

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 6 March 2014 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillor Andrew Backhouse (in the Chair); County Councillors Margaret Atkinson, Eric Broadbent, David Chance, John Fort BEM (as Substitute for Jim Clark), Bill Hoult, Mike Jordan and Stuart Parsons.

External Members of the Committee:-

Mr James Daghish and Mr David Portlock.

In Attendance:-

County Councillor Carl Les (Executive Member for Central and Financial Services including assets, IT and procurement).

Deloitte LLP Officers: Chris Powell and Celia Craig.

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

County Council Officers: Gary Fielding (Corporate Director – Strategic Resources), Peter Yates (Assistant Director – Corporate Accountancy) and Ruth Gladstone (Principal Democratic Services Officer).

Copies of all documents considered are in the Minute Book

47. Minutes

Resolved –

That the Minutes of the meeting held on 5 December 2013, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

48. Exclusion of the Public

Resolved -

That the public be excluded from the meeting during consideration of Appendices 3 and 4 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.

49. Public Questions or Statements

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

50. 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, together with an update concerning Treasury Management.

During debate, it was noted that the following arrangements had been made:-

- The question of whether the Police and Crime Panel should be regarded as a Related Party would be considered during preparation of the Statement of Accounts for 2013/14.
- Committee Members would be provided with a copy of the Society of County Treasurers' joint response to the recent DCLG consultation concerning the timetable for the Statement of Final Accounts.
- A representative from Audit North would attend the Committee's meeting on 26 June 2014 to discuss IT audit work completed in 2013/14.
- Committee Members would be provided with a copy of the updated version of the Information Governance Policy Map after current work had been completed.
- The Service Continuity Plan had been included in the Committee's Programme of Work.

During debate, the following were clarified:-

- If an employee left the County Council, claimed a redundancy payment, and then begun work with another relevant employer within 4 weeks of leaving, the employee needed to repay their redundancy payment. However, there had been no cases, within North Yorkshire County Council, where that had happened in recent years.
- Copies of the Treasury Management Policy Statement and Annual Treasury Management and Investment Strategy for 2014/15 had recently been provided to Committee Members for consideration and review. Mr David Portlock had already provided comments to the Corporate Director – Strategic Resources and the Assistant Director – Corporate Accountancy. Mr David Portlock had subsequently received a response.

Resolved –

That the report be noted.

51. Committee Membership - Appointment of External Members

Note: Prior to consideration of this item of business, Mr David Portlock announced that he had a potential conflict of interest in this item of business. Having taken advice, he would not be leaving the meeting. However, he would not be participating in the debate. He requested that this be recorded in the Minutes of the meeting.

Considered -

The report of the Corporate Director - Strategic Resources seeking approval of arrangements for the recruitment and selection of at least two, and up to three, External Members of the Audit Committee.

Mr James Daghish announced that he did not intend to apply for re-appointment for a further term. The Chairman expressed Members' sincere thanks to Mr James Daghish and paid tribute to his work, over many years, on the Committee.

During discussion, the Corporate Director – Strategic Resources acknowledged that it would be a considerable commitment for one person to serve simultaneously on both the County Council's Audit Committee and the City of York Council's Audit Committee. The Corporate Director – Strategic Resources advised that flexibility was being sought and asked the Committee not to impose the requirement that the same person could not serve simultaneously on both Committees.

Resolved -

- (a) That a joint recruitment with the City of York Council be agreed.
- (b) That the Corporate Director - Strategic Resources, following consultation with the Chairman of the Audit Committee, be authorised to finalise the advert and any other documentation and to initiate the recruitment process.
- (c) That the Corporate Director - Strategic Resources, following consultation with the Chairman and Vice-Chairman of the Audit Committee, be authorised to undertake the shortlisting of the applicants.
- (d) That a Members' Panel be authorised to interview shortlisted candidates and submit subsequent recommendations to the Audit Committee for the appointment of External Members.
- (e) That the Panel to which part (d) of this resolution refers comprise the following Members:-
 - County Councillor Andrew Backhouse
 - County Councillor Margaret Atkinson
 - Either one or two other County Councillor Members of this Committee who indicate they are available on the dates to be identified by the Corporate Director – Strategic Resources and who volunteer themselves for participation in the Panel.

52. 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.

