

# North Yorkshire County Council

## Audit Committee

Minutes of the meeting held on Thursday 23 June 2016 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, Helen Grant and Mike Jordan.

### **External Members of the Committee:-**

Mr David Marsh and Mr David Portlock.

### **In Attendance:-**

County Councillor Carl Les (Leader of the Council).

County Councillor Janet Sanderson (Executive Member for Children and Young People's Services with responsibility for foster and adoption, children's social care and prevention).

KPMG Officer: Alastair Newall.

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

County Council Officers: Kevin Draisey (Head of Procurement and Contract Management), Pete Dwyer (Corporate Director of Children and Young People's Services), Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Principal Democratic Services Officer), Anton Hodge (Assistant Director - Strategic Resources, Children and Young People's Services), Karen Iveson (Assistant Director - Strategic Resources), Tom Knox (Emergency Planning Manager) and Fiona Sowerby (Corporate Risk and Insurance Manager).

### **Apologies for Absence:**

Apologies for absence were received from County Councillors John Blackie and John Fort BEM.

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**Copies of all documents considered are in the Minute Book**

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### **174. Election of Chairman**

#### **Resolved -**

That County Councillor Mike Jordan be elected as Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2017.

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**County Councillor Mike Jordan in the Chair**

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**175. Minutes**

**Resolved –**

That the Minutes of the meeting held on 3 March 2016, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**176. Election of Vice-Chairman**

**Resolved -**

That County Councillor Margaret Atkinson be elected as Vice-Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2017.

**177. Any Declarations of Interest**

No declarations of interest were made at this stage of the meeting.

**178. Public Questions or Statements**

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

**179. 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.

The Corporate Director – Strategic Resources reported orally that discussions concerning the timing of the next governance review of the Health and Wellbeing Board and Integrated Commissioning Board was “work in progress” and the situation was very fluid and represented some very significant challenges, many of which County Councillor Jim Clark was aware of in the capacity of Chairman of the Scrutiny of Health Committee. The Corporate Director – Strategic Resources explained that there were now three sustainability transformation plan footprints affecting North Yorkshire and, as such, footprint planning was taking place with West Yorkshire, with South Tees, and with the Humber, Coast and Vale of York. It was proving to be very difficult for North Yorkshire to interact because all three were doing things very differently. Simultaneously the County Council maintained an obligation to produce integration plans with health partners by June 2017. Alongside that, there was a single Health and Wellbeing Board for North Yorkshire; the County Council had a Better Care Fund which it shared with the five CCGs on a North Yorkshire footprint; and the County Council also had a number of internal plans, such as Vanguard in Harrogate, working jointly with health partners. Consequently the situation was complicated and was all based on good working with little definitive guidance being available concerning responsibilities. The Corporate Director – Strategic Resources suggested that any fundamental health governance/decision-making review undertaken now would quickly become out-of-date. Members concurred that, in the circumstances, the timing of the next governance review of the Health and Wellbeing Board and Integrated Commissioning Board should remain as an item in the “Progress on Issues Raised by the Committee” report to the Committee’s future meetings.

With regard to the Committee's previous request for a briefing on Procurement and VfM, the Corporate Director – Strategic Resources suggested that this should be regarded as completed following today's meeting because Procurement and VfM were the subject of a report on today's Agenda. Members expressed support for that suggestion.

A Member commented that it seemed like a long time since he had last received a copy of the quarterly Treasury Management report to the Executive. The Corporate Director – Strategic Resources undertook to supply copies of the most recent report.

In response to Members' questions, the Corporate Director – Strategic Resources advised of the following:-

- 293 employees appeared to have not completed the Information Governance mandatory online learning course by the 31 March 2016 deadline. However, of those 293 employees, some had been on sickness or maternity leave. Those who should have, but had not, completed the course by 31 March 2016 would not receive a pay increment or their managers would not receive a pay increment. Further detail would be reported to a future meeting.
- Advice had been provided to County Councillors to assist them in submitting online expense claims using MyView. Such advice had been provided at a Members' Seminar and by sending out guidance.

**Resolved -**

- (a) That the report be noted.
- (b) That the timing of the next governance review of the Health and Wellbeing Board and Integrated Commissioning Board remain as an item in the "Progress on Issues Raised by the Committee" report to the Committee's future meetings.
- (c) That the Committee's previous request for a briefing on Procurement and VfM be regarded as being now completed.
- (d) That the Corporate Director – Strategic Resources supply Committee Members with a copy of the most recent quarterly Treasury Management to the Executive.
- (e) That the precise number of employees who should have, but had not, completed the Information Governance mandatory online learning course by the 31 March 2016 deadline be reported to a future meeting, together with information concerning the action which had been taken as a consequence of non-completion.

