

# North Yorkshire County Council

## Audit Committee

Minutes of the meeting held on Thursday 20 December 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 Nick Grubb, Mr David Marsh and Mr David Portlock

### **In Attendance:-**

County Councillor Carl Les (Leader of the County Council)

Deloitte Officers: Paul Thomson and Nick Rayner

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), Fiona Sowerby (Corporate Risk and Insurance Manager) and Ruth Gladstone (Principal Democratic Services Officer)

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

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### **95. Minutes**

#### **Resolved -**

That the Minutes of the meeting held on 10 October 2018, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

### **96. Declarations of Interest**

There were no declarations of interest.

### **97. Public Questions or Statements**

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

## **98. 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 made on issues which the Committee had raised at previous meetings, together with an update on Treasury Management matters.

The Corporate Director – Strategic Resources, in introducing the report, highlighted that, with regard to undertaking a review of the Committee’s effectiveness, views would be sought in early 2019 from a selection of Members and Independent Members of this Committee, for consideration as part of that review.

The Corporate Director – Strategic Resources confirmed that further Member training was being arranged on cyber security, to reflect the increased sophistication of scams. He added that an update concerning the progress of the arrangements would be included in the report “Progress on Issues Raised by the Committee” to be submitted to the Committee’s meeting on 7 March 2019.

The Head of Internal Audit confirmed that the outcome of the recent external assessment of Veritau had been received. He advised that Veritau had been awarded the highest available rating. A small number of areas had been identified for Veritau to consider but no significant issues had been raised. The Head of Internal Audit intended to submit an Action Plan of issues arising from the assessment to the Committee’s meeting on 7 March 2019.

**Resolved -**

That the report be noted, together with the undertakings provided during discussion for the following to be submitted to the Committee’s meeting on 7 March 2019:-

- (a) Within the report “Progress on Issues Raised by the Committee”, an update concerning the progress of the arrangements to deliver further Member training on cyber security, to reflect the increased sophistication of scams.
- (b) An Action Plan from the Head of Internal Audit concerning the issues arising from the recent external assessment of Veritau.

## **99. Review of the Procurement and Contract Procedure Rules**

Considered -

The report of the Corporate Director - Strategic Resources which invited Members’ comments on proposed changes to the Procurement and Contract Procedure Rules.

The Head of Procurement and Contract Management, in introducing the report, advised that the proposed changes to the Rules were due to be discussed further by officers and would be submitted for consideration by the Members’ Working Group on the Constitution, the Executive and thereafter determined by full Council. He highlighted that the proposed changes to the Rules were detailed in Appendix 1 and related to:- powers and key decisions; OJEU tenders; contract management; authorisations; grants; quotes; transparency; and small and medium enterprises.

Whilst introducing the report, the Head of Procurement and Contract Management reported a revision to the proposal to adopt a new paragraph, to be numbered 22.1. The revised wording for this new paragraph was “The Council cannot procure services which it is itself required to deliver by means of a grant. The Council may grant-fund

third party organisations to provide complementary activities”. The aim of this revised wording was to clarify that funding which the Council granted to third party organisations could be used for, but was not restricted to, community cohesion activities.

The Head of Procurement and Contract Management also reported that the County Council’s work in helping local and SME businesses to understand how the County Council undertook procurements was proving to be beneficial, as demonstrated by the rise, every year since 2015/16, in the County Council’s spend on SMEs. Currently the County Council’s spend on SMEs was 47.7%. There had also been similar increases during that period in the County Council’s local spend, and its spend on local SMEs.

In response to Members’ questions, the following situations were clarified:-

- YPO had been in discussion with Amazon with the intention of YPO being able to extend its offering. YPO hoped that a contract with Amazon might be signed during the first quarter of the 2019/20 financial year. YPO would provide PR information to its member authorities, including the County Council, as necessary.
- The County Council was developing a tool which gave ‘real time’ information on suppliers’ financial health. This was a significant improvement on information currently available to the County Council. Members’ supported a suggestion that a demonstration of this new tool should be provided at the Committee’s seminar to be held at 1pm on 7 March 2019.
- In preparation for the possibility of Brexit, the Procurement and Contract Management Team had, during 2018, carried out two information exercises with the County Council’s key suppliers. The responses had been varied, which had not been unexpected. Arrangements were being made to amend various internal processes as necessary. Management Board was also discussing Brexit.

#### **Resolved -**

- (a) That the report be noted.
- (b) That a demonstration be given, of the tool which is being developed to give ‘real time’ information on suppliers’ financial health, during the Committee’s seminar to be held at 1pm on 7 March 2019.

### **100. Risk Management - Progress Report**

Considered -

The report of the Corporate Director - Strategic Resources which set out the updated Corporate Risk Register and advised of progress on other Risk Management related matters.

