

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 4 December 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, Jim Clark, Helen Grant, Bill Houlton and Mike Jordan.

External Members of the Committee:-

Mr David Marsh and Mr David Portlock.

In Attendance:-

County Councillor Carl Les (Executive Member for Central and Financial Services including assets, IT and procurement) and County Council Gareth Dadd (Executive Member for Business and Environmental Services including Highways and Planning Services).

Deloitte LLP Officers: Celia Craig

Veritau Ltd Officer: Max Thomas (Head of Internal Audit).

County Council Officers: David Bowe (Corporate Director – Business and Environmental Services), Gary Fielding (Corporate Director – Strategic Resources), Peter Yates (Assistant Director - Corporate Accountancy), Fiona Sowerby (Corporate Risk and Insurance Manager (Central Finance (CSD))), Simon Toplass (Head of Procurement and Contract Management (Central Services)), Trevor Clilverd (Assistant Director, Strategic Resources (CSD)) and Mary Davies (Senior Democratic Services Officer),

Copies of all documents considered are in the Minute Book

93. Minutes

Resolved –

That the Minutes of the meeting held on 25 September 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

94. Public Questions or Statements

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

95. Appointment of External Members of the Committee

Considered -

The report of the Chairman of the Committee seeking the Committee's approval to the recommendation of the Panel of Members which interviewed candidates for appointment as External Members of this Committee.

The Chairman asked David Marsh and David Portlock to introduce themselves to the Committee.

Resolved -

- (a) That David Marsh and David Portlock be appointed as non-voting External Members of Audit Committee, to serve for the remaining life of the County Council plus up to a further 12 months.
- (b) That no action be taken to recruit to the third seat of External Member on Audit Committee.

96. Progress on Issues Raised by the Committee

County Councillor Mike Jordan declared a declared a non-pecuniary interest as he was a Member of Selby District Council in regard to page 12 paragraph 3 (ii) of the report concerning the 'Better Together' programme with Selby District Council.

Considered -

The joint report of the Corporate Director – Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services) which advised of progress on issues which the Committee had raised at previous meetings, and provided an update on matters that had arisen since the last meeting that relate to the work of the Committee.

The Corporate Director – Strategic Resources confirmed in future reports concerning Directorates' Risk Register would be presented without the % box.

Resolved -

That the report be noted.

97. External Auditor's Annual Audit Letter on the 2013/14 Audit

Considered -

The External Auditor's Annual Audit Letter on the 2013/14 audit summarising the key matters arising from the work that Deloitte LLP carried out in respect of the year ended 31 March 2014.

Celia Craig (Deloitte LLP) introduced the Annual Audit Letter. She made one point of clarification on page 21 of the report; audit fees in regard to questions from members of the public had not been included in the original price, this amounted to £3K of additional work which had been approved by the Audit Commission. Celia Craig confirmed that the Auditor's Annual Audit letter appeared on the Audit Commission's Website.

During discussion Members noted references to the high standard of help received from finance staff which Members considered a compliment to staff.

Resolved -

That the Annual Audit Letter be noted.

98. Accounting Policies

Considered -

The report of the Corporate Director - Strategic Resources asking the Committee to review the changes to the County Council's Accounting Policies for the current financial year 2014/15 and noting potential changes in the pipeline that are likely to impact on future year's Accounting Policies and the Statement of Final Accounts.

The Assistant Director - Corporate Accountancy also advised on future changes to accounting for assets.

Questions were asked about the potential impact on revaluation of County Council assets but it was noted that book valuations of highways would not necessarily reflect increases in land values in the surrounding areas.

Resolved -

- (a) That the 2014/15 change in Accounting Policy required to comply with the 2014 'Code of Practice on Local Authority Accounting' as set out in paragraph 3.5 and Appendix A of the report be noted.
- (b) That the potential changes to the SOFA and Accounting Policies which are in the pipeline for future years (2015/16 onwards) as set out in paragraph 4 and Appendix B of the report be noted.

99. Contract Management

Considered -

The report of the Corporate Director - Strategic Resources informing Members of the arrangements relating to contract management within the County Council and the principles of good contract management, describing the developing strategic direction of the Corporate Procurement Group to improving contract management within the Council, providing Members with an analysis of the future challenges and risks the Council faces in terms of contract management and updating Members of recent activity and next steps.

In introducing the report the Corporate Director - Strategic Resources highlighted the huge challenges to the public sector particularly at the present time.

