

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 7 March 2013 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, Robert Heseltine, Jane Kenyon (as Substitute for Joe Plant), Mike Jordan and Chris Pearson.

External Members of the Committee:-

Mr James Daglish and Mr David Portlock.

In Attendance:-

County Councillor Carl Les (Executive Member).

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), Ruth Gladstone (Principal Democratic Services Officer) and Mark Wilkinson (Emergency Planning Manager).

Apologies for Absence:-

Apologies for absence were received from County Councillors Bill Chatt and Margaret-Ann de Courcey-Bayley.

Copies of all documents considered are in the Minute Book

255. Minutes

Resolved –

That the Minutes of the meeting held on 6 December 2012, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

256. Exclusion of the Public

Resolved –

That, in pursuance of Section 100(a)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of Appendices 1 and 2 to the report "Counter Fraud and Associated Matters" on the grounds that they involve the

likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

257. Public Questions or Statements

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

258. 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.

The Committee was also invited to review the Treasury Management Policy Statement and the Annual Treasury Management and Investment Strategy for 2013/14 which had been considered by the Executive on 5 February 2013. A copy of the report considered by the Executive was appended to the report to the Committee.

Details of a forthcoming training course entitled “Understanding the reforms, risks and opportunities of how local government will be funded after 1 April 2013” were circulated at the meeting. The Corporate Director – Strategic Resources suggested that any Member/External Member interested in attending should contact him as soon as possible.

It was confirmed that a reference, within the Annual Treasury Management and Investment Strategy 2013/14, to “Corporate Director – Finance and Central Services” should read “Corporate Director – Strategic Resources”.

During debate, Members referred to Treasury Management training provided for Members of the Audit Committee, as mentioned at paragraph 12.12 of the Annual Treasury Management and Investment Strategy 2013/14. The Corporate Director – Strategic Resources confirmed that further training would be arranged, to be provided by Sector.

During debate, Members asked, and responses were provided to, questions concerning the following issues:- the reasons for the reduced level of County Council external borrowing; who, within the County Council, could decide to borrow in advance of need; the information which the County Council needed to provide to qualify for the discount on loans from the PWLB; the reason for using the language, within (a) of paragraph 7.2 of the Annual Treasury Management and Investment Strategy 2013/14, “a return to growth”; and the cash flow issues for the County Council in relation to the Waste PFI.

The Corporate Director – Strategic Resources undertook to provide further detail after the meeting to two further questions. The first question related to whether note (B) to the table at paragraph 4.5 of the report considered by the Executive adequately explained the increase in debt in 2011 and whether debt had actually increased over the period. The second question was what the impact would be if the County Council was unable to meet the gross debt and capital financing requirement as outlined at paragraph (e) of paragraph 3.4 of the Annual Treasury Management and Investment Strategy 2013/14 (Appendix B to the report to the Executive).

Resolved –

- (a) That the report be noted.
- (b) That the Corporate Director – Strategic Resources make arrangements for Sector to provide training for Audit Committee Members, after the County Council elections on 2 May 2013, concerning Treasury Management.
- (c) That the Corporate Director – Strategic Resources provide further detail after this meeting in respect of the two questions raised by Members as recorded in the last paragraph of the preamble to this Minute.

259. Draft Internal Audit Plan 2013/14

Note: Prior to consideration of this item of business, County Councillors Jane Kenyon, Mike Jordan and Chris Pearson each declared an interest in the issue of Members' Allowances because he/she was a District Councillor.

Considered –

The report of the Head of Internal Audit setting out the draft programme of audit work to be delivered by Veritau Limited, on behalf of the County Council, in the financial year 2013/14. The final Plan was scheduled to be submitted to the Committee's meeting on 18 April 2013 for approval.

During debate, Members asked, and responses were provided to, questions concerning the following:- the reasons why there was a gap between the end of PricewaterhouseCoopers' current contract as Veritau's IT internal auditors and the start of the next contract for the provision of such services; whether sufficient audit days were included in the draft Plan for work within the Health and Adult Services Directorate relating to Personalised Budgets; the basis on which the number of audit days for special investigations concerning suspected frauds had been estimated; and to receive an assurance from the Head of Internal Audit that he continued to be confident, despite an overall reduction of 290 audit days, that the total number of audit days for 2013/14 would provide a level of assurance to enable the Committee to discharge its responsibilities.