**180. Annual Report of the Head of Internal Audit 2015/16**

Considered -

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

- Internal audit work performed during the year ended 31 March 2016 and the opinion of the Head of Internal Audit in respect of the overall framework of governance, risk management and control in place within the County Council.
- Breaches of Finance, Contract and Property Procedure Rules identified during 2015/16 audit work.

- Internal Audit performance outturn for 2015/16 and Veritau's 2016/17 performance targets.
- The conclusions arising from the Quality Assurance and Improvement Programme.
- Changes to the County Council's Audit Charter.

Max Thomas (Head of Internal Audit) introduced the report and responded to Members' questions.

**Resolved -**

- (a) That the overall "Substantial Assurance" opinion of the Head of Internal Audit regarding the overall framework of governance, risk management and control operating 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 2015/16, and the performance targets for Veritau for 2016/17, be noted.
- (e) That the proposed changes to the Internal Audit Charter, as set out at Appendix 1 to the report, be approved.

**181. Interim Audit Work/Internal Controls for the Children and Young People's Services Directorate**

Note: During consideration of this item of business, Mr David Portlock declared an interest as the Chair of Governors at a Primary School.

**Considered -**

- (a) The report of the Head of Internal Audit which advised of the internal audit work performed during the year ended 31 May 2016 for the Children and Young People's Services Directorate and that the opinion of the Head of Internal Audit was "Substantial Assurance" with regard to the systems of internal control in respect of that area.
- (b) The report of the Corporate Director - Children and Young People's Service which advised of the position regarding the Children and Young People's Service Directorate's Statement of Assurance and the Directorate's new Risk Register.

Members questioned County Councillor Janet Sanderson, Pete Dwyer and Anton Hodge concerning the issues in the reports. With regard to the Children's Direct Payments system, the reasons why the staff training of June 2015 had not been fully effective were explained. It was also reported that the P2 and P3 actions concerning that system had either been actioned or were being dealt with.

**Resolved -**

- (a) That the reports 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.

**182. Internal Audit Plan for 2016/17**

Considered

The report of the Head of Internal Audit which sought approval for the planned programme of internal audit work to be undertaken in 2016/17.

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. The Plan needed to remain flexible to take account of changes in the County Council's priorities and risk profile. Regular progress reports would be presented to the Committee to enable delivery of the plan to be monitored.

Max Thomas (Head of Internal Audit) introduced the report and responded to Members' questions. He also undertook to research a Court case, to which a Member referred, concerning bus subsidy in Cambridgeshire.

**Resolved -**

That the Internal Audit Plan for 2016/17, as set out at Appendix 1 to the report, be approved.

**183. Maintaining an Effective Control Framework**

Considered -

The report of KPMG which summarised the key findings arising from their interim audit work at North Yorkshire County Council in relation to the Council's 2015/16 financial statements; their interim audit work with North Yorkshire Pension Fund in relation to the Pension Fund's 2015/16 financial statements; and work to support their 2015/16 VfM conclusion to the Council up to April 2016.

Alastair Newall (KPMG), in introducing the report, highlighted that KPMG had received all the assurances they were seeking at this time from the County Council. KPMG had raised two recommendations arising from their work. The County Council had accepted one recommendation which related to bank reconciliations and had agreed to take the necessary action with immediate effect. The second recommendation related to the creation and posting of journals to the general ledger. However, the County Council was satisfied that a compensating control mitigated the risks and KPMG accepted that position. In relation to the Pension Fund, KPMG had received the information they were seeking and were happy that the further information they would require would be available to enable them to carry out their work.

The Chairman advised that he was pleased to hear, from KPMG, that County Council officers were bringing issues to KPMG's attention.

Karen Iveson (Assistant Director - Strategic Resources) confirmed that County Council officers had discussed the content of the report with KPMG and management

accepted the issues raised by KPMG and their responses were as set out in the report.

Officers responded to Mr David Portlock's questions about journal entries and sought to provide an assurance that the County Council had controls in place. Mr David Portlock advised that he continued to have reservations.

**Resolved -**

That the report be noted.

**184. Corporate Governance**

Considered -

The report of the Corporate Director - Strategic Resources concerning consideration of the Annual Governance Statement for 2015/16 and an updated version of the Local Code of Corporate Governance.

