

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 26 July 2018 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 and Geoff Webber

Independent Members of the Committee:-

Mr David Marsh and Mr David Portlock

In Attendance:-

County Councillor Carl Les (Leader of the County Council)

KPMG Officer: Rashpal Khangura

Deloitte Officers observing this meeting: Paul Thomson and Nick Rayner

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

County Council Officers: Amanda Alderson (Senior Accountant, Strategic Resources), Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Democratic Services) and John Raine (Head of Technical Finance, Strategic Resources)

Apology for Absence:-

An apology for absence was received from County Councillor Don Mackay

Copies of all documents considered are in the Minute Book

74. Minutes

Mr David Marsh (Independent Member) advised that Kevin Draisey (Head of Procurement and Contract Management) had undertaken to provide data concerning contracts with smaller companies but that had not been done. Mr David Marsh also advised that he wished such data to be circulated to all Members of the Audit Committee. Gary Fielding advised that he understood that Kevin Draisey had already supplied the data requested but that the situation would be checked.

Resolved -

That the Minutes of the meeting held on 21 June 2018, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to correction of the following typographical errors which each appear in the preamble to Minute 68 regarding Corporate Governance:- 'DGPR' to be replaced with 'GDPR'; and '26 July 2017' to be replaced with '26 July 2018'.

75. Declarations of Interest

There were no declarations of interest.

76. Public Questions or Statements

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

77. External Audit Report 2017/18 on North Yorkshire County Council and North Yorkshire Pension Fund

Considered -

The report of KPMG which summarised the key findings in relation to the 2017/18 external audit of the County Council and the Pension Fund, the key issues of which were as follows:-

- Subject to all outstanding queries being resolved to KPMG's satisfaction, KPMG anticipated issuing unqualified audit opinions on the financial statements of the County Council and the Pension Fund by the deadline of 31 July 2018.
- KPMG had concluded that the County Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Therefore KPMG anticipated issuing an unqualified value for money opinion.

Rashpal Khangura of KPMG presented the report and thanked officers and Members, highlighting that this was the final year when KPMG would be providing the external audit to the County Council and the Pension Fund.

Rashpal Khangura responded to Members' questions. Mr David Portlock referred to the use of the word 'errors' by Rashpal Khangura during his presentation in connection with the audit adjustments which had been agreed with Officers. Mr Portlock suggested that this gave a misleading impression and that, rather than 'errors', these were complex technical issues regarding interpretation and presentation in respect of which different opinions were possible. There was discussion about the adjustments which had been made to the financial statements in the context of recent changes made to accounting guidance. Rashpal Khangura agreed that 'errors' was probably a strong word. Mr Portlock commented that, in his view, 'errors' was an incorrect word. The Corporate Director – Strategic Resources commented that there were presentation and interpretation issues and Officers had no incentive to overstate the value of assets.

Resolved -

That the report be noted.

78. Annual Report of the Head of Internal Audit

Considered -

The report of Max Thomas (Head of Internal Audit) which advised of:-

- the internal audit work performed during the year ended 31 March 2018, together with 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 2017/18 audit work;
- Internal Audit performance outturn for 2017/18 and 2018/19 performance targets for Veritau; and
- Veritau's conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Programme.

The report was introduced by Max Thomas who also responded to Members' questions. Max Thomas described engagement between Veritau and the County Council's Management as excellent. Max Thomas provided confirmation that Management were taking appropriate action to address Information Security and Transparency issues.

County Councillor Jim Clark asked about any arrangements in place to mitigate against risk where the County Council was involved in arrangements with Health organisations such as CCGs. Gary Fielding provided an assurance that proper controls were in place over pooling arrangements and that the County Council was aware of such issues and was not in a vulnerable position in that regard.

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 significant control issues identified through internal audit work in 2017/18 be noted.
- (c) 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.
- (d) That the performance outturn for 2017/18 in respect of internal audit and the corresponding performance targets for 2018/19 be noted.

79. Report following the Detailed Review of the Draft Statement of Final Accounts (incorporating Annual Governance Statement) for 2017/18

Considered -

The report of the Members' Working Group, comprising the Committee's Chairman and Vice-Chairman and Mr David Portlock (Independent Member of the Committee), concerning the outcome of their detailed consideration of the draft Statement of Final Accounts and the Annual Governance Statement for 2017/18. The conclusions of the Members' Working Group were as follows:-

- The Group was satisfied that all appropriate actions had been taken and satisfactory explanations had been provided where required.
- No further issues had been identified up to the date of the Group's report. However, it was highlighted that the Members' Working Group had not been made aware of the finalised position on the findings of the County Council's External Auditors.

- Subject to the above, the Members' Working Group recommended the Audit Committee to approve the Statements of Final Accounts and the Annual Governance Statement for 2017/18.

The report was introduced by Mr David Portlock who also advised that the officers had been totally engaged in the review process. Mr Portlock asked for the Minutes of this meeting to record his appreciation and thanks to the officers.