The Officers also highlighted that the draft Plan included 10 audit days for Flood Risk Management, such an issue having been raised by Members at the Committee's meeting on 6 December 2012.

Resolved –

That the draft Internal Audit Plan 2013/14 be noted.

260. Counter Fraud and Associated Matters

**Appendices 1 and 2 to the report concerning
this item of business were considered in private
and the public have no rights of access to those parts of the report**

Considered –

The report of the Head of Internal Audit advising of the number and type of counter fraud investigations undertaken by Veritau Limited during 2012/13 to date and inviting the Committee to consider the Annual Fraud and Loss Risk Assessment for the County Council.

During debate, Members asked, and responses were provided to, questions concerning the following:- maintaining appropriate controls and monitoring arrangements for social care expenditure including direct payments; misuse of the internet/email; Councillors' wish to be able to access social media from County Council equipment, an issue which the Corporate Director – Strategic Resources intended to address following the elections in May 2013; inappropriate use of County Council equipment and vehicles; thefts of small amounts of cash; and the timing of the risk assessment regarding the system for paying loans and grants to people in need of local welfare assistance. Members also sought and received an assurance from the Head of Internal Audit that he was comfortable that the overall number of audit days allocated for counter fraud and associated matters would provide a level of assurance to enable the Committee to discharge its responsibilities.

Members highlighted that no date was specified for areas L11 and L12 in the Fraud and Loss Risk Assessment set out at Appendix 2 to the report. The Head of Internal Audit clarified that each should say "on going".

Members emphasised the issue of data breaches as being very important.

Resolved –

(a) That the investigations carried out by Veritau in 2012/13 to date be noted.

(b) That the outcome of the annual Fraud and Loss Risk Assessment be noted.

261. Certification of Claims and Returns 2011/12

Considered –

The Annual Report of the External Auditor summarising work undertaken by Deloitte LLP during 2011/12 concerning the certification of grant claims and returns.

Chris Powell (Deloitte LLP) introduced the report advising that one minor disclosure adjustment had been required in respect of the Teachers' Pension return. However, he considered that disclosure adjustment to be a minor issue and advised that there were no matters he wished to draw to the Committee's attention.

Resolved –

That the report be noted.

262. Review of the Effectiveness of Internal Audit

Considered –

The report of the Corporate Director – Strategic Resources seeking agreement of a process to be followed for the 2012/13 annual review of the effectiveness of internal audit.

During discussion, Members expressed support for the suggestion of repeating the process used in previous years.

Resolved –

That the process for undertaking the annual internal audit review for 2012/13 be as follows:-

- The Shared Service Contract Board undertake the detailed work, overseen by the Chairman of the Audit Committee.
- The outcome of the review be reported to the meeting of this Committee to be held on 27 June 2013.

263. 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.

As at 31 January 2013, 59.2% of the agreed Internal Audit Plan had been delivered, against a target of delivering 93% by 30 April 2013. Veritau was on track to achieve that target for the year and to exceed its other targets. A small variation to the Plan had been agreed by the client, thereby increasing the number of audit days for special assignments.

During the Committee's discussion, it was clarified that the Assurance maps for three of the One Council workstreams would be completed for April 2013.

Members also asked questions about the recent initiative by Veritau's Information Government Team to treat certain requests submitted under the Freedom of Information and Data Protection Acts as "business as usual". They also discussed a wish that a limitation should be imposed on the number of requests under the Freedom of Information Act which any single individual could submit, recognising the level of County Council resources which were required for such purposes.

Resolved –

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

264. Internal Audit Work on Contract Arrangements

Considered –

The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 31 January 2013 on contract arrangements and related matters and giving an opinion on the systems of internal control in respect of that area.

The Head of Internal Audit's overall opinion about the controls operating in respect of contract matters was that they provided Substantial Assurance. With regard to the implementation of previously agreed actions necessary to address identified control weaknesses, the Head of Internal Audit was satisfied, on the basis of the follow up work undertaken during the year, with the progress that had been made by management.

During discussion, Members asked questions relating, in particular, to the weaknesses identified in the management and monitoring of various Revenue Contracts within the Children and Young People's Service and the Health and Adult Services Directorates. Officers clarified that the weaknesses identified were due to individuals rather than training or systematic issues.

