

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Friday 21 June 2019 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, Robert Baker, David Hugill, Don Mackay, Caroline Patmore (as Substitute for Margaret Atkinson) and Geoff Webber

Independent Members of the Committee:-

Mr Nick Grubb, Mr David Marsh and Mr David Portlock

In Attendance:-

Deloitte Officer:- Paul Thomson

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

County Council Officers:- Gary Fielding (Corporate Director – Strategic Resources), Stuart Carlton (Corporate Director – Children and Young People’s Services), Kevin Draisey (Head of Procurement and Contract Management), Howard Emmett (Assistant Director - Strategic Resources, Children and Young People’s Services), Neil Irving (Assistant Director - Policy, Partnerships and Communities), John Raine (Head of Technical Finance, Strategic Resources), Fiona Sowerby (Corporate Risk and Insurance Manager) and Ruth Gladstone (Principal Democratic Services Officer)

Apology for absence:-

An apology for absence was received from County Councillor Jim Clark

Copies of all documents considered are in the Minute Book

120. Minutes

Resolved -

That the Minutes of the meeting held on 7 March 2019, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

121. Declarations of Interest

Mr David Portlock advised that he had an interest which he would declare during consideration of the item “Internal Audit Work/Internal Control Matters for the Children and Young People’s Services Directorate”, ie when officers from that Directorate were in attendance at the meeting.

122. Public Questions or Statements

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

123. 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) concerning progress on issues which the Committee had raised at previous meetings and identifying Treasury Management matters which had arisen since the Committee's last meeting.

The Corporate Director – Strategic Resources, in introducing the report, advised that recently there had been a significant improvement in the clarity of information provided by County Councillors on their mileage and subsistence claims. However, the need for sufficiently detailed information to be provided on claims would be raised again with County Councillors.

Resolved -

That the report be noted.

124. North Yorkshire County Council and North Yorkshire Pension Fund - Audit of Accounts 2018/19 - Audit Progress

Considered -

The oral report of Paul Thomson (Deloitte) concerning the progress of the external audit of the 2018/19 accounts.

Paul Thomson advised that the external audit of the accounts was currently in its third week and was on target to finish on 8 July 2019, subject to loose ends. Deloitte was receiving good co-operation and support from the County Council.

Paul Thomson advised that there was a national issue which had the potential to put in jeopardy the conclusion of the audit of accounts by the 31 July statutory deadline. That issue was the McCloud judgement which related to transitional protection on pensions. The situation was being discussed with the County Council's Corporate Director – Strategic Resources. It was clarified that the issue affected the whole of the local government sector.

The Corporate Director – Strategic Resources clarified that the Audit Committee should continue to work on the basis that it would meet on 22 July 2019 for the purpose of formally approving the 2018/19 accounts, although these were "unchartered waters".

Resolved -

That the report be noted.

125. Internal Audit Work/Internal Control Matters for the Children and Young People's Services Directorate

Note: During consideration of this item of business, Mr David Portlock declared that he was Chair of a North Yorkshire primary school Interim Executive Board appointed by North Yorkshire County Council.

Considered -

- (a) The report of the Head of Internal Audit which advised of the internal audit work performed during the year ended 31 May 2019 for the Children and Young People's Services Directorate.
- (b) The report of the Corporate Director - Children and Young People's Services which outlined some key service risks and governance developments within that Directorate and provided the Directorate's updated Risk Register.

The Head of Internal Audit and the Corporate Director – Children and Young People's Services introduced the reports and, assisted by the Assistant Director - Strategic Resources within the Children and Young People's Services Directorate, responded to Members' questions.

Resolved -

That the reported be noted.

126. Draft Statement of Accounts 2018/19

Considered -

The report of the Corporate Director - Strategic Resources which invited the Committee to review and comment on the County Council's draft Statement of Final Accounts for 2018/19 and to create a Corporate Governance Working Group to provide further overview of the 2018/19 Statement of Final Accounts and supporting documentation.

The Head of Technical Finance, in introducing the report, highlighted that the draft Statement of Final Accounts would be audited by Deloitte during June and July 2019 and subsequently be re-submitted to this Committee for formal approval.

Members raised questions regarding the draft Statement of Final Accounts. Officers responded to most questions but, being unable to provide replies to the two questions set out below, undertook to investigate these and to email the outcome to Members prior to the Committee's meeting on 22 July 2019:-

- Page 51 of the draft Statement of Final Accounts – Why was a loss showing for each of the trading services listed on this page?
- Page 6 – Why was the amount which the County Council had paid in Interest Payable doubled compared to the previous year?

