

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 7 September 2017 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillor Cliff Lunn (in the Chair), County Councillors Karl Arthur, Margaret Atkinson, Robert Baker, Jim Clark, David Hugill, Don Mackay and Geoff Webber

External Members of the Committee:-

Mr David Marsh and Mr David Portlock

In Attendance:-

KPMG Officers: Rashpal Khangura and Alastair Newall

Veritau Ltd Officer: Ian Morton

County Council Officers: Amanda Alderson (Senior Accountant), Howard Emmett (Assistant Director – Strategic Resources, Children and Young People’s Services Directorate), Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Principal Democratic Services Officer), Robert Ling (Technology and Change Managing Assistant Director), Sally Mitchell (Principal Democratic Services Officer) and John Raine (Head of Technical Finance)

Apologies for absence:-

Apologies for absence were presented from County Councillor Janet Sanderson (Executive Member) and Stuart Carlton (Corporate Director – Children and Young People’s Services)

Copies of all documents considered are in the Minute Book

19. Minutes

Resolved –

That the Minutes of the meeting held on 22 June 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

20. Declarations of Interest

There were no declarations of interest.

21. Public Questions or Statements

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

22. 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 2017 in respect of information technology, corporate themes and contracts, and reported that the overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating across the three functional areas was that it provided "Substantial Assurance".

During discussion, officers provided further information regarding the following:-

- The difference between cashable and non-cashable benefits.
- The four Priority 4 actions which had been taken in respect of the Liquid Logic system.
- That no fraud had been identified during the audit of the Payroll/HR system during which a small numbers of errors had been found in relation to National Insurance Numbers and multiple Payroll Numbers.
- Follow-up audits were undertaken when breaches of information security had been identified and appropriate action was taken against employees.

In response to Members' questions, the Technology and Change Managing Assistant Director undertook to report to a future meeting of the Committee concerning the intention of the agreed action, which had not been fully implemented, arising from the Wireless Network follow-up audit. It was noted, however, that the audit opinion on Wireless Network Security was "Substantial Assurance".

Resolved -

- (a) That the information provided in the report be noted.
- (b) That it be recorded that the Committee is satisfied that the overall control environment operating in respect of information technology, corporate and contract arrangements is both adequate and effective.
- (c) That the Technology and Change Managing Assistant Director report to a future meeting of the Committee concerning the intention of the agreed action, which has not been fully implemented, arising from the Wireless Network follow-up audit.

23. 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 that had arisen since the previous meeting including a CIPFA consultation on proposed changes to the Code of Practice on Treasury Management and the Prudential Code.

During debate, officers confirmed that new protocols were in place to ensure that contracts could only be rolled forward with approval of the Council's Procurement and Contract Management Services and that the establishment of Procurement and

Contract Management Services, with its role in contract management, should reduce any future breaches of Contract Procurement Rules.

The Corporate Director – Strategic Resources provided confirmation that he would circulate to Members, once the relevant information had been collated, the comments which Members had made within their completed questionnaires concerning the Effectiveness of the Audit Committee.

Members noted that a verbal update was not yet available, arising from the Committee's previous consideration of the Corporate Procurement Strategy, about the increase in the number of local businesses which were now supplying the County Council.

Resolved -

- (a) That the contents of the report be noted.
- (b) That, once the relevant information has been collated, the Corporate Director – Strategic Resources circulate to Members the comments which Members made within their completed questionnaires concerning the Effectiveness of the Audit Committee.

24. External Audit Report 2016/17 on 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 2017 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 and Alastair Newall of KPMG introduced the report and highlighted the following:-

- Subject to all outstanding queries being resolved to KPMG's satisfaction, KPMG anticipated issuing an unqualified audit opinion on the Council's financial statements following this meeting of the Audit Committee.
- KPMG anticipated issuing an unqualified audit opinion in relation to the Pension Fund's financial statements following this meeting of the Audit Committee.
- KPMG anticipated issuing an unqualified value for money conclusion when it issued its audit opinion on the financial statements.
- County Council Financial Services staff had been very responsive to KPMG during the external audit and the work of Financial Services staff had been very good. The quality of working papers had improved.

Members questioned KPMG's representatives and County Council officers concerning the work involved in, and the findings arising from, the 2016/17 external audit of the County Council and the North Yorkshire Pension Fund.

Members discussed, with KPMG's representatives, how KPMG would complete the 2017/18 external audit in a shorter time scale, whilst maintaining the same volume and quality of work, compared to 2016/17.

Resolved -

That the report be noted.

