

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 25 June 2015 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillors Margaret Atkinson, Robert Baker, Eric Broadbent, Jim Clark, John Fort BEM and Mike Jordan.

External Members of the Committee:-

Mr David Marsh and Mr David Portlock.

In Attendance:-

Deloitte LLP Officer: Celia Craig.

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

County Council Officers: Pete Dwyer (Corporate Director - Children and Young People's Service), Gary Fielding (Corporate Director – Strategic Resources), Anton Hodge (Assistant Director - Strategic Resources), Neil Irving (Assistant Director (Policy and Partnerships)), Ruth Gladstone (Principal Democratic Services Officer) and Fiona Sowerby (Corporate Risk and Insurance Manager).

Apologies for Absence:

Apologies for absence were received from County Councillor Bill Hault (Committee Member) and County Councillors Carl Les, Arthur Barker and Janet Sanderson (Executive Members).

Copies of all documents considered are in the Minute Book

116. Election of Chairman

Resolved –

That County Councillor Mike Jordan be elected Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2016.

County Councillor Mike Jordan in the Chair

County Councillor Mike Jordan, in taking the chair, thanked Members for electing him. He welcomed County Councillors Robert Baker and John Fort BEM to their first meeting as new Members of the Committee.

117. Minutes

Resolved –

That the Minutes of the meeting held on 5 March 2015, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

118. 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 2016.

119. Declarations of Interest

The Chairman invited Members to make any declarations of interest either at this stage of the meeting or during consideration of the relevant item of business.

Mr David Portlock advised that he was the Chair of two primary school governing bodies.

County Councillor Jim Clark advised that he was a Board Member of the Red Kite Multi-Agency Academy Trust.

120. Public Questions or Statements

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

121. Business Continuity - Update

Considered -

The report of the Corporate Director - Strategic Resources which provided an overview of the current Business Continuity arrangements for North Yorkshire County Council, together with a continued assurance concerning the management of risk within Directorates and service areas.

A comprehensive review of Business Continuity took place in 2014 to address issues raised in an earlier internal audit and ensure a consistent and corporate approach to business continuity planning across the County Council. Existing Business Continuity plans were being migrated into a consistent corporate document format consisting of a Business Impact Analysis, which looked at critical business functions and quantified the impact a loss of those functions might have, and an Incident Management Plan, to help a service area to plan a process to respond to a range of possible impacts on their critical services. All service area Business Impact Analyses and Incident Management Plans were due to be completed, validated and posted on a corporate share-point site by June 2015. An updated Corporate Business Continuity Plan was due to be released and communicated in July 2015. Training was scheduled for September 2015 and a management table-top exercise was planned for October/November 2015 at County Hall to test service area resilience and business continuity arrangements.

Veritau's audit of May 2015 concerning business continuity planning was due to be reported to this Committee's meeting in September 2015.

An assurance was provided that the County Council managed its finances appropriately from within central contingencies to respond to unforeseen circumstances.

Resolved -

That the continued progress made with Business Continuity planning and resilience within North Yorkshire County Council, and the updated Corporate Business Continuity Plan, be noted.

122. 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) 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 which related to the work of the Committee.

Resolved -

That the report be noted.

123. Annual Report of the Head of Internal Audit

Considered -

The annual report of the Head of Internal Audit which advised of:-

- Internal audit work performed during the year ended 31 March 2015 and the opinion of the Head of Internal Audit in respect of the overall governance, risk management and control environment in place within the County Council.
- Breaches of Finance, Contract and Property Procedure Rules identified during 2014/15 audit work.
- Internal Audit performance outturn for 2014/15 and Veritau's 2015/16 performance targets.
- The conclusions arising from the Quality Assurance and Improvement Programme.

The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the County Council was that it provided "Substantial Assurance". In providing that opinion, the Head of Internal Audit had highlighted three significant control issues which were considered relevant to preparation of the 2014/15 Annual Governance Statement. Those three issues were:- Information Security; the Highways Maintenance Contract; and two new operational systems in the Health and Adult Services Directorate.

