

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 5 March 2015 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, Janet Sanderson (substitute for Jim Clark), Helen Grant, 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).

Deloitte LLP Officers: Celia Craig

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

County Council Officers: Gary Fielding (Corporate Director – Strategic Resources), Paul Cresswell (Assistant Director, Strategic Resources). Simon Toplass (Head of Procurement and Contract Management (Central Services)), and Mary Davies (Senior Democratic Services Officer),

Copies of all documents considered are in the Minute Book

105. Minutes

Resolved –

That the Minutes of the meeting held on 4 December 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

106. 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.

107. Public Questions or Statements

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

108. Progress on Issues Raised by the Committee

Note: Prior to consideration of this item of business, County Councillor Mike Jordan declared a non-pecuniary interest as he was a Selby District Councillor. He requested that this be recorded in the Minutes of the meeting.

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.

In introducing the report, the Corporate Director – Strategic Resources explained that the Policy framework was in the process of being rationalised; Appendix 1 of the report showed how this was working which he welcomed. The Corporate Director – Strategic Resources advised that the Risk Register would be updated in line with the Audit timetable and that Treasury Management for Selby District Council had now been included in the County Council's investment pool. He explained paragraph (v) on page 10 of the report.

In answer to a question in regard to the timescale for information governance, the Head of Internal Audit advised that the draft Policy was out for consultation and would be brought to the Officer Group for discussion and then back to the Committee for their consideration.

Following a discussion on the use of emails, the Corporate Director – Strategic Resources said that he had written to all Members of the County Council and cautioned the use of confidential information within an email. Officers would communicate with Members on the secure network.

The Chairman noted Appendix 1 to the report which had already been out to consultation. The updated report would come back to the Committee for its consideration.

Resolved -

That the report be noted.

109. Progress on 2014/15 Internal Audit Plan

Considered -

The report of the Head of Internal Audit informing 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.

During debate, the following issues were highlighted:

- As at 31 January 2015, 51.46% of the agreed Internal Audit Plan for 2014/15 had been completed; it was anticipated that the 93% target for the year would be exceeded by the end of April 2015.
- As part of the County Council's Information Governance Framework, Veritau were undertaking a programme of unannounced audit visits to assess staff awareness to secure personal and sensitive information.
- Variations had been made to the 2014/15 Audit Plan were set out in paragraphs 3.6 and 3.7 of the report.
- Welcomed 100% figures in Appendix 1.

Resolved -

That the progress made in delivering the 2014/15 Internal Audit programme of work and the variations agreed by the client officer be noted.

110. Draft Internal Audit Plan for 2015/16

Considered -

The report of the Head of Internal Audit seeking Members' views on the priorities for internal audit in 2015/16, to inform the preparation of the annual audit plan.

The Head of Internal Audit advised the Plan should be viewed as a relatively flexible document following consultation with the Corporate Directors and directorate management teams. Members' views were sought to identify any areas of risks which they considered warranted inclusion in the report. A final version report would come back to a future meeting.

During debate, the following issues were highlighted:

- In answer to a question in regard to whether the new External Auditors were aware of the Plan; the Corporate Director – Strategic Resources replied that they were not.

Resolved -

That the comments made by Members on the outline Internal Audit Plan for 2015/16 and the specific areas identified be noted.

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

(a) Report of the Head of Internal Audit

Considered -

The report of the Head of Internal Audit updating Members of the internal audit work performed during the year ended 31 January 2015 for the Central Services Directorate and asking Members to give an opinion on the systems of internal control in respect of this area.

During debate, the Head of Internal Audit commented that he was satisfied with the progress that has 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.

Resolved -

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) Report of the Corporate Director - Strategic Resources

Considered -

The report of the Corporate Director - Strategic Resources updating Members of progress against the areas for improvement identified in the Central Services (CS) Directorate's Statement of Assurance and providing details of the latest Risk Register for the CS Directorate.

During debate, the following issues were highlighted:

- Within the Central Services Directorate Risk Register, the three areas of highest priority on the risk register were Customer blueprint, SmartSolutions and, Health and Safety.
- The Corporate Director - Strategic Resources considered one of the biggest challenges to the authority would be dealing with the financial position when there was greater clarity following the general election and the next budget review.
- The Corporate Director - Strategic Resources advised that the 2020 programme was making good progress with governance in place and business case being worked through.
- The Corporate Director - Strategic Resources highlighted the property section on page 48 of the report. He considered this was an area which needed further improvement and he was in discussions with the Cabinet and Management Board.
- The Corporate Director - Strategic Resources highlighted the Better Together section on page 53 of the report and said that good progress was being made sharing services.

Resolved -

- (a) That the Central Services Directorate statement of Assurance be noted.
- (b) That the Register for the Central Services Directorate be noted.

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.

112. Counter Fraud and Associated Matters

Considered -

The report of the Head of Internal Audit updating Members on the number and type of investigations undertaken by Veritau Limited during 2014/15 to date, asking Members to consider proposed changes to the County Council's Fraud Strategy and a new fraud Prosecution and Loss Recovery Policy prior to approval and asking Members to consider the Annual Fraud and Loss Risk Assessment for the County Council.

Appendices 3 and 4 of the report were considered in private.

During debate, Members asked, and responses were provided to, questions concerning the following:-

- Improper school admissions;
- the absence of Scarborough Borough Council and Craven District Council from the bid for additional government funding to combat fraud; and
- misuse of emails;

Resolved -

- (a) That the investigations carried out by Veritau in 2014/15 to date and the outcome of the annual Fraud and Loss Risk Assessment be noted.
- (b) That the proposed changes to the County Council's Counter Fraud Strategy be noted.
- (c) That the new Fraud Prosecution and Loss Recovery Policy be approved.

113. Treasury Management

Considered -

The report of the Corporate Director - Strategic Resources reviewing the County Council's Treasury Management Policy Statement and Annual Treasury Management and Investment Strategy for 2015/16.

During debate, Members asked, and responses were provided to, questions concerning the following:-

- Implications of potentially not complying with the Prudential Indicator relating to "gross debt and the capital financing requirement";
- the implications of selling land for a profit; and
- the transfer of funds from schools to academies.

Resolved -

That the review of the 2015/16 Treasury Management documentation be noted.

114. Corporate Procurement Strategy

Considered -

The report of the Corporate Director - Strategic Resources updating Members on the revised Corporate Procurement Strategy, including the Strategy Action Plan and how it will be implemented.

During debate, Members asked, and responses were provided to, questions concerning the following:-

- the timelines for completion and target dates given (Appendix 2 on page 172 of the report); and
- Consideration of creating procurement champions within the Council.

The Chairman asked the Committee to note that there will be reviews in future which would be brought back to the Committee. He also suggested that it may be useful for the Committee to work alongside the Corporate and Partnerships Overview and Scrutiny Committee and that procurement could be an item for a future Members Seminar.

Resolved -

That the comments made by Members and the Corporate Procurement Strategy be noted.

115. Programme of Work

Considered -

The report of the Corporate Director - Strategic Resources which invited the Committee to review its programme of work for 2015/16.

The Corporate Director, Strategic Resources gave his apologies that the report did not contain the most up to date information and that he would send out the programme of work to all Members following the meeting.

Resolved -

That the Corporate Director - Strategic Resources send out the up to date programme of work to the Committee members.

The meeting concluded at 3.30 p.m.

MD/JR