During debate, the following issues were highlighted:-

- As at 31 January 2014, 67% of the agreed Internal Audit Plan for 2013/14, and 40% of the computer audit topics scheduled for review by Audit North in 2013/14, had been completed and reports issued in draft. Officers could see no reason why the 2013/14 Internal Audit Plan, and the remaining planned computer audit topics, could not be completed by 31 March 2014.
- The number of cases of suspected fraud or malpractice handled by Veritau had increased to 31 since the start of the 2013/14 financial year. This compared to 28 cases during the same period of the previous year.
- The number of requests submitted under the Freedom of Information Act had increased by 29% for the period 1 April 2013 to 31 January 2014 compared to the same period of the previous year. Veritau's Information Governance Team continued to exceed the performance target of responding to 95% of such requests within 20 working days.
- Variations had been made to the 2013/14 Audit Plan, resulting in a net reduction of 105 audit days. The changes were set out in paragraph 3.8 of the report. Following a reduction in staffing, the number of audit days had reduced for some topics in areas where previously "high assurance" audit opinions had been issued. In response to questions, the Head of Internal Audit confirmed that there were no areas which Veritau would have covered, but were now unable to do so, due to the reduction in staffing. He also confirmed that, whilst there was decreased coverage and an overall increase in risk, he was not at the point where he was unable to give an audit opinion.

Resolved –

- (a) That the report be noted.
- (b) That an advance copy of the report on the outcome of the Payroll audit be circulated to Committee Members as soon as it becomes available.
- (c) That the Head of Internal Audit provide Committee Members with the estimated cost, calculated 3 to 4 years previously, of officer time taken to respond to requests submitted under the Freedom of Information Act.
- (d) That an estimate of the current cost of officer time taken to respond to requests submitted under the Freedom of Information Act be prepared for the forthcoming Members' Seminar regarding Information Governance.
- (e) That the Corporate Director – Strategic Resources provide a reminder to all Directorates about the County Council's standard approach to dealing with requests submitted under the Freedom of Information Act and that confirmation be provided to the Committee Chairman when such a reminder has been issued.

53. Draft Internal Audit Plan for 2014/15

Note: During consideration of this item of business, Mr James DGLISH declared a non-pecuniary interest when making the comment that there were parts of North Yorkshire which were getting fibres but where high quality Broadband was not being provided.

Considered -

The report of the Head of Internal Audit presenting, for the Committee's comments, the draft programme of audit work to be undertaken by Veritau Limited, for North Yorkshire County Council, during the financial year 2014/15.

In introducing the report, the Head of Internal Audit advised that there was a typographical error in paragraph 3.3 of the report, namely, that the phrase "... the proposed Plan for 2014/15 has 150 fewer days of internal audit coverage ..." should read "... the proposed Plan for 2014/15 has a net reduction of 135 days of internal audit coverage ...".

During debate, the following issues were highlighted:-

- The Plan had to be viewed as a relatively flexible document because:- (i) it was currently the subject of consultation with the Chief Executive, Assistant Chief Executives, Corporate Directors and directorate management teams; and (ii) the Plan would evolve throughout the year to take account of change in the Council's priorities and risk profile.
- The Head of Internal Audit advised that he was satisfied, at this stage, that 10 audit days, as identified in the draft Plan, was sufficient for the forthcoming audit of delivery of the Waste Strategy.

Resolved -

- (a) That the report be noted.
- (b) That the Corporate Director – Strategic Resources discuss, with the Assistant Director – Highways and Transportation, a Member's suggestion that the planned audit of the Highways Maintenance Contract might include the circulation of a questionnaire to all County Councillors seeking their views about current performance of the contract.
- (c) That Committee Members be advised of the outcome of the discussion to which part (b) of this resolution refers.

54. Certification of Claims and Returns 2012/13

Considered -

The report of Deloitte summarising work undertaken by Deloitte during 2012/13 concerning the certification of grant claims and returns.

Chris Powell (Deloitte) advised that Deloitte was required to report that one very minor disclosure adjustment, relating to the sum of £3.36, had been required in respect of the Teachers' Pension return and that there were no matters he wished to draw to the Committee's attention.

Resolved -

That the report be noted.

55. Internal Audit Work/Internal Control Matters for the Central Services Directorate

Considered -

- (a) The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 31 January 2014 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 providing an update of progress against the areas of improvement identified in the Central Services Directorate's Statement of Assurance and details of the latest Risk Register for that Directorate.

During debate, the following issues were highlighted:-

- 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 to implement previously agreed actions necessary to address identified control weaknesses. In addition, his overall opinion on the controls operated within the Central Services Directorate was that they provided Substantial Assurance.
- Within the Central Services Directorate Risk Register, the three areas of highest priority were the budget, 2020 North Yorkshire, and Information Governance.
- A Member commented that it would be helpful if the Directorate Risk Register at Appendix B to the report of the Corporate Director – Strategic Resources could be enlarged to A3 size in future.

