

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on 27 June 2013 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillors Margaret Atkinson, Andrew Backhouse, Eric Broadbent, David Chance, Jim Clark, Patrick Mulligan and Stuart Parsons.

External Member of the Committee:-

Mr David Portlock.

In Attendance:-

Deloitte LLP Officers: Celia Craig and Alistair Lince.

Veritau Ltd Officer: Roman Pronyszyn (Audit and Information Assurance Manager).

County Council Officers: Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Principal Democratic Services Officer), Tom Morrison (Principal Accountant - Corporate Accountancy) and Fiona Sowerby (Corporate Risk and Insurance Manager).

Apologies for Absence:-

Apologies for absence were received from County Councillor Lindsay Burr and Mr James Daghish (External Member of the Committee).

Copies of all documents considered are in the Minute Book

1. Election of Chairman

Resolved –

That County Councillor Andrew Backhouse be elected Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2014.

County Councillor Andrew Backhouse in the Chair

2. Minutes

Resolved –

That the Minutes of the meeting held on 18 April 2013, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

3. Election of Vice-Chairman

Resolved –

That County Councillor Margaret Atkinson be elected Vice-Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2014.

4. Public Questions or Statements

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

5. 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.

With regard to the finalisation of the Assurance Maps for the One Council Workstreams, the Audit and Information Assurance Manager advised that work was continuing and that officers aimed to report back to Members after July 2013. Members expressed support for that suggestion.

County Councillor Eric Broadbent highlighted that the Committee's Treasury Management training scheduled for 30 September 2013 clashed with a meeting of North Yorkshire Fire and Rescue Authority's Audit and Performance Review Committee. The Chairman asked the Principal Democratic Services Officer, following today's meeting, to investigate options to rectify this clash of commitments.

Members asked when a report would be submitted to the Committee concerning whether its terms of reference required amendment with regard to providing assurances about arrangements made within the County Council in respect of achieving value for money. Following discussion, it was suggested and agreed that such a report should be submitted to the Committee's meeting on 5 December 2013.

A Member questioned whether a timescale should be set for reviewing options relating to cash balances. The Corporate Director – Strategic Resources advised that the wording of paragraph 3.5 of the report was very deliberate, to reflect the County Council having exhausted all the banks which fitted the County Council's criteria. In response to further questions, the Corporate Director – Strategic Resources advised that, in his view, placing funds with other local authorities was more secure than placing them with banks because local authorities would not go bankrupt.

In response to questions, the Corporate Director – Strategic Resources confirmed that the rationalisation of systems and data would deliver its full savings as part of the One Council savings package.

Resolved –

- (a) That the report be noted.

- (b) That the finalised version of the Assurance Maps for the One Council Workstreams be provided to Members after July 2013.
- (c) That the Principal Democratic Services Officer investigate options to rectify the clash of commitments, on 30 September 2013, with North Yorkshire Fire and Rescue Authority's Audit and Performance Review Committee.
- (d) That a report concerning possible amendments to the Committee's terms of reference be submitted to the Committee's meeting to be held on 5 December 2013.

6. Review of the Effectiveness of Internal Audit 2012/13

Considered –

The report of the Corporate Director – Strategic Resources advising of the process and the outcomes of the 2012/13 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 carried out, the County Council's internal audit arrangements were considered to be operating in accordance with accepted professional best practice and remained effective. Therefore the Committee could continue to place reliance on the internal audit arrangements operating within the County Council when considering the draft Annual Governance Statement for 2012/13.

County Councillor Patrick Mulligan (former Chairman of this Committee) advised that, overall, he was very satisfied with the County Council's internal audit arrangements, although he had a quibble with the rankings set out in Appendix 1 to the report.

A Member expressed concern that only 35 completed survey forms had been returned as part of the annual survey of senior managers concerning the service provided by Veritau. The Audit and Information Assurance Manager offered to identify the number of senior managers who had been asked to complete a survey form and to advise Members of the outcome. The Corporate Director – Strategic Resources reassured Members that Financial Services' Assistant Directors, who worked within Directorates, were well placed to hear feedback about Veritau's services and therefore any concerns about Veritau's work would be identified outside the annual survey process.

A Member highlighted that a number of the survey responses had suggested that there was further scope to improve the accuracy and timeliness of audit reporting. The Corporate Director – Strategic Resources provided an assurance that that feedback had been noted and was being actioned through discussions he had had with the Head of Internal Audit.

Resolved –

- (a) That the results of the review of the effectiveness of the County Council's internal audit arrangements be noted.
- (b) That the Audit and Information Assurance Manager identify the number of senior managers who had been asked to complete a form as part of the annual survey of Veritau's services and to advise Members of the outcome.