The Head of Procurement and Contract Management advised that the County Council relied on a small number of suppliers and advised that the Council had rigorous processes in place;

The Head of Procurement and Contract Management referred to paragraph 4.1 of the report; the themes from the renewed strategy that would underpin the Action Plan for contract management. Each element was linked to the strategy identifying

contract managers to ensure they were able to carry out their duties. Contract management if performed well would recoup costs and savings.

The Corporate Director - Strategic Resources advised on the importance on skilling up staff so that they were better equipped to deal with commercial organisations.

Various Committee members noted the potential for skills transfer and setting up a bank of individuals who had been in the contract management field and who could be commissioned, when needed, to bring in their expertise. The Corporate Director - Strategic Resources advised currently of a fixed 12 month post which would be reviewed annually where the post was to be self-funding. Members supported the concept and questioned whether further resources of this nature were required.

Referring to paragraph 6.1 of the report, a Member queried internal audit and the potential for conflict. The Head of Internal Audit advised of communication with other local authorities who recognised the pressures to be more commercial and to develop and train contract managers. Audit would focus on the need to invest and train and avoid conflicts of interest; they were aware of the challenges not to be involved in making decisions. The Corporate Director - Strategic Resources advised that the Corporate Procurement Strategy in March 2015 had a more strategic approach and that it was useful to have a different perspective from Internal Audit in the room. A Member considered it vital to ensure internal audit's independence as the Audit Committee relied on their independence and objectivity in reports.

Resolved -

- (a) That the report be noted.
- (b) That the comments provided by Members in order to feed into the emerging Corporate Procurement Strategy and particularly those areas relating to Contract Management be noted.

100. Audit Committee Terms of Reference

Considered -

The report of the Corporate Director - Strategic Resources reviewing the Audit Committee's Terms of Reference in line with the requirements to review the Terms of Reference on an annual basis.

The Corporate Director - Strategic Resources introduced the report highlighting the obligation to review annually. This was an opportunity to look at any further needs in order to improve the effectiveness of the Committee. He advised that the two new Members and a new County Councillor would each receive an induction and this opened an opportunity for training to any other Member of the Audit Committee.

The Chairman suggested that a half hour slot prior to the commencement of the Committee meeting was not sufficient. Following a debate it was agreed to hold a one hour meeting and then take a break before beginning the Committee meeting in future. The Corporate Director – Strategic Resources was to provide a draft programme of subjects.

Resolved -

- (a) That the existing Terms of Reference for the Audit Committee (ie no changes) are approved.

- (b) That the intention of providing more detailed training/development for the areas identified in paragraph 4.2 of the report be approved.
- (c) That the Corporate Director – Strategic Resources provides a draft programme of training and additional subject matters.

101. Internal Audit Work and Related Internal Controls for the Business and Environmental Services Directorate

(a) Report of the Head of Internal Audit

Considered -

The report of the Head of Internal Audit informing Members of the internal audit work performed during the year ended 30 November 2014 for the Business and Environmental Services Directorate and giving an opinion on the system of internal control in respect of this area.

The Chairman welcomed David Bowe (Corporate Director – Business and Environmental Services) and County Council Gareth Dadds (Executive Member for Business and Environmental Services including Highways and Planning Services) to the meeting.

The Head of Internal Audit was satisfied 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 framework of governance, risk management and control operating in the Business and Environmental Services directorate is that it provides substantial assurance.

During discussion, the following issues were highlighted:-

- Page 48 of the report concerning the existing contract with Jacobs which expired on 31 March 2016. The Corporate Director – Business and Environmental Services explained the role of Jacobs to ensure the delivery of the project.
- In answer to a question regarding Page 42, paragraph 3.2, bullet 3 of the report, the Head of Internal Audit gave his assurances that the internal audit team remained independent.

Resolved -

That the report be noted.

(b) Report of the Corporate Director - Business and Environmental Services

Considered -

The report of the Corporate Director - Business and Environmental Services updating Members of progress against the areas for improvement identified in the Business and Environmental Services Directorate's Statement of Assurance and providing details of the latest Risk Register for the BES Directorate.

The Assistant Director, Strategic Resources (CSD) provided details of a number of risks for the Directorate:-

- Long Term Waste Strategy
- 2020 North Yorkshire
- Local Enterprise partnership
- Capital programme

The Chairman provided opportunity for Members to comment on areas covered in the report.