The Corporate Risk and Insurance Manager, in introducing the report, highlighted the following issues:-

- The significant amendments which had been made to the Corporate Risk Register were as follows:-
  - The addition of a new risk relating to Brexit Arrangements and the need for the County Council to assess the impacts and necessary actions that should be considered as a result of Brexit.

- The deletion from the Corporate Risk Register of risks relating to the Commercial Strategy and Health and Safety.
- Significantly changed risks on the Register related to:- (i) the Savings and Transformation Programme, in order to take into account 'Beyond 2020'; and (ii) Devolution and Growth – the Growth risk and the opportunities for Devolution were now combined as a single risk.
- Other Risk Management work undertaken included additional workshops to develop risk registers for specific areas of activity in the County Council, including for the Allerton Waste Recovery Park near Knaresborough, Harrogate rail line improvement, and the UCI Road World Championships 2019.

During discussion, the Corporate Director - Strategic Resources advised that the wording of risk 20/205 "Schools Organisation and Funding" required clarification to refer to "sufficiency of funding for places". He highlighted that funding for SEND was a separate risk, ie 20/1 "Funding Challenges", to which page 85 of the papers for this meeting referred.

County Councillor Jim Clark (Chairman, Scrutiny of Health Committee) expressed concern about NHS poor financial management and suggested that this risk should be allocated a higher ranking in the County Council's Corporate Risk Register. His comments were supported by County Councillor Geoff Webber. The Corporate Director – Strategic Resources advised that this was a heightened risk which had been retained on the Corporate Risk Register. He advised that the North Yorkshire health system had historically been underfunded. Nevertheless, the County Council was now working more closely than in the past with the NHS and the Council could, if it wished, go for full pooling of budgets. However, the County Council did not wish to do that. In response to further questions, the officers advised that they would take, to Management Board, Members' concerns about NHS poor financial management and the suggestion that NHS poor financial management needed to be reflected in the County Council's Corporate Risk Register.

In response to questions about the reasons why the risks faced by the North Yorkshire Pension Fund were not included in the County Council's Corporate Risk Register, the Corporate Director - Strategic Resources clarified that currently the Pension Fund's risks were not as big as the risks now shown in the Corporate Risk Register due to an improvement in its funding position.

**Resolved -**

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, be noted, subject to Management Board being advised of some Members' concerns about NHS poor financial management and Members' suggestion that this risk should be allocated a higher ranking in the County Council's Corporate Risk Register.
- (b) That the position on other Risk Management related issues be noted.

**101. Business and Environmental Services Directorate - Internal Audit Work and Control Matters**

**Considered -**

- (a) The report of the Head of Internal Audit which advised of the internal audit work performed during the year ended 30 November 2018 for the Business and Environmental Services Directorate and advised 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.

- (b) The report of the Corporate Director - Business and Environmental Services which provided an update on progress against areas for improvement identified through internal procedures, together with the latest Risk Register for the Business and Environmental Services Directorate.

The Head of Internal Audit and the Corporate Director – Business and Environmental Services introduced their reports and responded to Members' questions.

During discussion, Mr David Portlock questioned the Head of Internal Audit about whether the Head of Internal Audit felt sure that he could give an overall audit opinion about a Directorate when that Directorate was dealing with various complex issues and only two final audit reports had been issued during the year. The Head of Internal Audit advised that a couple of other audit reports were being prepared which would provide a Substantial Assurance. However, now that the number of specific audit undertaken had reduced, it was getting difficult to provide a Directorate specific opinion. He had discussed this with the Corporate Director – Strategic Resources and changes may be considered for the future.

**Resolved -**

- (a) That the reports, including the updated salient points regarding, and the Risk Register for, the Business and Environmental Services Directorate, be noted.
- (b) That it be noted that the Committee, having considered the report of the Head of Internal Audit, is satisfied that the internal control environment operating in the Business and Environmental Services Directorate is both adequate and effective.

**102. Audit Committee Programme of Work 2018/19**

Considered -

A revised version of the Committee's Work Programme which was circulated at the meeting. (A copy has been placed in the Minute Book.)

The Corporate Risk and Insurance Manager sought the Committee's agreement to submit the Risk Management Policy and Strategy to the Committee's meeting to be held on 7 March 2019. Members expressed support for that request.

Members asked for a private meeting between Members and Independent Members of the Committee and the External and Internal Auditors to be scheduled for 1pm on 25 October 2019.

During discussion, it was agreed that officers should provide a seminar for the three Independent Members of the Committee in respect of the County Council's budget.

**Resolved -**

- (a) That the revised version of the Work Programme be approved, subject to the inclusion of the following:-
- Risk Management Policy and Strategy to be submitted to the Committee's meeting to be held on 7 March 2019.

- A private meeting between Members and Independent Members of the Committee and the External and Internal Auditors to be scheduled for 1pm on 25 October 2019.
- (b) That a seminar in respect of the County Council's budget be provided for the three Independent Members of the Committee.

The meeting concluded at 3.10pm

RAG/JR