

# North Yorkshire County Council

## Audit Committee

Minutes of the meeting held on Thursday 29 September 2016 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, Robert Baker, Eric Broadbent, Jim Clark, John Fort BEM and Helen Grant.

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

Mr David Marsh and Mr David Portlock.

### **In Attendance:-**

KPMG Officers: Rashpal Khangura and Alastair Newall.

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

County Council Officers: Paul Cresswell (Assistant Director - Strategic Resources), Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Principal Democratic Services Officer), Karen Iveson (Assistant Director - Strategic Resources), Tom Morrison (Head of Commercial and Investments), John Raine (Head of Technical Finance) and Fiona Sowerby (Corporate Risk and Insurance Manager).

### **Apology for Absence:-**

An apology for absence was received from County Councillor John Blackie.

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

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### **196. Minutes**

#### **Resolved -**

The Minutes of the meetings held on 23 June and 14 July 2016, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to “deficient” in the second bullet point within the preamble to Minute 192 being replaced with “deficit”.

### **197. Any Declarations of Interest**

There were no declarations of interest.

### **198. Public Questions or Statements**

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

## **199. 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, together with Treasury Management issues.

The Corporate Director - Strategic Resources reported orally that 21 employees should have, but had not, completed the Information Governance mandatory online learning course by 31 March 2016. An instruction had been issued to their managers to remove a salary increment from each of them with effect from 1 October 2016. Approximately 6,000 employees had completed the course as required.

The Corporate Director - Strategic Resources clarified that the Head of Procurement and Contract Management would inform Committee Members, prior to 1 December 2016, whether the County Council now had more suppliers as a consequence of the simplification of procurement and contracting rules.

**Resolved -**

That the report be noted.

## **200. External Audit Report 2015/16 - North Yorkshire County Council and North Yorkshire Pension Fund**

Considered -

The report of KPMG (the County Council's External Auditors) which summarised the key issues identified during KPMG's audit of the financial statements for the year ended 31 March 2016 for both the County Council and North Yorkshire Pension Fund and set out KPMG's assessment of the County Council's arrangements to secure value for money.

Rashpal Khangura (KPMG) introduced the report, highlighting that this had been KPMG's first year as the County Council's External Auditor, the first year of preparation of the accounts using the new financial ledger, and the first year since changes had been made to the County Council's Financial structure. Positive relationships were developing and there were generally good working papers. A detailed de-brief was planned between KPMG and the County Council's Financial staff which would address areas where work could be done differently in future.

Rashpal Khangura (KPMG) highlighted that, subject to KPMG receiving signed financial statements and a Letter of Representation, he was in a position to issue an unqualified opinion on the financial statements, including the Pension Fund accounts, and an unqualified value for money conclusion. These were both positive outcomes. He highlighted that there were a small number of adjustments and recommendations, as set out in the report. Alastair Newall (KPMG) introduced the more detailed issues set out in the report.

During discussion, the following issues were noted:-

- ◆ Due to timing differences, Pension Fund Managers' fund valuations would probably differ to the Custodian's valuation. KPMG was satisfied that the action taken by the Pension Fund, in using the Custodian's valuations, was the most prudent approach.

- ◆ KPMG and Council officers would be discussing, at their forthcoming de-brief, the future shortened timescale for preparation and audit of the accounts.
- ◆ Challenges could always be anticipated in the first year when any Council had a new External Auditor. It was pleasing that good quality relationships had already been established between KPMG and the County Council's officers. Alastair Newall (KPMG) asked for it to be formally recorded that KPMG thanked the County Council's officers for all the help and assistance they had provided to KPMG during 2015/16. The Corporate Director - Strategic Resources thanked KPMG for being very open and up front in their work.

**Resolved -**

- (a) That the report be noted.
- (b) That Ruth Gladstone (Principal Democratic Services Officer) forward dates of future Audit Committee meetings to Mr David Marsh and Mr David Portlock as soon as meeting dates are finalised.

**201. North Yorkshire Pension Fund Annual Report 2015/16**

Considered -

The report of the Corporate Director - Strategic Resources which set out the North Yorkshire Pension Fund Annual Report for the financial year 2015/16.

The Corporate Director - Strategic Resources introduced the report, highlighting that the Pension Fund Annual Report had been reviewed by the Pension Fund Committee on 15 September 2016 and that, subsequently, with the exception of a small number of minor amendments to wording, no changes had been made.

The Corporate Director - Strategic Resources and Rashpal Khangura (KPMG) reported orally that the document at Appendix B to the Annual Report, namely the Statement from the External Auditor, was the statement relating to the previous year. A copy of the correct statement, relating to the year ended 31 March 2016, was presented to the meeting.

In response to questions, the Corporate Director - Strategic Resources confirmed that the Pension Fund Committee was fully aware of the deficit on the Pension Fund and was intending to make further reductions to that deficit. The Corporate Director - Strategic Resources also provided confirmation that Pension Fund Committee Members were aware that the triennial valuation would not be completed until the end of 2016 or early 2017 and that changes in circumstances might mean that the situation might be different to the one currently reported.

**Resolved -**

That the North Yorkshire Pension Fund Annual Report 2015/16 be noted.

**202. Review of Statement of Final Accounts (incorporating Annual Governance Statement) – Report of the Members' Working Group**

Considered -

The report of Audit Committee's Members' Working Group which advised of:- issues identified by the Members' Working Group in reviewing the draft Statements of Final Accounts and the draft Annual Governance Statement; actions taken as a result of issues being identified; and the opinion of the Members' Working Group concerning the draft Statement of Final Accounts and draft Annual Governance Statement for 2015/16.