The Head of Internal Audit considered that the breaches of Finance, Contract and Property Procedure Rules, as summarised in the report, overall were not greatly significant. Information had been shared with management and action taken where appropriate.

Members supported the view that the Highways Maintenance Contract was very important. They noted that the Corporate Director – Business and Environmental Services would be attending the Committee’s meeting in December 2015, which would provide opportunity for further discussion.

Members congratulated the Head of Internal Audit on the performance of Veritau during 2014/15 as set out in Appendix 2 to the report.

Resolved -

- (a) That the overall “Substantial Assurance” opinion of the Head of Internal Audit regarding the overall governance, risk management and control environment within the County Council be noted.
- (b) That the outcome of the quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards be noted.
- (c) That the breaches of Contract and Finance Procedure Rules, and the actions taken to address these matters, be noted.
- (d) That Veritau’s performance outturn for 2014/15, and the performance targets for 2015/16, be noted.

124. Internal Audit Plan for 2015/16

Considered -

The report of the Head of Internal Audit which sought approval for the planned programme of internal audit work to be undertaken in 2015/16.

The draft Plan had been considered at the Committee’s previous meeting. The version submitted to today’s meeting was the final version which took account of comments which had been received. There were no significant changes in this version compared to the draft. However, this final Plan included a split of days across different audits. The Plan needed to remain flexible to take account of changes in the County Council’s priorities and risk profile. Any changes would be reported to the Committee through regular progress reports.

The Head of Internal Audit provided an assurance that the changes which had been made to the number of audit days were appropriate to the complexity of those audits.

Resolved -

That the Internal Audit Plan for 2015/16, as appended to the report, be approved.

125. Corporate Governance

Considered -

- (a) The report of the Corporate Director - Strategic Resources concerning consideration of the Annual Governance Statement for 2014/15 and an updated version of the Local Code of Corporate Governance.
- (b) The Local Code of Corporate Governance dated May 2015, copies of which were circulated at the meeting.

- (c) An updated version of the Statement of Assurance 2014/15 by the Corporate Director – Health and Adult Services, copies of which were circulated at the meeting.
- (d) The Corporate Governance Checklist Summary, copies of which were circulated at the meeting.

Members were advised that today's meeting provided opportunity for the Committee to review the draft Annual Governance Statement and, at the 16 July 2015 meeting, the Committee would consider the draft Statement of Final Accounts including refinements to the Annual Governance Statement. The aim of these arrangements was to ensure all Members of the Committee would become comfortable with formally approving the Statement of Final Accounts including the Annual Governance Statement at the Committee's meeting on 24 September 2015, thereby ensuring compliance with the County Council's statutory obligations. Recognising the number of possible changes, it was proposed that a sub-group should be created to provide a dedicated resource to review the Annual Governance Statement and provide periodic updates culminating in a feedback report to the Audit Committee on 24 September 2015. Nominations were invited for appointment to the sub-group. The Chairman, Vice-Chairman and Mr David Portlock were proposed for appointment.

The Corporate Director – Strategic Resources invited the Committee to defer, to the July 2015 meeting, consideration of the Local Code of Corporate Governance which had been circulated at today's meeting. Members, having looked through the document, commented that the proposed amendments, which were shown as tracked changes, were very minor and they were happy to make a decision on the document at today's meeting.

In relation to the draft Statements of Assurance, a Member expressed a general sense of disappointment concerning jargon, gaps, missing dates, and that some actions were not SMART. Another Member advised that he was relatively satisfied with the draft Statements.

A Member highlighted that many County Council services were delivered in conjunction with other organisations, eg health organisations, and that some schools were no longer under the County Council's control. The Member also highlighted that, whilst the County Council was reasonably well governed as a unit, governance of the overall arrangements was a separate issue. He asked how the County Council might address that issue. The Corporate Director – Strategic Resources advised that he had already been asked, by Management Board, to consider that issue.