25. Report following the Detailed Review of the Draft Statement of Final Accounts (incorporating Annual Governance Statement) for 2016/17

Considered -

The report of Mr David Portlock (External Member of the Audit Committee) advising of issues identified during the detailed review of the draft Statements of Final Accounts and the draft Annual Governance Statement for 2016/17, actions taken as a result of issues being identified, and offering an opinion on the draft Statement of Final Accounts and draft Annual Governance Statement for 2016/17 in advance of the Audit Committee being asked to approve them.

Mr David Portlock introduced his report, confirming that all appropriate actions had been taken and satisfactory explanations had been provided where necessary. He recommended, to the Audit Committee, that the Statement of Final Accounts and the Annual Governance Statement for 2016/17 be approved.

Mr David Portlock asked that the Minutes record his thanks to John Raine (Head of Technical Finance), Anne Simpson (Accountant), Amanda Alderson (Senior Accountant), and Fiona Sowerby (Corporate Risk and Insurance Manager) for the prompt and professional way in which they had responded to his requests for information.

Resolved -

- (a) That the report be noted.
- (b) That it be placed on record that County Councillor Members of the Audit Committee acknowledge the work undertaken by, and thank, Mr David Portlock for his work in reviewing the draft Statement of Final Accounts and the draft Annual Governance Statement for 2016/17.

26. Statement of Final Accounts for 2016/17 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 2016/17 following completion of the external audit of those accounts, and the Annual Governance Statement for 2016/17.

In response to a question, the Corporate Director – Strategic Resources confirmed that he was happy for the Committee to authorise the Chairman to sign the Letter of Representation which was set out at Appendix A.

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 2016/17:

- (i) the changes to the final Statement of Final Accounts, as set out in paragraph 4 of the report and at Appendix B to the report, be noted;
 - (ii) the final Statement of Final Accounts for 2016/17, as set out in paragraph 5.2 of the report be approved; and
 - (iii) the Chairman 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 2016/17 be approved and the Chairman be authorised to sign the Annual Governance Statement on the Committee's behalf.

27. Annual Report of the Audit Committee

Considered -

The report of the Chairman of the Audit Committee which invited the Committee to consider the Committee's draft Annual Report for the year ended 30 September 2017 prior to its submission to the County Council.

During discussion, Members highlighted that, during the year, the Committee had undertaken an internal survey of the effectiveness of the Committee and that such work should be included in the Annual Report prior to its submission to the County Council.

The Chairman thanked officers and County Councillor Mike Jordan (the former Chairman of the Committee) for their input in drafting report.

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 inclusion of reference to the internal survey undertaken of the effectiveness of the Audit Committee.

28. Children and Young People's Service Directorate

Note: During discussion of this item of business, Mr David Portlock (External Member) declared an interest as the Chair of Governors of a primary school in North Yorkshire.

Considered -

- The report of the Head of Internal Audit which advised of the internal audit work performed during the year ended 31 May 2017 for the Children and Young People's 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 it provided Substantial Assurance.
- The report of the Corporate Director – Children and Young People's Services which outlined some of the key service risks and governance developments within the Directorate and provided details of the updated Risk Register for the Children and Young People's Services Directorate.

Ian Morton (Veritau) and Howard Emmett (Assistant Director – Strategic Resources, Children and Young People's Services Directorate), responded to Members' questions. In response to questions:-

- Examples were provided of the work which the County Council undertook to train and offer assistance to School Governors.
- Confirmation was provided that officers were looking into the reasons why the County Council was experiencing an increase in the number of children and young people assessed as requiring Education, Health and Care Plans. It was highlighted, however, that some of the factors were not easily identifiable.
- It was clarified that the North Yorkshire Education Trust was likely to be set up in the forthcoming year to advocate for the sector in the county at a local and national level, propose policy and influence strategy.

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 Children and Young People's Services Directorate is both adequate and effective.
- (b) That the updated Risk Register for the Children and Young People's Services Directorate be noted.

29. Progress on 2017/18 Internal Audit Plan

Considered -

The report of the Head of Internal Audit which advised of progress made in delivering the 2017/18 Internal Audit Plan and any developments likely to impact on the Plan throughout the remainder of the financial year.

Resolved -

That the progress made in delivering the 2017/18 Internal Audit programme of work and the variations agreed by the client officer be noted.

30. Programme of Work 2017/18

Considered -

The report of the Corporate Director - Strategic Resources which advised of business scheduled for meetings of the Committee to be held in 2017/18.

Resolved -

- (a) That the Programme of Work be approved subject to:-
 - (i) the meeting on 28 September 2017 being cancelled;
 - (ii) Governance of External Companies being included in the Programme for the March 2018 meeting.
- (b) That the Principal Democratic Services Officer email the dates of future Audit Committee meetings to Mr David Portlock and Mr David Marsh (External Members).

The meeting concluded at 3.20pm
SM/RAG/JR