7. Annual Report of the Head of Internal Audit

Considered –

The annual report of the Head of Internal Audit which:- provided a summary of the internal audit work performed during the year ended 31 March 2013; set out 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 2012/13 audit work; and asked the Committee to consider the Internal Audit performance outturn for 2012/13 and performance targets for Veritau for 2013/14.

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 County Council was that they provided Substantial Assurance. The significant control issues were as follows:- further improvements were required to ensure compliance with the County Council's policies for recording, processing and storing personal and sensitive data; further improvements were necessary in respect of the controls associated with Adult Social Care payments; and a number of issues had been identified in respect of the processes followed to let and/or monitor the performance of contracts.

During debate:-

- ◆ Members were reassured that all responses to requests under the Freedom of Information Act were quality assured and provided all the information identified in those requests.
- ◆ Members expressed particular concern about continuing poor practice with the handling of documents and information security.
- ◆ Members were advised that the number of significant breaches of the County Council's Contract Procedure Rules, identified by Veritau during 2012/13, was extremely small compared to the number of contracts which were let. Members suggested that the number of contracts let should be included in the written report as a reassurance to members of the public.
- ◆ Reassurance was provided that, when Veritau identified a major issue which was a priority 1 recommendation, the Assistant Directors of Finance would follow them up to ensure implementation well before Veritau carried out its post implementation checks during the following year.

County Councillor Patrick Mulligan (former Chairman of this Committee) commended the work undertaken by Veritau during the previous year.

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 number of contracts let be included within future reports to the Committee concerning breaches of Contract Procedure Rules.

- (d) That the performance outturn for 2012/13 and the performance targets for Veritau for 2013/14 be noted.

8. Annual Governance Statement and Local Code of Corporate Governance

Considered –

The report of the Corporate Director – Strategic Resources inviting the Committee to review the draft Annual Governance Statement for 2012/13 in advance of approving a later version on 26 September 2013 and asking the Committee to recommend, to the County Council, approval of an updated Local Code of Corporate Governance.

During debate:-

- ◆ In respect of the Corporate Governance Checklist, the Corporate Director – Strategic Resources highlighted that this was a highly detailed internal document used by Corporate Governance Officers. It was shared with the Committee to provide assurance that a comprehensive approach was being taken by officers. Mr David Portlock (External Member) advised that he intended to contact the Corporate Director – Strategic Resources with detailed points outside the meeting. An inconsistency was highlighted between the last review date of “June 2010” on page 53 and the information on page 85 which referred to annual reviews of the role of the CFO. In response to questions, the Corporate Director – Strategic Resources clarified that, to compile the Corporate Governance Checklist, officers looked firstly at CIPFA/SOLACE guidance.
- ◆ In respect of the Local Code of Corporate Governance, the Corporate Director – Strategic Resources advised that the Audit Committee’s role was to make a recommendation to the County Council and, as such, it was important that the Committee was comfortable with the version submitted. He asked Members to contact him after this meeting with suggestions/amendments and undertook to update on feedback during the Committee’s meeting on 18 July 2013.
- ◆ In respect of the Local Code of Corporate Governance, Members were provided with a re-assurance that this Committee monitored progress on the Annual Governance Statement every six months, as specified on the last line of page 108.
- ◆ In respect of the Local Code of Corporate Governance, the Corporate Director – Strategic Resources advised that the report submitted to the Committee in June 2014 could identify the changes which were being recommended at that time. That had not been done for this meeting due to the substantial change in the Committee’s membership following the County Council elections in May 2013.
- ◆ In respect of the draft Annual Governance Statement, the Corporate Director – Strategic Resources advised that this was a key document which the Committee needed to be comfortable with as the Committee would ultimately need to approve it as part of the Statement of Final Accounts. He added that much of the Statement was a continuation of information and activity which the Audit Committee had been engaged with throughout the year. Members made the following suggestions/amendments during this meeting: the information in the table on pages 133-140 could be better organised as the

version now submitted switched to discussion of Health and Adult Services without referring to that Directorate; the sentence in the top box on page 136 was 10 lines long and, as such, lost its meaning; on page 102, the sentence “The Directorate will also need to preparation arrangements for the changes arising from the Social Care and Support White Paper in 2015 which ...” needed to be re-written; on page 137, “It was anticipated that these pressures would have to be found” did not make sense; on page 140, in paragraph 8.2, “2012/13” should state “2013/14”; and, on page 141, at paragraph 9.2, County Councillor Andrew Backhouse had been elected Chairman to serve from 27 June 2013.