During discussion, the following issues were highlighted:-

- Long Term Waste and the 'Teckal' requirements, the Corporate Director - Business and Environmental Services advised there was still further consideration of the issues to be taken including the management structure.
- Appendix A predicted shortfall and savings, the Assistant Director, Strategic Resources (CSD) referred to two items of savings for grass cutting and passenger transport.
- Appendix A (B) what was the bottom line on the minimum number of staff capacity against service delivery requirements. The Corporate Director - Business and Environmental Services advised of the restructure being undertaken and the statutory duty to deliver services.
- Assurances in regard to the Waste Management Strategy, the Corporate Director - Business and Environmental Services advised of the tight controls in place and the continual monitoring.
- Appendix C in regard to Interaction with a number of LEPs. The Corporate Director - Business and Environmental Services acknowledged this was a difficult area which changed day to day. He considered it was fair to put at this level. A Member noted his concern directing funds through the LEP, the Corporate Director - Business and Environmental Services acknowledged the implications of two overlapping LEP's.

Resolved -

- (a) That the position on the Business and Environmental Services Directorate's Statement of Assurance be noted.
- (b) That the Directorate's Risk Register be noted.
- (c) That the feedback and comments made on the Statement of Assurance and the Directorate's Risk Register and any other related internal control issues be noted.

102. Progress on the 2014/15 Internal Audit Plan

Considered -

The report of the Head of Internal Audit updating Members of the progress made to date in delivering the 2014/15 Internal Audit Plan and any developments likely to impact on the Plan throughout the remainder of the financial year.

The Head of Internal Audit provided details of how work on the 2014/15 Audit Plan was progressing. He highlighted paragraph 3.6 of the report detailing proposed variations to the agreed Audit Plan and Appendix 4 of the report which considered minor changes to be necessary to the Audit Charter; auditors would not be assigned to review areas where they have had any direct operational or managerial involvement within the last year.

During discussion, the following issues were highlighted:-

- Any additional cost in regard to paragraph 3.6 of the report. The Head of Internal Audit advised there would be a small additional cost.
- In regard to paragraph 3.3 of the report, the Head of Internal Audit advised he could see no common theme of fraud across the County Council. The volume of FOI was increasing and becoming more complex taking more time for managers to complete.
- In regard to Appendix 3 of the report and how it was assessed, the Head of Internal Audit advised that internal audit had seen improvements in security checks and the trend of gradual improvement.

Resolved -

- (a) That the progress made in delivering the 2014/15 Internal Audit programme of work and the variations agreed by the client officer be noted.
- (b) That the proposed changes to the Audit Charter are approved.
- (c) That the planned change to audit opinion be noted.

103. Risk Management - Progress Report

Considered -

The report of the Corporate Director - Strategic Resources asking the Committee to consider an updated Risk Management Policy, receive details of the updated Corporate Risk Register and receive details of the recent outcome of the Casualty (Liability) Insurance and Claims Handling Tender.

The Corporate Risk and Insurance Manager (Central Finance (CSD)) introduced the report highlighting three areas of the report:

- Risk Management Policy and Strategy update
- Tender for Casualty (Liability) Insurances update
- Corporate Risk Register

The Corporate Risk and Insurance Manager (Central Finance (CSD)) drew the Committee's attention to Appendix A to the report which showed the track changes to the Corporate Risk Management Policy.

During discussion, the following issues were highlighted:-

- When the Risk Management Policy had last been updated, The Corporate Risk and Insurance Manager (Central Finance (CSD)) advised of the County Council decision in May 2014 to update "at least" every three years.
- That Casualty Liability had gone out to tender due to the previous Insurers being unable to continue.
- The Corporate Risk and Insurance Manager (Central Finance (CSD)) was asked to explain paragraph 5.2 of the report; she advised the Risk Register was updated annually by Management Board.

Resolved -

- (a) That the updated Corporate Risk Management Policy as set out in Appendix A of the report to the Chief Executive and Leader be approved.
- (b) That the updated Corporate Risk Register as set out in Appendix B of the report be noted.
- (c) That the recent outcome of the Casualty (Liability) Insurance and Claims Handling Tenders be noted.

104. Programme of Work

Considered –

The report of the Corporate Director - Strategic Resources which invited the Committee to review its programme of work for 2014/15.

The Corporate Director – Strategic Resources proposed various issues for possible inclusion within the Programme of Work. These proposals were supported by Members.

Resolved -

That the Programme of Work be amended to include the following as either formal or informal sessions:-

- Procurement
- Corporate Strategy
- That the informal discussion with the External Auditor be moved to the April meeting
- Information Governance

The meeting concluded at 3:28 pm.

MD/JR