

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 1 December 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, Bernard Bateman MBE (as Substitute for Jim Clark), Eric Broadbent, and John Fort BEM.

External Members of the Committee:-

Mr David Marsh and Mr David Portlock.

In Attendance:-

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

KPMG Officer: Alastair Newall.

Veritau Ltd Officer: Max Thomas (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) and Fiona Sowerby (Corporate Risk and Insurance Manager).

Apology for Absence:-

An apology for absence was received from County Councillor Helen Grant.

Copies of all documents considered are in the Minute Book

209. Minutes

Resolved -

That the Minutes of the meeting held on 29 September 2016, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

210. Declarations of Interest

There were no declarations of interest.

211. Public Questions or Statements

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

212. Business and Environmental Services Directorate - Internal Audit Work

Considered -

The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 30 November 2016 for the Business and Environmental Services Directorate. The opinion of the Head of Internal Audit was "Substantial Assurance" with regard to the systems of internal control in respect of that area.

Members highlighted that 13 Priority 3 actions arising from the audit of Integrated Passenger Transport appeared to be a significant number. In response, it was suggested that that number of actions was a reflection of the many different avenues of process and the number of contracts in operation within Integrated Passenger Transport. County Councillor Don Mackenzie (Executive Member) advised that Integrated Passenger Transport had a very complex role to perform against a background of great pressure from falling budgets and that they were successful in getting the best value for money for the Council tax payer.

It was noted that, whilst a follow-up audit in relation to Integrated Passenger Transport had commenced in November 2016, no observations were currently available, although a follow-up report was scheduled to be submitted to the Committee's meeting on 2 March 2017.

Members congratulated Business and Environmental Services on delivery of the Bedale, Aiskew and Leeming Bar Bypass under budget and ahead of time.

Resolved -

That it be noted that this Committee is satisfied that the internal control environment operating in the Business and Environmental Services Directorate is both adequate and effective.

213. Business and Environmental Services Directorate - Internal Control Matters

Considered -

The report of the Corporate Director - Business and Environmental Services providing an update on progress against the areas for improvement as identified in the Directorate's Statement of Assurance and providing details of the latest Risk Register for that Directorate.

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

Resolved -

- (a) That the position on the Business and Environmental Services Directorate Statement of Assurance be noted.
- (b) That the Directorate Risk Register for the Business and Environmental Services Directorate be noted.

214. 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.

Resolved -

- (a) That the report be noted.
- (b) That the Corporate Director - Health and Adult Services and the Chairman of the Scrutiny of Health Committee be invited to attend the Audit Committee's meeting on 22 June 2017 for an hour's discussion in respect of governance relating to health and social care integration.
- (c) That, after the 22 June 2017 meeting of this Committee, governance relating to health and social care integration be removed from the "Progress on Issues Raised by the Committee" report which is submitted to every meeting.
- (d) That it be noted that a full update regarding Business Continuity shall be submitted to the Audit Committee's meeting on 22 June 2017 and that, following the 22 June 2017 meeting, Business Continuity be removed from the "Progress on Issues Raised by the Committee" report which is submitted to every meeting.

215. External Auditor Annual Audit Letter 2015/16

Considered -

The External Auditor's Annual Audit Letter on the 2015/16 audit summarising the key matters arising from the work that KPMG carried out in respect of the year ended 31 March 2016.

Resolved -

That the Annual Audit Letter be noted.

216. Contract Management

Considered -

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

During discussion:-

- Members commended the County Council's officers on the achievements which were being made in respect of Procurement and Contract Management.

- The Head of Procurement and Contract Management offered to provide Mr David Marsh with a copy of a spreadsheet which showed how the figure of £528,765, being the total saving made by creating a specific post relating to Contract Management, had been calculated. The Corporate Director – Strategic Resources clarified that the methodology for calculating savings was not precise.
- The Corporate Director – Strategic Resources confirmed that those staff who were achieving contract savings were being recognised at both Directorate Management Team level and within the Corporate Management Team. However, he suggested that he wished to consider whether prizes should also be provided.

