

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 18 April 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, Margaret-Ann de Coursey-Bayley, Robert Heseltine, Mike Jordan and Chris Pearson.

External Members of the Committee:-

Mr James Daghish 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), Ruth Gladstone (Principal Democratic Services Officer), Anton Hodge (Assistant Director – Finance and Management Support, Children and Young People’s Service) and Geoff Wall (Assistant Director – Central Finance).

Apology for Absence:-

An apology for absence was received from County Councillor Joe Plant.

Copies of all documents considered are in the Minute Book

269. Minutes

Resolved –

That the Minutes of the meeting held on 7 March 2013, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

270. Public Questions or Statements

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

271. 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
- that there had been no significant developments, subsequent to the Committee's last meeting, in relation to either Treasury Management or the rationalisation of systems and data.

The Corporate Director – Strategic Resources thanked County Councillor Mike Jordan for bringing to his attention the issue of passwords on Members' Blackberries.

The Audit and Information Assurance Manager advised that a first draft of the Assurance Maps for the One Council Workstreams had been produced. The draft was scheduled to be finalised, following consultation with relevant County Council officers and the External Auditor, by 31 May 2013.

Members highlighted that they were keen to receive details of any CIPFA training courses held locally which were free of charge.

Members requested that their thanks be recorded for the additional detail, which tracked outstanding issues, now included in this report.

Resolved –

That the report be noted.

272. Internal Audit Plan for 2013/14

Considered –

The report of the Head of Internal Audit seeking approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2013/14 by Veritau Ltd.

Subsequent to the Committee's meeting on 7 March 2013, when an early draft of the 2013/14 Plan had been considered, Veritau had held further meetings with management and, where appropriate, the Plan had been changed to reflect comments received. However, most changes were minor in nature. The External Auditor was satisfied with the level of cover being proposed and would be taking into account the systems and areas to be audited when planning the External Audit work programme. Many of the proposed audits were specifically focused on the County Council's initiatives to achieve budget savings or to deliver efficiencies, in particular looking at Value for Money; Social Care Providers; Post Implementation Reviews; and Information Governance.

During debate:-

- Members emphasised the importance of the inclusion of a Contingency provision within the Plan, to reflect any emerging issues or requests from Directorates which arose during the year.

- The Head of Internal Audit confirmed that he had no issue with there being 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.
- The Head of Internal Audit confirmed that he was confident that Veritau Ltd could undertake the required work in relation to Contract and Procurement Related Matters and the Final Accounts within the reduced allocations of 5 and 10 audit days respectively.

Resolved –

That the internal audit, counter fraud and information governance plan of work for 2013/14, as set out at Appendix 1 to the report, be approved.

273. 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.

As at 28 February 2013, 62.8% of the agreed Internal Audit Plan had been delivered, against a target of delivering 93% by 30 April 2013. Subsequent to the Committee's meeting on 7 March 2013, no variations to the Plan had been agreed with the client officer.

During debate:-

- The Head of Internal Audit confirmed that Veritau was within striking distance of achieving its target of delivering 93% of the agreed Internal Audit Plan by 30 April 2013.
- The Head of Internal Audit advised that officers took all possible action to recover losses to the County Council resulting from fraud or misconduct. He also confirmed that some Veritau assignments had been carried out in response to calls made to the Whistleblower Hotline and that the Hotline number was publicised as much as possible.

Resolved –

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

274. Internal Audit Work and Related Internal Control Matters for the Children and Young People's Service Directorate

Considered –

(a) The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 28 February 2013 for the Children and Young People's Services Directorate and giving an opinion on the systems of internal control in respect of that area.

(b) The report of the Corporate Director – Children and Young People's Service inviting the Committee to note the position concerning the Children and Young People's Service Directorate's Statement of Assurance and details of the new Risk Register for that Directorate.

The Head of Internal Audit's overall opinion about the controls operated in the Children and Young People's Service 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. However, the situation with regard to schools was more varied. Eight Limited Assurance audit opinions had been issued to schools during the year, arising from which the largest number of recommendations related to the areas of contracting and purchasing, human resources and computer systems, data protection and freedom of information. Another common theme identified was failure to apply appropriate controls over the appointment of staff.