Members expressed support for the County Council lobbying to carry the balance on the conversion of maintained schools to academies, regardless of whether such balances were a surplus or a deficit.

Resolved -

- (a) That the draft Statement of Final Accounts for 2018/19 be noted in advance of the accounts being audited and resubmitted to the Audit Committee's meeting on 22 July 2019 for formal approval.
- (b) That officers investigate the two questions set out below and provide answers, the answers to be circulated by email to all Members of the Committee prior to 22 July:-

- Page 51 of the draft Statement of Final Accounts – Why is a loss showing for each of the trading services listed on this page?
 - Page 6 – Why is the amount which the County Council has paid in Interest Payable doubled compared to the previous year?
- (c) That a Corporate Governance Working Group be created to provide further overview of the Statement of Final Accounts for 2018/19 and the supporting documentation and that the Working Group comprise the Chairman and Vice-Chairman and Mr David Portlock, together with Mr Nick Grubb subject to the amount of time which Mr Nick Grubb has for this purpose.
- (d) That Members contact Gary Fielding (Corporate Director – Strategic Resources) as soon as possible, and prior to the date of the Committee’s meeting on 22 July 2019, if they believe any fundamental issues are missing/incorrect in the draft Statement of Final Accounts.

127. Corporate Governance

Considered -

The report of the Corporate Director - Strategic Resources which advised of progress made on Corporate Governance related matters, including the recent approval of the Local Code of Corporate Governance, and on-going work on the Annual Governance Statement 2018/19.

The Corporate Director – Strategic Resources, in introducing the report, highlighted that the draft Annual Governance Statement for 2018/19 was included within the draft Statement of Final Accounts and that section 7 of the Statement set out the significant Governance issues for the County Council.

In response to a question, the Corporate Director – Strategic Resources advised that it did not always follow that Directors of companies changed as a consequence of a County Council election.

Resolved -

- (a) That the progress on Corporate Governance related matters be noted.
- (b) That the improvements that have been made, and that are to be made, in Corporate Governance, as set out in Appendix A to the report, be noted.

128. 2019/20 Internal Audit Plan

Considered -

The report of the Head of Internal Audit which sought approval for the planned programme of internal audit work to be undertaken in 2019/20.

The Head of Internal Audit, in introducing the report, advised that this was the final version of the Plan although, unfortunately, it included an error and therefore he recommended orally, with regard to Children and Young People’s Services, using 15 audit days for Home to School Transport rather than for Adult Learning. The 15 audit days for Home to School Transport were recommended for the following purpose:-
 “Home to school transport – 15 days - Home to School Transport continues to be a high risk area, with a number of projects taking place to try and manage costs whilst maintaining service standards. Previous audits have identified a number of weaknesses in this area, and this audit will therefore review the progress made in

addressing these issues. The audit will also review the implementation of new processes to manage the commissioning of home to school transport.”

In response to Members’ questions:-

- (a) The Head of Internal Audit advised that he had discussed, with the Corporate Director – Strategic Resources, the required level of coverage and, arising from that, he was able to confirm that the 2019/20 Internal Audit Plan included a sufficient level of coverage to enable him to provide an opinion.
- (b) The Corporate Director – Strategic Resources explained that paragraph 3.4 of the report referred to planned reductions, which had been agreed approximately three years previously, in internal audit resources. He added that, at that time, the County Council had not envisaged that Data Protection was going to get as busy as it had become and therefore the County Council had allocated extra resources to Veritau Ltd, but not on an on-going basis, to deal with that spike in Data Protection work. Going forward, it was intended that, if the extra resource helped, and the spike became the new normal level of Data Protection work, then further consideration would be given to the resources which the County Council allocated to Veritau Ltd for that purpose.
- (c) The Head of Internal Audit provided clarification that there was no specific mention, within the 2019/20 Internal Audit Plan, of General Data Protection Regulations (GDPR) within schools because, under the Act, schools were required to appoint a Data Protection Officer and, once that had been resolved, GDPR within schools should no longer be an issue for the County Council.

County Councillor Geoff Webber asked whether an audit was due to be undertaken to look at the procedure operating in the Health and Adult Services Directorate under which debts were written-off. The Corporate Director – Strategic Resources gave a response and an undertaking which he is recorded at paragraph (b) of the Resolution to this Minute.