Members expressed support for a suggestion that the Committee's training seminar on 27 June 2013 should be about procurement. (*The Committee's decision is at Resolution (b) of Minute 268.*)

Resolved –

That it be noted that the Committee is satisfied that the internal control environment operating in relation to contract arrangements is both adequate and effective.

265. Internal Audit Work and Related Internal Control Matters for Central Services

Considered -

- (a) The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 31 January 2013 for the Central Services Directorate and giving an opinion on the systems of internal control in respect of that area.
- (b) The report of the Corporate Director – Strategic Resources inviting the Committee to note the position concerning the Central Services Directorate's Statement of Assurance and details of the new draft Risk Register for the Central Services Directorate.

The Head of Internal Audit's overall opinion about the controls operated in the Central Services Directorate was that they provided Substantial Assurance. With regard to the implementation of previously agreed actions necessary to address identified control weaknesses, the Head of Internal Audit was satisfied, on the basis of the follow up work undertaken during the year, with the progress that had been made by management.

During discussion, Members asked, and responses were provided to, questions concerning the following:- the administration of the Members' Allowance Scheme; Veritau's involvement in One Council workstreams; the provision, within the draft Internal Audit Plan for 2013/14, of audit days to consider Public Health; the reason why the Fallback Plan for risks within the Central Services Risk Register was "rethink overall approach" or "fundamental review of approach"; whether the risk reduction action "develop approach to retention of key staff and succession planning" could be achieved by the target date of 31 December 2013; how staff were adapting to systems transferred to on-line systems, eg for the delivery of training; and a possible reputational risk that the new Members' Code of Conduct did not require the interests of a Member's child to be declared.

A Member asked whether the success of the merger of two Directorates to form the current Central Services would be reviewed. Officers responded that the outcome would be judged depending on the co-ordination of activities and the financial savings achieved.

Resolved –

- (a) That it be noted that the Committee is satisfied that the internal control environment operating in the Central Services Directorate is both adequate and effective.
- (b) That the position on the Central Services Directorate Statement of Assurance be noted.
- (c) That the new draft Risk Register for the Central Services Directorate be noted.

266. Internal Audit Work on Corporate Themes

Considered –

The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 31 January 2013 on corporate/cross-cutting themes and giving an opinion on the systems of internal control in respect of the areas examined.

The Head of Internal Audit's overall opinion about the controls operating in respect of corporate themes was that they provided Substantial Assurance. With regard to the implementation of previously agreed actions necessary to address identified control weaknesses, the Head of Internal Audit was satisfied, on the basis of the follow up work undertaken during the year, with the progress that had been made by management.

During discussion, it is clarified that all systems/areas audited had received an opinion of either "High Assurance" or "Substantial Assurance", with the exception of Information Security in respect of which all staff were expected to complete mandatory training, with disciplinary action being taken when necessary.

Resolved –

That it be noted that the Committee is satisfied that the internal control environment operating in relation to the audit areas examined is both adequate and effective.

267. Service Continuity - Progress

Considered –

The report of the Corporate Director – Strategic Resources providing an overview of the implementation of the revised methodology of service continuity for North Yorkshire County Council.

During discussion, Members asked questions to clarify how corporate and communication issues were being handled under the revised methodology. Examples were also provided of circumstances when a Service Continuity Plan needed to be put into action.

Resolved –

(a) That the progress on the implementation of the revised methodology of service continuity for North Yorkshire County Council be noted.

(b) That an update of the audit by Veritau of the service continuity plans, scheduled for May 2013, be submitted to a future meeting of this Committee.

268. Programme of Work

Resolved –

That the Programme of Work, as circulated with the Agenda for this meeting, be approved, subject to the following amendments:-

(a) The training session on 18 April 2013 be cancelled in the absence of suggested topics.

(b) The training seminar on 27 June 2013 be on the issue of procurement.

(c) The annual discussion between Members and the Head of Internal Audit be scheduled for immediately prior to the Committee's meeting on 26 September 2013.

(d) A further report on the review of the effectiveness of internal audit be submitted to the Committee's meeting on 27 June 2013, in accordance with Minute 262.

(e) The inclusion, at a future meeting, of an update of the audit by Veritau of the service continuity plans, in accordance with Minute 267.

The meeting concluded at 3.45 pm.

RAG/ALJ