Resolved -

- (a) That the report be noted.
- (b) That the areas identified and comments made in order to further add value to the ongoing work on Contract Management be noted.
- (c) That the Head of Procurement and Contract Management provide Mr David Marsh with a copy of a spreadsheet which shows how the figure of £528,765, being the total saving made by creating a specific post relating to Contract Management, has been calculated.
- (d) That the Corporate Director – Strategic Resources consider whether the County Council should award prizes to those staff who achieve contract savings.

217. Audit Committee Terms of Reference

Considered -

The report of the Corporate Director - Strategic Resources asking the Committee to consider possible changes to the Audit Committee's terms of reference in line with the requirements to review the terms of reference on an annual basis and to consider whether the Committee wished to conduct a review of its own effectiveness.

Members expressed the view that there was nothing they would wish to add to the Committee's terms of reference and that there were no areas where they felt hindered by the terms of reference.

Members expressed the view that it would be appropriate for the Committee to review its own effectiveness prior to the local government elections in 2017. They also agreed detailed arrangements which have been recorded in part (b) of the following Resolution.

Resolved -

- (a) That the existing Terms of Reference for the Audit Committee, as set out at Appendix A to the report, be approved.
- (b) That a review be undertaken of the Audit Committee's effectiveness, to include the following:-
 - The review be undertaken prior to the local government elections in 2017.

- The common issues which arise in responses received as part of the Review be reported to the Audit Committee's meeting to be held on 2 March 2017.
- Issues which the review identifies as working well be reported to the Audit Committee's meeting to be held on 22 June 2017.
- Members' responses to the Review be collated by a neutral party.
- That, in addition to Audit Committee Members and External Members, views be sought from Portfolio Holders, Corporate Directors, the Head of Internal Audit, and the External Auditor as part of the Review.

218. Progress on 2016/17 Internal Audit Plan

Considered -

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

It was highlighted that Veritau Ltd was on track to achieve the Plan. A number of variations to the Plan had been authorised, all of which related to the Health and Adult Services Directorate. The net effect of variations was to allocate a further five days to Contingency.

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.

219. Risk Management - Progress

Considered -

The report of the Corporate Director - Strategic Resources giving details of the updated Corporate Risk Register and advising of progress on other Risk Management related issues.

It was highlighted that two new risks had been included in the Corporate Risk Register and that these related to Schools Organisation Policy and Place Planning, and Growth. Three risks had been deleted. Two risks, which related to the 2020 North Yorkshire Change Programme, and Economic Development and Opportunities for Devolution in North Yorkshire, had changed significantly.

During discussion, Members highlighted that there was a high risk environment at the moment but that having approximately ten risks on the Corporate Risk Register was correct.

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 matters be noted.

220. Programme of Work 2016/17

Considered -

The Programme of Work 2016/17.

During discussion, Members highlighted that the Audit Committee's calendar of meetings would require amendment to reflect the shorter timetable, in future years, for auditing and approving the County Council's Statement of Final Accounts (SOFA). The Corporate Director – Strategic Resources advised that it might be helpful to start now running a parallel timetable comprising only four Committee meetings per year (ie no meetings in June and July).

In response to Members' questions, the Corporate Director – Strategic Resources provided confirmation that his Directorate would be gearing-up to deliver the new arrangements for the SOFA and that officers had two sets of dates because the next year was the trail run.

Resolved -

- (a) That the Programme of Work 2016/17 be approved, subject to the inclusion of:-
 - (i) The arrangements to consider the outcome of the Review of the Effectiveness of the Audit Committee, as recorded at Minute 217.
 - (ii) An hour's discussion with the Corporate Director - Health and Adult Services and the Chairman of the Scrutiny of Health Committee, on 22 June 2017, about governance relating to health and social care integration, as recorded at Minute 214.
 - (iii) A full update regarding business continuity at the Committee's meeting on 22 June 2017, as recorded at Minute 214.
- (b) That the Seminar to be held for Audit Committee Members on 2 March 2017 at 1pm include the issues of cyber security and general Information Governance.
- (c) That a Seminar for Audit Committee Members be held following the 2017 elections, to include the issue of how the Modern Council 2020 Programme is increasing the County Council's productivity.

The meeting concluded at 3.30 pm.

RAG/JR