During debate:-

- The Head of Internal Audit advised that, in relation to schools, it would be inappropriate to compare one year's audit opinions with the previous year's audit opinions. He suggested that it was more appropriate to look at trends and acknowledged that the information for 2012/13 and 2011/12 should not have been presented as set out in this report. He undertook to provide the Chairman with information relating to the earlier years' audit opinions in relation to schools.
- The Head of Internal Audit confirmed that schools did respond to Veritau's reports and that Veritau expected their reports to be considered by School Governors.
- In relation to the Early Years Provider at which little had changed six months after the issue of a Limited Assurance audit opinion, the officers advised that it was currently too early to be too concerned. However, as this was a private/voluntary body, the County Council could, as an ultimate sanction, decide not to fund that Provider in future.
- In relation to the Directorate's identified areas for improvement set out in the Statement of Assurance and, in particular, entry "C – Maximise resources and use them fairly across North Yorkshire schools and settings", the Assistant Director – Finance and Management Support (Children and Young People's Service Directorate) clarified that, as most of the traded services had been delegated to all schools for some time, the amount of funding which the Council lost (and Academies received) was minimal. In the past, the Council had been top-sliced for Academy funding and that had provided some budget certainty. In future, however, due to new funding arrangements being introduced from 1 April 2013, the local authority would lose additional budget for each new academy and that this would be reflected in future Statements.
- In relation to the Directorate's detailed Risk Register, officers acknowledged that, whilst some entries (eg "ongoing effective work prioritisation") were obvious, the required six monthly reviews of the Register provided opportunity to check that such work was being undertaken. The Corporate Director – Strategic Resources also highlighted that different approaches to the Risk Register were taken across the County Council. However, he acknowledged

that managers should identify the key issues and offered to pass that message on.

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 following be noted:-
 - (i) the position on the CYPs Directorate Statement of Assurance; and
 - (ii) the updated risk register for the Children and Young People's Service Directorate.
- (c) That the Head of Internal Audit provide the Chairman with statistics for the various categories of audit opinions in relation to schools for the years prior to 2011/12.
- (d) That the Corporate Director – Strategic Resources provide advice to managers in Directorates regarding the need to identify key issues within their Risk Registers.

275. Reviewing Assurance over Value for Money

Considered –

- (a) The report of the Corporate Director – Strategic Resources inviting the Committee to consider the arrangements made within the County Council in respect of achieving Value for Money, together with the Committee's role in obtaining assurance about such arrangements. The report was structured on a series of questions posed in a CIPFA document "The Audit Committee role in supporting the achievement of Value for Money" published in October 2012.
- (b) A presentation by the Corporate Director – Strategic Resources providing practical examples of the County Council's approach to Value for Money. (A copy of the slides used in the presentation is in the Minutes Book.)

Key issues arising from the report and presentation were as follows:-

- Value for Money was a combination of economy, effectiveness and efficiency.
- It was not possible or practical to produce a single "Value for Money Strategy/Plan". Instead Value for Money needed to be part of the organisational DNA which ran through all the County Council did.
- County Council officers believed that the CIPFA document was overly simplistic and naive and did not reflect the challenges of the current time.
- With regard to the future, the County Council had on-going savings requirements; it would learn from others through "softer" networking; Value for Money audits, although tricky, were included in the Audit Plan; quarterly reporting would be reviewed to examine all aspects through which Value for Money was achieved; following the elections, there might be different

priorities for inclusion in the Council Plan; and there would be greater emphasis on team performance and innovation.

During debate, Members questioned whether the Committee's current terms of reference were appropriate to ensure its role in obtaining assurance about the County Council's arrangements to achieve Value for Money. The Corporate Director – Strategic Resources highlighted that the Committee already looked at each Directorate and, as such, was covering Value for Money, but with a different perspective. Celia Craig (Deloitte LLP) commented that she was not aware of any significant gaps in terms of what the Committee actually did. The Corporate Director – Strategic Resources advised that the terms of reference could be revised, but assurances about Value for Money fell to the Audit Committee in any case. He undertook to give the matter further thought and suggested further consideration at the Audit Committee post election. He also offered to report to a future meeting on issues to inform the way in which Veritau might progress its Value for Money work and the Chairman requested that updates be included, in the meantime, within the report "Progress on Issues Raised by the Committee".

Resolved –

(a) That the arrangements in place for assuring Value for Money be noted.

(b) That the Corporate Director – Strategic Resources consider whether the Committee's terms of reference require revision with regard to providing assurances about the arrangements made within the County Council in respect of achieving Value for Money and that that matter be considered further by the Committee following the 2013 County Council elections.

(c) That a report be submitted to a future meeting to identify any issues to inform the way in which Veritau might progress its Value for Money work, and that updates be included, in the meantime, within the report "Progress on Issues Raised by the Committee".

276. Programme of Work

During discussion, Members suggested that the introductory Member training which the Head of Internal Audit had delivered previously, updated as appropriate, might be repeated following the forthcoming elections.

Resolved –

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

- (a) Immediately prior to the Committee's meeting on 27 June 2013, 30 minutes be allocated for Member training regarding Procurement and that a further 30 minutes be allocated for welcomes/identification of future training needs.
- (b) The External Auditor's Annual Audit Plan be re-scheduled for the Committee's meeting on 18 July 2013.

In closing the meeting, the Chairman, on behalf of Members, thanked Geoff Wall (Assistant Director – Central Finance) for all the service he had provided to the Committee over many years and wished him a long and happy retirement.

The meeting concluded at 4.10 pm.
RAG/ALJ