- ◆ In respect of the draft Annual Governance Statement, the Corporate Director – Strategic Resources confirmed that the name of the Local Enterprise Partnership, set out on page 133, continued to be correct at this time because, whilst the City of York Council had given notice, it had not yet left the Partnership.
- ◆ In respect of the Statements of Assurance 2012/13, the Corporate Director – Strategic Resources undertook to reinforce, to Management Board, that they had to give these Statements due attention and to advise that Members were concerned that part of one Statement was a direct copy from the previous year’s statement.
- ◆ In respect of the Statements of Assurance 2012/13, Members made the following suggestions/amendments during this meeting:- on page 156, in the bottom right hand box, the sentence “This enables the Directorate to monitor the achievement of individual projects and as well as oversee the overall programme” required amendment; on page 158, the bottom right hand box should state who would be doing the monitoring mentioned in the sentence “This is a challenging agenda which will also be performance monitored”; and, on page 159, the sentence “A greater challenge relates to increasing the number of people who take a direct payment and decide to manage their own care” was ambiguous and required amendment.

Members were asked to email the Corporate Director – Strategic Resources, the Chairman and Mr David Portlock (External Member) if they had any further comments or amendments concerning the documents appended to the report.

Resolved –

- (a) That, in respect of the Corporate Governance Checklist, Members’ comments, as recorded in the preamble to this Minute, be noted.
- (b) That the updated Local Code of Corporate Governance, as set out at Appendix B to the report, be recommended for approval by the County Council subject to any further comments which Members make.
- (c) That, in respect of the draft Annual Governance Statement 2012/13, Members’ comments, as recorded in the preamble to this Minute, be taken on board and that an updated version of the Statement be submitted to the Committee’s meeting on 26 September 2013 for approval.
- (d) That any further comments/amendments which Members make following today’s meeting be reported orally by the Corporate Director – Strategic Resources at the Committee’s meeting on 18 July 2013.

- (e) That the Corporate Directors be invited to review their comments within the Statements of Assurance 2012/13, as set out at Appendix D to the report.

9. Governance Arrangements of the North Yorkshire Pension Fund

Note: Prior to consideration of this item of business, County Councillor Patrick Mulligan advised that he was a Member of the Pension Fund Committee. In addition, County Councillor Jim Clark advised that he also served on that Committee as a representative of the District Councils.

Considered –

The report of the Corporate Director – Strategic Resources providing details of the governance arrangements of the North Yorkshire Pension Fund.

During debate:

- ◆ The Principal Accountant - Corporate Accountancy clarified that the Service Level Agreement was reviewed annually but was not amended except where there was a material change.
- ◆ The Corporate Director - Strategic Resources clarified that arrangements were in place to identify how any surplus deficit would be shared between the admitted bodies.
- ◆ There was a brief discussion about the role of the Actuary and the degree to which changes in yield markets had affected North Yorkshire Pension Fund's position as previously assessed by the Actuary.
- ◆ The Principal Accountant - Corporate Accountancy highlighted that the Pension Fund's Independent Observer was of the opinion that the Fund had very high standards of Corporate Governance.

Resolved –

That the governance arrangements of the North Yorkshire Pension Fund be noted.

10. Progress on 2013/14 Internal Audit Plan

Considered –

The report of the Head of Internal Audit advising of the progress made to date in delivering the 2013/14 Internal Audit Plan and developments likely to impact on the Plan throughout the remainder of the financial year.

The Chairman asked to be advised of the number of requests made under the Freedom of Information Act, during the run up to the County Council elections on 2 May 2013, about County Councillors who were seeking re-election. The Audit and Information Assurance Manager advised that he did not have that information to hand but offered to provide it to the Chairman after the meeting.

Resolved –

- (a) That the progress made by Veritau Ltd in delivering the 2013/14 Internal Audit Plan be noted.

- (b) That the Chairman be advised, following this meeting, of the number of requests made under the Freedom of Information Act, during the months prior to the County Council elections on 2 May 2013, about County Councillors who were seeking re-election.

11. Risk Management – Progress Report

Considered –

The report of the Corporate Director – Strategic Resources presenting the updated Corporate Risk Register and advising of progress made on Risk Management matters.

During debate:-

- ◆ Members commended the diagram, set out at Appendix B to the report, which identified the links between Directorate Risk Registers and the Corporate Risk Register. They commented that the diagram presented such information in a very easy to follow format.
- ◆ The Chairman commented that it would be helpful to have an additional table to show what issues had previously been removed from the Corporate Risk Register in order to illustrate, for the benefit of new Committee Members, progress which had been made to achieve the County Council's current situation.
- ◆ A Member questioned whether the departure of York from the LEP would have an impact on funding. The Corporate Director - Strategic Resources responded that there would be no significant impact on funding and that the more significant implications related to other issues ie achieving support across the sub-region and the consequences if the East Riding also decided to leave the LEP.

Resolved –

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, be noted.
- (b) That the position and progress on other Risk Management matters be noted.

12. Programme of Work

Resolved –

That the Programme of Work be noted.

The meeting concluded at 3.45 pm.

RAG/ALJ