

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 3 December 2015 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillor Mike Jordan (in the Chair); County Councillors Margaret Atkinson, Eric Broadbent, Jim Clark, John Fort BEM, Helen Grant and Bill Houlton.

External Members of the Committee:-

Mr David Marsh and Mr David Portlock.

In Attendance:-

County Councillor Carl Les (Leader of the Council).

County Councillor Don Mackenzie (Executive Member for Highways, Road Safety, Access to the Countryside (including Broadband mobile phone coverage) and Public Transport).

KPMG Officers: Rashpal Khangura and Keith Illingworth.

Veritau Ltd Officers: Max Thomas (Head of Internal Audit) and Richard Smith (Deputy Head of Internal Audit).

County Council Officers: David Bowe (Corporate Director – Business and Environmental Services), Kevin Draisey (Head of Procurement and Contract Management), Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Principal Democratic Services Officer), Michael Leah (Assistant Director Strategic Resources, Business and Environmental Services Directorate) and Fiona Sowerby (Corporate Risk and Insurance Manager).

Copies of all documents considered are in the Minute Book

151. Minutes

Resolved –

That the Minutes of the meeting held on 24 September 2015, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

152. Public Questions or Statements

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

153. 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 an update concerning Treasury Management.

Resolved -

That the report be noted.

154. Contract Management

Considered -

The report of the Corporate Director - Strategic Resources advising of:- the arrangements relating to contract management within the County Council and the principles of good contract management; the developing strategic direction of the Corporate Procurement Group to improving contract management within the Council; an analysis of the future challenges and risks the Council faced in terms of contract management; and recent activity and the next steps.

Members expressed support for up-skilling contract managers, sharing contract management practices and experience across directorates, challenging contracts which were not delivering, and spending sufficient time on re-negotiation.

Members highlighted that collaborative procurements were a good way to achieve savings, but required flexibility from the organisations involved.

Members highlighted that sourcing from local suppliers increased the amount received in business rates and consequently provided a more stable Council Tax base for the County Council. The officers confirmed that procurement procedures could be used to take advantage of local suppliers, although managers had to think this through before going out to tender.

Members highlighted that it was important, once the new contract management arrangements were in place, to recognise and publicise success which would further improve contract management behaviour within the County Council.

Resolved -

(a) That the report be noted.

(b) That Members' comments, as recorded in the preamble to this Minute, be taken into consideration.

155. Review of Contract Procedure Rules

Considered -

The report of the Corporate Director - Strategic Resources inviting the Committee to comment on suggested changes, which were to be submitted to the Executive, to the Contract Procedure Rules.

In response to questions, the officers clarified that "a qualified supplier", as mentioned in the report, related to a bidder who operated in that market. It did not refer to a formal qualification.

In response to questions, the officers confirmed the following:- that the County Council already operated an alert system to advise of tenders it would be putting out

in future; contracts were already split into smaller contracts because this was required by Regulations but not for the purpose of avoiding going out to tender; and that training was already provided in how to put together a Contractor Framework Agreement.

The representatives of KPMG confirmed that they would be looking at the County Council's Contract Management arrangements as part of their work.

Resolved -

That the report be noted.

156. Internal Audit Work and Related Internal Control Matters for the Business and Environmental Services Directorate

Considered -

- (a) The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 30 November 2015 for the Business and Environmental Services Directorate and giving an opinion on the systems of internal control in respect of that area. It was reported that the overall opinion of the Head of Internal Audit on the controls operated within the Business and Environmental Services Directorate was that they provided Substantial Assurance.
- (b) The report of the Corporate Director – Business and Environmental Services providing an update on progress against the areas for improvement identified in the Business and Environmental Services Directorate's Statement of Assurance, together with details of the Directorate's latest Risk Register.

Members questioned County Councillor Don Mackenzie, David Bowe, Max Thomas and Michael Leah concerning the issues in the reports.

Resolved –

- (a) That it be noted that this Committee, having considered the report of the Head of Internal Audit, is satisfied that the internal control environment operating in the Business and Environmental Services Directorate is both adequate and effective.
- (b) That the position on the Business and Environmental Services Directorate's Statement of Assurance, together with the Directorate's Risk Register, be noted.

157. Audit Terms of Reference

Considered -

The report of the Corporate Director - Strategic Resources asking the Committee to consider possible changes to its terms of reference and Committee Members' future training needs.

It was reported that the Corporate Director – Strategic Resources felt that there were no areas that currently merited change in the Committee's terms of reference. However, it was recognised that changes might be required in the future as a result of the introduction of the local appointment of external auditors from 2018/19 onwards.

Representatives from KPMG advised that they considered that regular review of the Committee's terms of reference was positive.

The Corporate Director – Strategic Resources advised that he would circulate a KPMG briefing paper to Committee Members.

Resolved -

- (a) That no change be made to the Committee's terms of reference.
- (b) That it be noted that the Chairman will invite suggestions concerning future training or briefing sessions during consideration of the Work Programme at the end of this meeting.
- (c) That it be noted that the Corporate Director – Strategic Resources shall circulate a KPMG briefing paper to Committee Members.

158. Progress on 2015/16 Internal Audit Plan

Considered -

The report of the Head of Internal Audit advising of the progress made to date in delivering the 2015/16 Internal Audit Plan and developments likely to impact on the Plan throughout the remainder of the financial year.

It was reported that Internal Audit was on track to achieve or exceed its targets by the cut-off date for the 2015/16 audits.

It was reported that the number of requests under the Freedom of Information Act had now plateaued, although the requests received now were often more complex than those received in previous years.

Members commented that they were disappointed with Information Security Compliance standards in the South Block of County Hall and at Manor Road in Knaresborough, as reported in Appendix 2 to the report. The Head of Internal Audit advised that those situations had been addressed immediately by relevant managers and discussed at a CIGG meeting. Members asked to be kept informed of progress via the report "Progress on Issues Raised by the Committee" to this Committee's next meeting.

Resolved -

- (a) That the progress made in delivering the 2015/16 Internal Audit programme of work, and the variations agreed by the client officer, be noted.
- (b) That an update on Information Security Compliance standards in the South Block of County Hall and at Manor Road in Knaresborough be included in the report "Progress on Issues Raised by the Committee" to this Committee's next meeting.

159. Risk Management - Progress Report

Considered -

The report of the Corporate Director - Strategic Resources advising of the updated Corporate Risk Register and progress on other Risk Management related matters including insurance arrangements.

It was noted that the Corporate Risk Register currently had more risks on it than ever before and many were very complex and/or had significant financial implications.

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 set out at Appendix B to the report, be noted.
- (c) That the position on other Risk Management related matters be noted.

160. 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.

Resolved -

That, subject to the changes set out below, the Programme of Work be approved and recirculated to Committee Members:-

- (a) A briefing on counter fraud arrangements be included for the March 2016 meeting.
- (b) A Seminar be held, to commence at midday on the day of the Committee's meeting in March 2016, to provide a briefing on Procurement and VFM.
- (c) The Annual External Audit Plan be rescheduled from July to March 2016 and the reference to "2013/14" be deleted.
- (d) The Programme be amended to reflect that the date of the Committee's meeting in September 2016 is on the 29th.

The meeting concluded at 3.30pm.

RAG/JR