in relation to Treasury Management and the rationalisation of systems and data.

In introducing the report, the Corporate Director - Strategic Resources highlighted that joint training events, in conjunction with Members serving on District Councils' Audit Committees, would be held commencing from summer 2013, that no significant changes had taken place in relation to Treasury Management during the quarter ended 30 September 2012, and that good progress continued to be made with the rationalisation of systems and data. With regard to the effectiveness of Area Committees, a copy of a report considered by the Executive on 27 November 2012 was circulated at the meeting.

Resolved –

That the report be noted.

247. North Yorkshire County Council (incorporating North Yorkshire Pension Fund) – Annual Audit Letter on the 2011/12 Audit

Considered –

- (a) The Annual Audit Letter concerning the 2011/12 audit from Deloitte LLP which summarised the key matters arising from the work which the External Auditor had carried out in respect of the year ended 31 March 2012.
- (b) The briefing paper provided by the Corporate Director - Strategic Resources concerning the Audit Commission's annual report entitled Auditing the Accounts 2011/12 which summarised the key findings of local authority auditors as part of the 2011/12 Financial Accounts process.

Chris Powell (Deloitte LLP) introduced the Annual Audit Letter, highlighting that External Auditors were required to issue such a document, although all information within the Letter now presented had been considered at previous meetings of this Committee. He also reported that there were no issues he wished to bring to the Committee's attention.

During debate, Chris Powell advised that he had no concerns regarding the actions listed on page 2 of the Annual Audit Letter which the Corporate Director - Strategic Resources and his staff now needed to take.

Chris Powell advised that he concurred with the views of the Corporate Director - Strategic Resources concerning the Audit Commission's report entitled Auditing the Accounts - 2011/12. He also advised that Deloitte LLP had given input into the representations which had been made by the Corporate Director – Strategic Resources.

Resolved –

That the Annual Audit Letter 2011/12 be noted.

248. Accounting Policies

Considered –

The report of the Corporate Director – Strategic Resources seeking approval, in principle, to changes to the County Council's Accounting Policies for the 2012/13 financial year and advising of potential changes which were likely to impact on future years' Accounting Policies and the Statement of Final Accounts.

The Corporate Director - Strategic Resources introduced the report, highlighting that the changes required for 2012/13 were minimal and related solely to amendments to the carbon reduction scheme.

During debate, officers provided an assurance that, if Accounting Policies conflicted with other County Council policies, Members would be advised immediately. It was also highlighted that it was not the role of Accounting Policies to drive other County Council policies.

Resolved –

- (a) That the change in Accounting Policy for 2012/13, required to comply with the 2012 Code of Practice on Local Authority Accounting and outlined at paragraph 3.5 and Appendix A to the report, be approved in principle.
- (b) That the potential changes to the Statement of Final Accounts and Accounting Policies which are proposed for future years, as set out at paragraph 4 and Appendix B to the report, be noted.

249. Updated Treasury Management Practices

Considered –

The report of the Corporate Director – Strategic Resources seeking approval of an updated set of Treasury Management Practices for the County Council.

The Corporate Director - Strategic Resources introduced the report, highlighting that Treasury Management Practices documented the manner in which the County Council sought to achieve the policies and objectives within the Treasury Management Policy Statement and how such activities would be managed and controlled. Treasury Management Practices were recorded in a very detailed procedural document which now required updating to reflect changes subsequent to 2004 when the Practices had been originally approved. The Corporate Director also clarified that the Committee was empowered to approve the changes now recommended on the basis that the recommended updated Practices were compliant with the current adopted Treasury Management Policy and Strategy.

During debate, Members expressed support for the recommended changes. They also proposed the following additional changes:-

- ◆ Page 69 should be amended to clarify that different banks had different maximum investment limits and that the figures mentioned on page 69 were not a range of investment limits applicable to each bank.
- ◆ The description of Veritau should be amended to reflect the more complex situation in which Veritau now operated.