Resolved -

- (a) That, having considered the report of the Head of Internal Audit, it be noted that this 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's Statement of Assurance be noted.
- (c) That the Register for the Central Services Directorate be noted.
- (d) That the Head of Internal Audit consider how his future reports can address the following comments which Members have made during this meeting:- (i) Members wish to see the wording of each Priority 2 action; and (ii) information about implementation dates should be clearer.

- (e) That the Chairman and the Corporate Director – Strategic Resources discuss how future reports concerning Directorates' Risk Registers can be worded to clarify that references to actions being "0%" complete are due to the dates for such actions being in the future.

Appendices 3 and 4 to the report "Counter Fraud and Associated Matters" were considered in private and the public have no right of access to those appendices. Some of the discussion on this item was held in private session. The following is a public summary of business conducted in private.

56. Counter Fraud and Associated Matters

Considered -

- (a) The report of the Head of Internal Audit providing an update on the number and type of investigations undertaken by Veritau since 1 April 2013, seeking consideration of proposed changes to the County Council's Whistleblowing Policy, and inviting the Committee to consider the Annual Fraud and Loss Risk Assessment for the County Council.
- (b) Appendix 5 to the report of the Head of Internal Audit (copies of which were circulated at the meeting) which comprised two charts from a recent Briefing Note from the Audit Commission concerning the scale and value of fraud within North Yorkshire County Council compared to the average for all County Councils.

During debate, the following issues were highlighted:-

- Fraud constituted a significant risk to the County Council. Within Councils, the major fraud related to services delivered by Unitary and District Councils. North Yorkshire County Council had a good record of identifying and addressing fraud.
- Amendments were proposed in respect of both the County Council's Whistleblowing Policy and the Whistleblowing Policy for Schools. The proposed amendments reflected changes introduced by the Enterprise and Regulatory Reform Act 2013. Such changes included the following:- (i) a 'qualifying disclosure' was now defined as any disclosure of information that, in the reasonable belief of the employee, was made in the public interest; and (ii) the requirement that a whistleblower should make a qualifying disclosure 'in good faith' was removed.
- Approval of the amendments now proposed for the Whistleblowing Policies provided an opportunity to publicise those Policies, with appropriate case studies, to endorse a whistleblowing culture within the County Council.

Resolved -

- (a) That the investigations carried out by Veritau in 2013/14 to date, and the outcome of the annual Fraud and Loss Risk Assessment, be noted.

- (b) That the changes to the County Council's Whistleblowing Policy, as set out at Appendix 1 to the report, be approved, subject to the following:-
- (i) Paragraph 4.4 be amended by replacing "key" with "all".
 - (ii) Subject to further checks by the Head of Internal Audit, the sentence recommended for insertion into paragraph 3.4 be amended to read as follows: "A whistleblower has the right to sue anyone who is involved in such conduct and the County Council could be held liable if it has not taken all reasonable steps to prevent such victimisation from occurring".
 - (iii) The following text be inserted at the end of the last paragraph in paragraph 3.4:- ", or the Chief Executive if the complaint relates to a Corporate Director, who will take appropriate action".
- (c) That the changes to the Whistleblowing Policy for schools, as set out at Appendix 2 to the report, be approved, subject to the following:-
- (i) Subject to further checks by the Head of Internal Audit, the sentence recommended for insertion into paragraph 3.4 be amended to read as follows: "A whistleblower has the right to sue anyone who is involved in such conduct and the County Council could be held liable if it has not taken all reasonable steps to prevent such victimisation from occurring".
 - (ii) The following text be inserted at the end of the last paragraph in paragraph 3.4:- ", or the Chief Executive if the complaint relates to a Corporate Director, who will take appropriate action".

57. Programme of Work

Considered -

The report of the Corporate Director – Strategic Resources inviting the Committee to review its Programme of Work for 2013/14.

Celia Craig (Deloitte) highlighted that the Work Programme reflected the 2013/14 planning report going to the 26 June 2014 meeting. However, officers and Deloitte had very recently agreed that this would instead go to the meeting on 17 July 2014 alongside the Statement of Final Accounts.

It was noted that the Corporate Partnerships Overview and Scrutiny Committee was looking at the implications of property disposals.

Resolved –

- (a) That the Programme of Work be approved, subject to the inclusion of the following:-
- 2020 North Yorkshire
 - Information Governance - risks arising
 - Health and Social Care integration and challenges
 - Any other issues to be suggested by Committee Members to the Corporate Director – Strategic Resources

- (b) That an informal Working Group be established to give detailed consideration to the Annual Governance Statement and submit recommendations to relevant forthcoming meetings of this Committee, and the County Councillor Andrew Backhouse and Mr David Portlock be appointed to serve on that Working Group.

The meeting concluded at 4.15 pm.

RAG/JR