Members were advised that today's meeting provided opportunity for the Committee to review the draft Annual Governance Statement and, at its 14 July 2016 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 29 September 2016, thereby ensuring compliance with the County Council's statutory obligations. It was proposed that a sub-group should be created to provide a dedicated resource to review the Annual Governance Statement and provide feedback to the Audit Committee on 29 September 2016. Nominations were invited for appointment to the sub-group. The Chairman, County Councillor Helen Grant Mr David Portlock were proposed for appointment.

Members highlighted the following general issues:-

- The draft Statements of Assurance lacked timescales and Members felt that officers should provide an indication of the date by which action was likely to be taken.
- Some of the Statements of Assurance were almost identical to the previous year's Statements. Members queried whether management were approaching this work correctly.

**Resolved -**

- (a) That the updated Local Code of Corporate Governance, as set out at Appendix A to the report, 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 2015/16, as set out at Appendix B to the report, together with the intention of formally approving a later version at the meeting on 29 September 2016, be noted.
- (c) That the Committee's Chairman, County Councillor Helen Grant and Mr David Portlock be appointed to serve on the Governance Sub-Group so that a feedback report can be made to Committee on 29 September 2016.

- (d) That the Statements of Assurance, as set out at Appendix C to the report, together with the improvements that have been, and will be, made in Corporate Governance, as set out at Appendix D to the report, be noted.

#### **185. Risk Management - Progress**

Considered -

The report of the Corporate Director - Strategic Resources which provided information concerning a six monthly update of the Corporate Risk Register; identified the significant changes which had been made to the Register; advised of additional risk prioritisation exercises organised; and provided a summary of the outcome of an analysis by KPMG into corporate/strategic risk registers from a range of local authorities.

Fiona Sowerby (Corporate Risk and Insurance Manager) introduced the report and responded to Members' questions.

**Resolved -**

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, be noted.
- (b) That the position on other Risk Management related issues be noted.

#### **186. Business Continuity Plan - Update**

Considered -

The report of the Emergency Planning Manager which set out an overview of the current Business Continuity arrangements for North Yorkshire County Council with a view to providing a continued high assurance concerning the management of risk within Directorates and Service areas.

The Corporate Director – Strategic Resources advised that the Business Continuity Plan had not yet been considered by Management Board, as stated in paragraph 4.1 of the report, and apologised to the Committee for this error.

Tom Knox (Emergency Planning Manager) introduced the report and responded to Members' questions. He also provided copies of the Corporate Business Continuity Plan to Members and advised that he would arrange for Ruth Gladstone (Democratic Services) to provide Committee Members with the link to the County Council's Business Continuity Sharepoint site.

During discussion, it was highlighted that, during May 2016, the County Council had faced unprecedented protests against fracking proposals in North Yorkshire. The planning for the protests identified the need for activation of Directorate and Corporate Business Continuity Plans across the organisation. The County Council had the challenge of maintaining "business as usual" and full provision of services across the organisation without the use of the majority of the County Hall site. Throughout the period of protest, the County Council had demonstrated its ability to work around identified problems, using well and pre-defined flexible Business Continuity Plans, to produce a robust and effective response to disruption, with large numbers of staff working remotely to great effect.

Arising from discussion about the risks associated with railway lines, chemical works etc, it was noted that the County Council was not responsible for identifying risks for which other public and private organisations were responsible.

**Resolved -**

- (a) That the review of Business Continuity, planning and resilience arrangements within North Yorkshire County Council be noted.
- (b) That Members' comments be fed into Management Board as part of the validation of the Corporate Business Continuity Plan.
- (c) That the link to the County Council's Business Continuity Sharepoint site be provided to Committee Members.

**187. Corporate Procurement Strategy**

Considered -

The report of the Corporate Director - Strategic Resources which provided an update on progress in delivering the Corporate Procurement Strategy, including the Strategy Action Plan, and advised of recent and planned activities.

Kevin Draisey (Head of Procurement and Contract Management) introduced the report and responded to Members' questions. He undertook to research a query about whether the County Council now had more suppliers as a consequence of the simplification of the rules.

**Resolved -**

- (a) That the progress on delivering the Procurement Strategy be noted.
- (b) That the Head of Procurement and Contract Management research whether the County Council now has more suppliers as a consequence of the simplification of the rules.

**188. Programme of Work 2015/16**

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 reported that he would make arrangements for private discussions to be held between Committee Members and Internal Audit and between Committee Members and External Audit. He also advised that he would liaise with KPMG to ensure that all External Audit reports for future meetings were included in the programme of work.

**Resolved -**

That the programme of work be approved.

The meeting concluded at 4.15pm.

RAG/JR