

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

26 OCTOBER 2020

## ANNUAL REPORT OF THE AUDIT COMMITTEE

## Report of the Chair of the Audit Committee

**1.0 PURPOSE OF THE REPORT**

- 1.1 To enable Members to consider the draft annual report of the Audit Committee for the year ended 30 September 2020, prior to its submission to County Council.

**2.0 ANNUAL REPORT**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that audit committees operate effectively. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this Audit Committee is attached at **Appendix 1**. A copy of the Audit Committee's Terms of Reference is attached to the report as **Appendix A**, for information.

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Members:

- (i) note this report; and
- (ii) consider and approve the draft annual report of the Audit Committee prior to its submission to the County Council.

CHAIRMAN OF THE AUDIT COMMITTEE

**BACKGROUND DOCUMENTS**

Relevant public reports presented to the Audit Committee and minutes of the meetings of the Audit Committee

Report prepared by Max Thomas, Head of Internal Audit and presented by Cllr Clifford Lunn, Chair of the Audit Committee

County Hall  
Northallerton

30 September 2020

### PURPOSE OF THE REPORT

To provide Members of the County Council with details of the work carried out by the Audit Committee during the year ended 30 September 2020. The report also details how the Audit Committee has fulfilled its Terms of Reference during this period.

### BACKGROUND

The Audit Committee is responsible for overseeing the County Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in Schedule 1 of the Constitution under the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is attached at **Appendix A** for information.

Audit Committees are a key component of corporate governance and provide an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees are operating effectively<sup>1</sup>. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

### WORK UNDERTAKEN AND OPINION

The Audit Committee held two meetings before the start of the Covid-19 pandemic. Whilst the planned meetings in March, June, July and September 2020 had to be cancelled as a result of the pandemic, the Committee has continued to hold informal meetings. This has enabled the Committee to be kept updated on the Council's response to the pandemic, and other emerging risks and issues.

Subject to the limitations caused by the pandemic, the Committee has continued to assess the adequacy and effectiveness of the County Council's risk management arrangements, control environment and associated counter fraud arrangements through reports from officers and the internal auditors, Veritau. The Committee has also received reports from the external auditors, Deloitte.

As would be expected, the Committee has focused attention on the impact of the pandemic on the Council's priorities and risks, and its framework of controls and governance. Despite the challenges, the Audit Committee is satisfied that the County Council has maintained an adequate and effective control framework through the period covered by this report.

The specific work undertaken by the Committee is set out below.

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<sup>1</sup> CIPFA – Audit Committees Practical Guidance for Local Authorities and Police, 2018

## The Committee:

### External Audit

- 1 Received and considered the Deloitte's annual audit letter in respect of the 2018/19 audit year. The Committee was pleased to note that the external auditors had not raised any significant issues and had given unqualified audit opinions for both the County Council and the North Yorkshire Pension Fund. Deloitte had also issued an unqualified value for money conclusion and an unqualified opinion on the Whole of Government Accounts return;
- 2 Considered the external audit plan prepared by Deloitte for the audit of the 2019/20 financial statements and the review of the County Council's arrangements for securing value for money;
- 3 Held an informal private meeting with Deloitte to discuss their work;

### Internal Audit

- 4 Continued to oversee the internal audit arrangements for the County Council and North Yorkshire Pension Fund. This included approving some changes to the Audit Charter to reflect updated guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and considering the implications of the revised Statement on the Role of the Head of Internal Audit. The updated Statement represents best practice and reflects some of the challenges now facing internal audit including changes in service delivery, resourcing pressures and new technology;
- 5 Received and considered the results of internal audit work performed in respect of each Directorate and across different thematic areas. Monitored the progress made by management during the period to address identified control weaknesses;
- 6 Received the Internal Audit Plan for 2020/21. The plan ensures that limited internal audit resources are prioritised towards those systems and areas which are considered to be the most risky or which contribute most to the achievement of the County Council's corporate objectives. The Committee recognised that the plan will need to be flexible to reflect changing priorities as the County Council continues to respond to the pandemic and Covid-19 recovery plans are implemented;
- 7 Monitored the delivery of the annual Internal Audit plans through regular update reports presented by the Head of Internal Audit. Reviewed variations to the Audit plans which were considered necessary to reflect new or changed County Council priorities. The Committee also noted that new internal audit opinions and definitions had been introduced for 2020/21 audits, as recommended by CIPFA;
- 8 Received and considered the Annual Report of the Head of Internal Audit which provided an overall opinion on the County Council's control environment. The Committee noted that the work of internal audit is primarily focused on those areas which represent the highest risk for the County Council. The Head of Internal Audit confirmed that the Council's framework of governance, risk management and control provided substantial assurance. In forming this opinion, the Head of Internal Audit had considered the progress made by management during the year to address identified control weaknesses. The Head of Internal Audit also highlighted information security as being an area which required continuing attention;

- 9 Considered the outcome of the internal audit quality assurance and improvement programme (QAIP). The Committee was pleased that internal audit practices continue to meet the required professional standards and therefore continued reliance could be placed on the arrangements operating within the County Council;
- 10 Held an informal private meeting with the Head of Internal Audit to discuss the work of the internal auditors;