Members thanked the Committee's Chairman, County Councillor Helen Grant and Mr David Portlock for serving on the Members' Working Group.

**Resolved -**

That the report be noted.

**203. Statement of Final Accounts for 2015/16 including Letter of Representation**

Considered -

The report of the Corporate Director - Strategic Resources which sought the Committee's approval of:- a Letter of Representation for submission to the External Auditor; a Statement of Final Accounts for 2015/16 following completion of the external audit of those accounts; and the Annual Governance Statement for 2015/16.

Karen Iveson (Assistant Director - Strategic Resources) reported orally that two very minor changes had been made to the Statement of Accounts 2015/16 subsequent to publication of the papers for this meeting. The changes were:-

- Within the Independent Auditor's report at page 34 of the Statement, the reference to "pages 19 to 150" had been replaced with "pages 19 to 33 and 38 to 152".
- Within note 41 to the Accounts, on page 96 of the Statement, the first sentence of the second paragraph had been replaced with "The Statement of Accounts for 2015/16 was authorised for issue by 29<sup>th</sup> September 2016 by the Corporate Director – Strategic Resources".

Rashpal Khangura (KPMG) highlighted that it was the Audit Committee's responsibility to approve the Letter of Representation, as set out at Appendix A to the report, although the Letter, if approved, would be signed by the Committee's Chairman and the Corporate Director – Strategic Resources.

In response to a question, the Corporate Director – Strategic Resources confirmed that he was happy to sign the Letter of Representation and the Statement of Responsibilities for the Statement of Accounts.

**Resolved -**

- (a) That the Letter of Representation, as set out at Appendix A to the report, be approved and the Chairman be authorised to sign that Letter on behalf of the Committee.
- (b) That, in relation to the Statement of Final Accounts 2015/16:-
  - the changes as set out in paragraph 4 of the report and Appendix B to the report, together with the changes reported orally at this meeting by the Assistant Director - Strategic Resources, be noted;

- the Statement of Final Accounts for 2015/16 be approved, subject to the changes reported orally at this meeting by the Assistant Director - Strategic Resources; and
  - the Chairman be authorised to sign the Statement of Responsibilities for the Statement of Accounts, as set out at Appendix C to the report.
- (c) That the Annual Governance Statement 2015/16 be approved and the Chairman be authorised to sign the Annual Governance Statement on the Committee's behalf.

#### **204. Annual Report of the Audit Committee**

Considered -

The report of the Chairman of the Audit Committee which invited the Committee to consider the draft Annual Report of the Audit Committee for the year ended 30 September 2016, prior to its submission to the County Council.

**Resolved -**

- (a) That the report be noted.
- (b) That the draft Annual Report of the Audit Committee, as appended to the report of the Committee's Chairman, be approved for submission to the County Council, subject to the removal of the highlighting.

#### **205. Health and Adult Services Directorate - Internal Audit Work and Internal Control Matters**

Considered -

- (a) The report of the Head of Internal Audit which advised of the internal audit work performed during the year ended 31 August 2016 for the Health and Adult Services Directorate and reported that the overall opinion of the Head of Internal Audit concerning the framework of governance, risk management and control operated within that Directorate was that they provided Substantial Assurance.
- (b) The report of the Corporate Director – Health and Adult Services which provided details of the draft Risk Register for the Health and Adult Services Directorate.

Max Thomas (Head of Internal Audit) and Paul Cresswell (Assistant Director - Strategic Resources) responded to Members' questions.

**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 Health and Adult Services Directorate is both adequate and effective.
- (b) That the draft Risk Register for the Health and Adult Services Directorate be noted.

**206. Internal Audit Report on Information Technology, Corporate Themes and Contracts**

Considered -

The report of the Head of Internal Audit which advised of the internal audit work completed during the year to 31 August 2016 in respect of information technology, corporate themes and contracts, and reported that the overall opinion of the Head of Internal Audit concerning the framework of governance, risk management and control operated across the three functional areas was that it provided Substantial Assurance. Specialist IT audit services from Audit North were engaged to support the delivery of this aspect of audit work.

During discussion, a Member asked whether there was external back-up for Schools' ICT. The Head of Internal Audit advised that he would check the situation and advise Members of the outcome. The Corporate Director – Strategic Resources reported that the County Council had arrangements for disaster recovery and back-up and that the County Council was currently looking, along with other councils and Schools' ICT, to review their resilience arrangements. He also clarified that the plan which the County Council had was sound and ensured integrity of data.

Also during discussion, it was noted that the controls over non-County Council staff having IT access included user Business Units defining the level of access and limitations which were relevant; a review of training requirements for roles; and review of an end date for a System Access Request.

**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 respect of information technology, corporate and contract arrangements is both adequate and effective.
- (b) That the Head of Internal Audit provide further information to Members about external back-up for Schools' ICT.

**207. Progress on the 2016/17 Internal Audit Plan**

Considered -

The report of the Head of Internal Audit which advised of progress made in delivering the 2016/17 Internal Audit Plan and any developments likely to impact on the Plan throughout the remainder of the financial year.

The Head of Internal Audit, in introducing the report, highlighted that there were no specific issues or concerns which he wished to raise with the Committee.

**Resolved -**

That the progress made in delivering the 2016/17 Internal Audit programme of work and the variations agreed by the client officer be noted.

**208. Programme of Work**

**Resolved -**

That the programme of work be approved, subject to the Corporate Director – Strategic Resources arranging a briefing for Mr David Marsh (External Member) concerning procurement.

The meeting concluded at 15:34.

RAG/JR