The Chairman and Vice-Chairman each expressed their thanks to Mr Portlock for the time he had taken in participating in this review and for producing the report submitted to this meeting.

Resolved -

That the report be noted.

80. Statement of Final Accounts for 2017/18, including Letter of Representation

Considered -

The report of Gary Fielding (Corporate Director – Strategic Resources) which invited the Committee to approve a Letter of Representation required to be submitted to the External Auditor, and to approve a Statement of Final Accounts for 2017/18 following completion of the external audit of those accounts and to approve the Annual Governance Statement for 2017/18.

The report was introduced by Gary Fielding who expressed his thanks:- to Mr David Portlock for the amount of work he had undertaken, and for the way in which he had done that work; to Rashpal Khangura and his staff at KPMG for their courtesy and the good constructive relationship which they had with the County Council's officers; and to the Finance Team which he described as "brilliant". Gary Fielding also highlighted that preparation of the County Council's annual Statement of Final Accounts became more difficult each year due to changes in guidance and that the team had done a great job. The Chairman, on behalf of Members, echoed those thanks.

Gary Fielding provided confirmation that he was happy to sign the Letter of Representation.

Mr David Portlock highlighted that the conclusions of the Members' Working Group included a recommendation which was subject to any issues arising from the External Auditor's close-off work. Mr Portlock advised that no such issues had arisen and he was therefore happy for the Committee to approve the recommendations before it.

Resolved -

- (a) That the Chairman be authorised, on behalf of the Audit Committee, to sign the Letter of Representation as set out at Appendix A to the report.
- (b) That, in relation to the Statement of Final Accounts 2017/18:-
 - (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 2017/18, as described at paragraph 5.2 of the report, be approved; and

- (iii) the Chairman be recommended 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 2017/18 be approved and the Chairman be authorised to sign the Annual Governance Statement on the Committee's behalf, as described at paragraph 6.5 of the report.

81. Audit Committee Work Programme

Considered -

The report of Gary Fielding (Corporate Director - Strategic Resources) which set out the Committee's Work Programme and advised of the outcome of a review of the County Council's approach to commercial investment and the subsequent selection of three Property Funds for potential inclusion on the County Council's Investment List.

The report was introduced by Gary Fielding who highlighted the proposals that:- Treasury Management and Commercial Investments should be the theme for the Committee's Seminar to be held in October 2018; private discussions between Committee Members and the External and Internal Auditors would be scheduled at some point; and that lessons learned from Northamptonshire County Council should be reported, possibly as a substantive item of business at a future meeting of the Committee.

During questions, Gary Fielding provided confirmation that Governance and Treasury Management strategy and policy issues had been considered before the decision had been made to move some of the County Council's investments into property funds, and also that due diligence had been carried out.

It was reported that the meeting of the Committee, currently scheduled for Thursday 18 October 2018, needed to be re-arranged to another date. The afternoon of Wednesday 10 October 2018 was suggested as the date to which the meeting should be moved. Members expressed support for that suggestion.

It was suggested that the Committee should meet during March 2019, instead of during April 2019, in order to reduce the gap between the December 2018 meeting and the April 2019 meeting. However, an additional meeting of the Committee could be convened if necessary.

Members asked for the dates of the Committee's meetings to be held between now and January 2020 to be circulated. Officers undertook to arrange the necessary action.

Resolved -

- (a) That the Work Programme be approved.
- (b) That the Committee's meeting currently scheduled for Thursday 18 October 2018 be moved to the afternoon of 10 October 2018.
- (c) That the dates of all meetings of the Committee to be held between now and January 2020 be emailed to Committee Members and Independent Members.

82. Appointment of Independent Members

Note: Mr David Marsh and Mr David Portlock (Independent Members) left the meeting before this item of business was considered.

Considered -

The report of County Councillor Cliff Lunn (Committee Chairman) which advised of the outcome of the recruitment process, and interviews where necessary, for the appointment of up to three Independent Members of the County Council's Audit Committee to serve for four years up to and including 31 July 2022.

It was reported orally that Mr David Marsh and Mr David Portlock were recommended for appointment for a further term and that Mr Nicholas Grubb who, at interview, had demonstrated the necessary skills and ambition, together with a fresh perspective, should be offered appointment as an Independent Member of the Committee.

Resolved -

- (a) That the persons listed below (in alphabetical order by surname) be offered appointment as Independent Members of the Audit Committee, to serve for the four years up to and including 31 July 2022:-
 - Mr Nicholas Grubb
 - Mr David Marsh
 - Mr David Portlock
- (b) That the Constitution Members' Working Group be recommended to agree that the term of appointment of Independent Members of the Audit Committee shall be four years from the 31st July during the year which follows a County Council election in order to provide consistency during the period for production, and subsequent approval of, the Statement of Final Accounts.

In closing the meeting, the Chairman, on behalf of the Committee, expressed Members' thanks to KPMG for all the work they had undertaken during recent years as the County Council's External Auditor.

The meeting concluded at 2.40pm.

RAG/JR