#### Risk Management

- 11 Continued to oversee the County Council's risk management arrangements and strategy;
- 12 Reviewed the progress made by the County Council to identify and address corporate risks. This included consideration of the updated Corporate Risk Register and the relevant mitigating actions. At the time of the report (in December 2019) a number of the existing risks had been modified to reflect developments during the year but there had been no other significant changes in the Council's key risks. The Committee recognises that since this report the Covid-19 pandemic has resulted in a significant level of strain being placed on normal operating procedures and control arrangements. Work is therefore ongoing to identify and manage the resulting changes in risk, and to address any new or emerging risks;
- 13 Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in each Directorate Risk Register. The Committee also noted the outcomes of workshops which had helped to identify risks associated with a number of specific activities or projects (for example the UCI Cycling World Championships, the formation of the Highways Teckal company and the development of the Harrogate Care Village);
- 14 The Committee was pleased to note that the County Council had received an Operational Risk award as part of the ALARM International Risk Awards 2019. The award recognised how risks had been managed as part of the 2020 Transformation Programme;

#### Corporate Governance

- 15 Considered proposed changes to the Local Code of Corporate Governance and the draft Annual Governance Statement for 2019/20, prior to their approval;
- 16 Considered other changes made or planned to the County Council's governance arrangements, particularly those made in response to the Covid-19 pandemic;
- 17 Received a report outlining the County Council's current resilience and business continuity arrangements. The report provided details of the Business Continuity Policy and Plan and how the County Council had responded to a number of recent incidents.

## Financial Statements

- 18 Considered the draft Statement of Accounts for 2019/20 of the County Council. The Committee noted that the accounts were still subject to audit by Deloitte and would be submitted for approval to the October 2020 meeting;

## Other

- 19 Provided comments on a proposed fees and charges strategy. The strategy is intended to ensure fees and charges are set consistently and subject to regular review. The strategy will also help to ensure the actual costs of providing discretionary services are properly taken into account when setting fees and charges;
- 20 Received a briefing from officers on the Council's arrangements for mitigating the risks of fraud and corruption;
- 21 Reviewed the progress which had been made by officers to address other issues raised at meetings of the Committee;
- 22 During the year, the Committee benefitted from the attendance and participation of its three independent members, David Portlock, David Marsh and Nick Grubb. I would like to extend my thanks to them for their contribution to the work of the Committee and their ongoing diligence, enthusiasm and support;
- 23 No changes are considered necessary to the Committee's Terms of Reference

Councillor Clifford Lunn  
Chairman of the Audit Committee

## AUDIT COMMITTEE

### TERMS OF REFERENCE

1. In respect of **Internal Audit**

- to approve the Internal Audit Charter, Annual Audit Plan and performance criteria for the Internal Audit Service.
- to review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary.
- to review the effectiveness of the anti-fraud and corruption arrangements throughout the County Council.
- consider the annual report from the Head of Internal Audit.
- to obtain assurance that the work of internal audit conforms to the Public Sector Internal Audit Standards.

2. In respect of **External Audit**

- to ensure the independence of External Audit is maintained
- to review the annual audit plan and monitor its delivery

3. To review, and recommend to the Executive, changes to Contract, Finance and Property Procedure Rules.

4. In respect of **financial statements**

For both the County Council and the North Yorkshire Pension Fund

- to approve the respective annual Statements of Final Accounts
- to receive and review the Annual Audit Letters and associated documents issued by the External Auditor
- to review changes in accounting policy

5. In respect of **Corporate Governance**

- to assess the effectiveness of the County Council's Corporate Governance arrangements
- to review progress on the implementation of Corporate Governance arrangements throughout the County Council
- to approve Annual Governance Statements for both the County Council and the North Yorkshire Pension Fund
- to liaise, as necessary, with the Standards Committee on any matter(s) relating to the Codes of Conduct for both Members and Officers
- to work with the Standards Committee to promote good ethical standards within the County Council
- to review the arrangements in place for ensuring good governance in the County Council's key partnerships and owned companies

6. In respect of **Risk Management**

- to assess the effectiveness of the County Council's Risk Management arrangements.
- to review progress on the implementation of Risk Management throughout the County Council.

7. In respect of **Information Governance**

- to review all corporate policies and procedures in relation to Information Governance.
- to oversee the implementation of Information Governance policies and procedures throughout the County Council.

8. In respect of **Treasury Management**

- to be responsible for ensuring effective scrutiny of the County Council's Treasury Management strategy and policies as required by the CIPFA Treasury Management Code of Practice.
- To review these Treasury Management strategies, policies and arrangements and make appropriate recommendations to the Executive.

9. In respect of **Value for Money**

- to have oversight of the arrangements across the County Council in securing Value for Money.

10. To consider any other relevant matter referred to it by the County Council, Executive or any other Committee. In addition any matter of concern can be raised by this Committee to the full County Council, Executive or any other Member body.

11. To exercise all functions in relation to the making and changing of policy relating to such audit and counter-fraud matters which fall within the remit of the Committee (save as may be delegated otherwise).

12. To periodically review the effectiveness of the Audit Committee itself.

13. To meet not less than four times a year on normal business and review its Terms of Reference on an annual basis.