In response to questions, the officers undertook to consider the following:-

- ◆ The appropriate level of resources dedicated to carrying out Treasury Management operations.
- ◆ The possibility of introducing automatically generated notifications to advise Management of emergency transactions authorised during their absence eg whilst on leave.
- ◆ Veritau, in conducting the forthcoming audit into Treasury Management, to give careful consideration to the risk of fraud resulting from a collusion between a County Council supplier and a County Council employee.

Resolved –

- (a) That the updated Treasury Management Practices document, as set out at Appendix A to the report, be approved, subject to the inclusion of the following:-
 - ◆ Page 69 be amended to clarify that different banks have different maximum investment limits and that the figures mentioned on page 69 are not a range of investment limits applicable to each bank.
 - ◆ The description of Veritau be amended to reflect the more complex situation in which Veritau now operates.
- (b) That officers consider the three issues recorded in the last paragraph of the preamble to this Minute.

250. Internal Audit Work and Related Internal Control Matters for the Business and Environmental Services Directorate

Considered –

- (a) The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 30 November 2012 for the Business and Environmental Services Directorate and reporting that the Head of Internal Audit's overall opinion on the controls operated in that Directorate was that they provided Substantial Assurance.
- (b) The report of the Corporate Director – Business and Environmental Services inviting the Committee to consider the Statement of Assurance for 2011/12 signed by the Corporate Director - Business and Environmental Services and the Risk Register for that Directorate.

The Assistant Director - Resources Performance and Improvement, Business and Environmental Services Directorate, advised that she was very pleased with the overall opinion of Substantial Assurance.

During debate, Members asked questions on various topics including the following:- systems for income and expenditure for on-street and off-street parking; the use of smart ticketing to gain more accurate information relating to concessionary fares; the management of salt stocks and recharges; a recent authorisation of emergency expenditure for a replacement bridge at Scorton; and recent Government announcements regarding its stance about PFI schemes.

Members expressed disappointment that some of the terminology within the Statement of Assurance was vague and lacked detail. The officers clarified that this was an interim position which also omitted confidential information.

The Corporate Director - Strategic Resources undertook to ascertain and advise County Councillor Patrick Mulligan, following this meeting, of the date when Flood Risk Management was next due to be audited.

The Assistant Director - Resources Performance and Improvement, Business and Environmental Services Directorate undertook to investigate why nine County Council minibuses had been parked at the Little Red Bus premises at Saltergate, Harrogate at 4 pm one day during the week commencing 26 November 2012.

Resolved –

- (a) That it be noted that the Committee is satisfied that the internal control environment operating in the Business and Environmental Services Directorate is both adequate and effective.
- (b) That the Corporate Director - Strategic Resources contact County Councillor Patrick Mulligan to advise him of the date of the next audit of Flood Risk Management.
- (c) That the Assistant Director - Resources Performance and Improvement, Business and Environmental Services Directorate investigate the situation regarding North Yorkshire County Council minibuses parked at the Little Red Bus premises at Saltergate, as described in the last paragraph of the preamble to this Minute.

251. Progress on 2012/13 Internal Audit Plan

Considered –

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

Veritau's Client Relationship Manager introduced the report, highlighting that work was on target to deliver the 2012/13 Plan by 31 March 2013. He also explained the variations, resulting in a net reduction of 200 days, to the 2012/13 Audit Plan. It was reported that Veritau had identified less high risk/complex audit work and that the view of the Head of Internal Audit was that there would be no significant impact if 200 days of such work was stopped or postponed.

In response to Members' questions, the Head of Internal Audit confirmed that Veritau's ability to provide assurance had not been materially diminished as a result of the decision to not make appointments to two posts. Chris Powell (Deloitte LLP) commented that the County Council's budget for internal audit appeared to be reasonably generous, that the scope and coverage of Veritau's work was not affected by the reduction, and that "no alarm bells were sounding".