Resolved -

- (a) That the Internal Audit Plan for 2019/20, as set out in Appendix 1 to the report, be approved, subject to the following:- With regard to Children and Young People’s Services, 15 audit days be allocated for Home to School Transport, rather than for Adult Learning, for the purpose explained at this meeting.
- (b) That the Corporate Director – Strategic Resources keep County Councillor Geoff Webber informed of the work which is being undertaken to look at the procedure operating in the Health and Adult Services Directorate under which debts are written-off.

129. Annual Report of the Head of Internal Audit

Considered -

The report of the Head of Internal Audit which:- provided a summary of the internal audit work performed during the year ended 31 March 2019 and expressed an opinion on the overall framework of governance, risk management and control in place within the County Council; asked the Committee to consider the internal audit performance outturn for 2018/19 and the 2019/20 performance targets for Veritau; and advised of Veritau’s conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Programme.

The Head of Internal Audit, in introducing the report, highlighted that his opinion of the overall framework of governance, risk management and control operating within the County Council was that it provided “Substantial Assurance”. He also highlighted that two significant control weaknesses had been identified through internal audit work during the year. These two issues were described at paragraph 7.2 of the report and related to information security and contract management. These issues had been discussed by the Corporate Governance Officer Group. The Head of Internal Audit also highlighted that the Committee needed to be able to place reliance on his audit opinion and that Appendix 3 to the report showed the outcome of an external assessment which had been reported previously to the Committee.

In response to a Member’s question, the Head of Internal Audit confirmed that no increase in the number of audit days was planned for contract management. He explained that the contract management issues identified were being addressed and an audit follow-up was planned. If it was found that no improvement had been made, the number of audit days for contract management might need to be increased.

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 2018/19 be noted.
- (c) That the outcome of the quality assurance and improvement programme, and the confirmation that the internal audit service conforms to the Public Sector Internal Audit Standards, be noted.
- (d) That the performance outturn for 2018/19 in respect of internal audit, and the corresponding performance targets for 2019/20, be noted.

130. Annual Report on Partnership Governance 2018/19

Considered -

The report of the Assistant Director (Policy and Partnerships) concerning the governance of partnerships involving the County Council for the financial year 2018/19.

The Assistant Director (Policy and Partnerships), in introducing the report, highlighted that four partnerships had been added to the 2018/19 list of partnerships, all of which related to work with the NHS. He also highlighted that a considerable amount of planned and potential changes were taking place in the governance arrangements of key partnerships in 2019/20 and these were outlined in section 4.0 of the report.

Resolved -

- (a) That the report be received.
- (b) That the arrangements in place to ensure good governance and reporting of partnership activity be noted.
- (c) That the contents of the schedule of partnerships that are within the scope of this report as at 31 March 2019, as set out in Appendix 1 to the report, be noted.

131. Procurement and Contract Management Update

Considered -

The report of the Corporate Director - Strategic Resources which provided an update on the work of the Procurement and Contract Management Service, including key achievements, recent activity and progress on delivery of the Procurement and Contract Management Strategy.

The Head of Procurement and Contract Management introduced the report and responded to Members' questions.

Members commented that they were very pleased with the achievements of the Procurement and Contract Management Service.

Resolved -

That progress on key achievements, recent activity and delivery of the Procurement and Contract Management Strategy be noted.

132. Audit Committee Programme of Work 2019/20

Considered -

The Committee's Programme of Work identifying items of business scheduled to be considered at each of the Committee's forthcoming meetings.

The Corporate Director - Strategic Resources, in introducing the report, advised that the list of themes to be covered at Seminars, which were held at 1pm prior to the Committee's meetings, had now be exhausted. He suggested that a Seminar might be devoted to pension governance and asked Members to let him have any further suggestions. Suggestions were discussed. *(The outcome is recorded at paragraph (b) of the Resolution to this Minute.)*

There was a discussion concerning whether Friday afternoons were convenient to Members to attend Audit Committee meetings. Different views were expressed but there was no consensus of opinion. The Corporate Director – Strategic Resources advised that officers would look into the matter and have a discussion with the Chairman.

Resolved -

- (a) That the Programme of Work be approved, subject to it being noted that the Committees next meeting is on 22 July 2019 and not 26 July as shown in the programme.
- (b) That Seminars concerning the following issues be held at 1pm prior to future meetings of the Committee:-
 - Pension governance
 - Beyond 2020, including the approach to property rationalisation
- (c) That officers look into the issue of whether Friday afternoons are convenient to Members for attending Audit Committee meetings and discuss the matter with the Chairman.

The meeting concluded at 3.20pm

RAG/JR