Resolved -

- (a) That the updated Local Code of Corporate Governance, as circulated at this meeting, be recommended for collective approval by the Chief Executive, the Leader of the Council, the Executive Member for Central Services, the Corporate Director - Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services).
- (b) That the Annual Governance Statement 2014/15 appended to the report, together with the intention of formally approving a later version at the meeting on 24 September 2015, be noted.
- (c) That the Committee's Chairman and Vice-Chairman and Mr David Portlock be appointed to serve on the Governance Sub-Group so that a feedback report can be made to Committee on 24 September 2015.
- (d) That the Statements of Assurance be noted.

126. Risk Management - Progress

Considered -

- (a) The report of the Corporate Director - Strategic Resources which set out details concerning the updated Corporate Risk Register, the links between the Corporate Risk Register and the Directorate Risk Registers, and progress on other Risk Management related matters.
- (b) A replacement Appendix B (page 143), copies of which were circulated at the meeting, which showed the links between Directorate risks and the Corporate Risk Register 2015.

A six monthly update of the Corporate Risk Register was carried out in April 2015 when significant amendments made were:- changing the title of a risk from "Preparedness for Implementation of the Care Act" to "Implementation of the Care Act"; changing the ranking of the Long Term Waste Service Strategy from 2-3 to 3-3 to reflect that this project had moved into the construction stage; and the completion of many actions. Various risk prioritisation exercises were being carried out to develop risk registers for specific areas of activity in the County Council, including registers for the Bedale, Aiskew and Leeming Bar Bypass, and for Basic Need (additional school places). The Risk Management Strategy had been reviewed and a "health check" Risk Management audit had been carried out and an opinion of "Substantial Assurance" was given.

Members advised that they felt that Risk Management was well embedded within the County Council, although there was no room for complacency.

Resolved -

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, be noted.
- (b) That the links between the Corporate Risk Register and the Directorate Risk Registers, as shown on the replacement Appendix B, be noted.
- (c) That the position concerning other Risk Management related matters be noted.

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

Considered -

- (a) The report of the Head of Internal Audit which:- advised of the internal audit work performed during the year ended 31 May 2015 for the Children and Young People's Services Directorate; reported that 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; and advised that, in the opinion of the Head of Internal Audit, the framework of governance, risk management and control operating in the Children and Young People's Services Directorate provided "Substantial Assurance".
- (b) The report of the Corporate Director - Children and Young People's Services concerning the Directorate's Statement of Assurance and providing details of the Directorate's new Risk Register.

Note: During discussion, County Councillor Robert Baker advised that he was married to a teacher.

During discussion, the Corporate Director - Children and Young People's Service advised that additional resources were being allocated within the Directorate to improve Governor training and recruitment of Governors. He also advised that there were good systems and processes in place for the Directorate to deliver services in partnership with other agencies through the Children's Trust and Local Safeguarding Board arrangements.. The North Yorkshire Safeguarding Board publishes an annual report and make an assessment of compliance issues, safe recruitment, policies and procedures etc on a partnership basis. The number of Academy Schools in North Yorkshire was anticipated to be around 30 by 31 December 2015 and that number was comparatively small in relation to the total number of schools in the County and other LAs. There was strong engagement with Academy Headteachers in North Yorkshire and a protocol is in place which fully describes roles of academies and the LA.

Resolved -

- (a) That the report, together with the Children and Young People's Service Directorate's Statement of Assurance and Risk Register, be noted.
- (b) That it be noted that this Committee is satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.

128. Programme of Work

Considered -

The Committee's Programme of Work for 2015/16.

Celia Craig (Deloitte) confirmed that the External Auditor had no business for consideration at today's meeting of the Committee, contrary to the indication given in the Programme of Work.

The Corporate Director – Strategic Resources clarified that the governance of outside bodies was an issue within Management Board's Statement of Assurance which would be submitted to the Committee's September 2015 meeting. Governance of outside bodies was not therefore intended to be a separate item of business.

The quantity of business scheduled for the Committee's July 2015 meeting was discussed. The Corporate Director – Strategic Resources advised that the Review of Finance, Contract and Property Procedure Rules could be delayed to the September 2015 meeting. Members expressed support for that suggestion.

Resolved -

That the Programme of Work be approved, subject to the Review of Finance, Contract and Property Procedure Rules being re-scheduled for the September 2015 meeting.

The meeting concluded at 3.35 pm.

RAG/JR