Veritau's Client Relationship Manager confirmed that the work which Veritau was undertaking for the District Councils was not impinging on its work for the County Council. He added that Veritau now had an increased ability to move staff around and that all staff were working to the same standards.

Members discussed whether it was appropriate for Veritau's performance target to be 93% of the agreed Audit Plan, rather than 100%. It was concluded that a target of 93% was a good way to ensure a good standard was achieved. The Corporate Director - Strategic Resources asked the Head of Internal Audit to advise him if County Council Management were taking a long time to respond to draft reports from Veritau.

Resolved –

That the progress made by Veritau Ltd in delivering the 2012/13 Internal Audit Plan be noted.

252. Corporate Governance – Progress

Considered –

The report of the Corporate Director – Strategic Resources providing an update on Corporate Governance matters, advising of progress made in addressing the issues raised in the Annual Governance Statement, and reporting on the Corporate Risk Register and the Better Governance Forum Audit Committee Update relating to Risk Outlook for 2012.

The Corporate Director – Strategic Resources introduced the report, highlighting the detailed Corporate Risk Register, as appended to the report, which set out the key risks and current controls identified by the Chief Executive and each Corporate Director. He also highlighted the mitigating actions that were in place to address the top ten risks facing the County Council, as identified by Management Board, and that the top risk was funding challenges.

During debate, Members asked questions on various issues, including the following:- poorly drafted legislation which resulted in the County Council continuing to have various responsibilities for Schools which had become Academies eg carbon reduction; the wish to see fairness in school funding reform; the use of on-line training to test and provide evidence of staff learning; and the County Council's discretionary role in Economic Development and the support the County Council provided to the Local Enterprise Partnerships which, in turn, enabled them to apply for match funding.

Members expressed disappointment that some of the terminology within the mid year review of the Annual Governance Statement, as set out at Appendix A to the report, was vague and lacked detail.

Resolved –

- (a) That the mid year review of the Annual Governance Statement, as set out at Appendix A, be noted.
- (b) That the updated Corporate Risk Register, as set out at Appendix B to the report, be noted.
- (c) That the mapping exercise relating to the Better Governance Forum Audit Committee Update relating to Risk Outlook for 2012, as set out at Appendix C to the report, be noted.

253. Information Governance

Considered –

The report of the Corporate Director – Strategic Resources providing an update on progress made in respect of improving the effectiveness of the Information Governance arrangements in the County Council.

The Corporate Director – Strategic Resources, in introducing the report, highlighted that there was heightened activity in relation to Information Governance and that the County Council was becoming more strident in its approach. Recent work within Directorates had included the following:- information asset registers had continued to be collated and refined in each Directorate; the programme of unannounced audit visits to County Council premises to assess possible information security risks had continued; policies and documentation to enable implementation of the Information Governance Framework and ISO 27000 had been further developed; a revised process for reporting and reviewing information security breaches within the County Council using the LAGAN case management system had been designed; and an e-learning training package to reflect needs of different groups of staff had been developed. Progress against an Action Plan was set out at Appendix 2 to the report.

Chris Powell (Deloitte LLP) emphasised the importance of Information Governance and, in particular, training and cultural change. The Corporate Director – Strategic Resources concurred with those comments and advised that this subject was scheduled to be discussed at a forthcoming meeting of Management Board.

In response to Members' questions, the Corporate Director – Strategic Resources undertook to clarify the situation regarding the use of passwords on Members' blackberries and to arrange for target dates to be incorporated within the Action Plan.

Resolved –

- (a) That the progress made on Information Governance issues since April 2012 be noted.
- (b) That the Corporate Director – Strategic Resources clarify the situation regarding the use of passwords on Members' blackberries.
- (c) That the Corporate Director – Strategic Resources arrange for target dates to be incorporated within the Action Plan.

254. Programme of Work

Resolved –

That the Programme of Work be noted.

The meeting concluded at 4.15 pm.

RAG/ALJ