

# North Yorkshire County Council

## Audit Committee

Minutes of the remote meeting held on Monday 26 October 2020 at 1.30 pm

This meeting was live broadcast on the North Yorkshire County Council YouTube site and a recording is available using the following link - <https://www.northyorks.gov.uk/live-meetings>

### 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

#### Independent Members of the Committee:-

Mr Nick Grubb, Mr David Marsh and Mr David Portlock

### In Attendance:-

County Councillor Gareth Dadd (Deputy Leader of the County Council)

Deloitte Representatives: Nicola Wright, Nick Rayner and Rachel Reynolds

Veritau 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 Service), David Bowe (Corporate Director – Business and Environmental Services), Karl Battersby (Corporate Director – Business and Environmental Services designate), Amanda Alderson (Senior Accountant), Kevin Draisey (Head of Procurement and contract Management), Howard Emmett (Assistant Director – Strategic Resources (CYPS)), Karen Iveson (Assistant Director – Central Services), Neil Irving (Assistant Director – Policy, Performance and Communities), Michael Leah (Assistant Director – Strategic Resources (BES)), Robert Ling (Assistant Director – Technology and Change), John Raine (Head of Technical Finance), Fiona Sowerby (Head of Insurance and Risk Management) and Ruth Gladstone (Democratic Services)

### Apology for Absence:-

An apology for absence was received from County Councillor Carl Les (Leader of the County Council).

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

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## 160. Minutes

### Resolved -

That the Minutes of the meeting held on 20 December 2019, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**161. Declarations of Interest**

No declarations of interest were made at this stage of the meeting. (*See also Minute 165.*)

**162. Public Questions or Statements**

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

**163. 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 and Treasury Management matters that had arisen since the Committee's previous meeting.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report and responded to Members' questions. During discussion, Gary Fielding confirmed that no borrowings had been used to fund any commercial investment.

**Resolved -**

That the report be noted.

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

Considered -

(a) The report of the Head of Internal Audit which advised of the internal audit work performed during the period 1 December 2019 to 30 September 2020 for the Business and Environmental Services Directorate.

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

The Chairman welcomed Karl Battersby (Corporate Director – Business and Environmental Services designate) to his first meeting of the Committee.

Max Thomas (Head of Internal Audit) introduced the report at (a) and responded to Members' questions. During discussion, Michael Leah (Assistant Director – Strategic Resources (BES)) confirmed that the actions relating to the exit plan for the maintenance contract with Ringway Infrastructure Services had been completed.

David Bowe (Corporate Director – Business and Environmental Services) introduced the report at (b) and, together with Michael Leah (Assistant Director – Strategic Resources (BES)), responded to Members' questions.

The Chairman, on behalf of Members, wished David Bowe (Corporate Director – Business and Environmental Services) a long and happy retirement and thanked him for all his work.

**Resolved -**

- (a) 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.
- (b) That the salient points relating to the Business and Environmental Services Directorate, together with the Directorate's Risk Register, be noted.

**165. Children and Young People's Service Directorate - Internal Audit Work and Control Matters**

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

Considered -

- (a) The report of the Head of Internal Audit which advised of the internal audit work performed during the period 1 June 2019 to 30 September 2020 for the Children and Young People's Service Directorate.
- (c) The report of the Corporate Director - Children and Young People's Service which provided an outline of some of the key service risks and governance related issues within the Directorate, together with the updated Risk Register for the Children and Young People's Service (CYPS) Directorate.

Max Thomas (Head of Internal Audit) introduced the report at (a) and responded to Members' questions.

Stuart Carlton (Corporate Director – Children and Young People's Service), together with Howard Emmett (Assistant Director – Strategic Resources (CYPS)), introduced the report at (b) and responded to Members' questions. Officers confirmed that a further review of the Risk Register was currently underway. Officers also confirmed that school funding remained a risk and that action was being taken by the Council to support, challenge and, where necessary, intervene in local authority maintained schools that had financial difficulties in order to reverse financial deficits.

**Resolved -**

- (a) 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 Children and Young People's Service Directorate is both adequate and effective.
- (b) That the salient points relating to the Children and Young People's Service Directorate, together with the Directorate's Risk Register, be noted.

**166. 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 period 1 September 2019 to 30 September 2020 in respect of information technology, corporate themes and contracts.

Max Thomas (Head of Internal Audit) introduced the report and, together with Robert Ling (Assistant Director –Technology and Change), responded to Members' questions.

**Resolved -**

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 respect of information technology, corporate themes and contract arrangements is both adequate and effective.

**167. External Auditor Reports about the 2019/20 Audits of North Yorkshire Pension Fund and North Yorkshire County Council**

Considered -

Two reports of Deloitte which summarised the key findings arising from the 2019/20 external audits of North Yorkshire Pension Fund and North Yorkshire County Council.

Nicola Wright asked for her thanks to be placed on record to the County Council's Finance Team for working so positively with Deloitte on these audits which had had to be undertaken remotely during lockdown and when the Finance Staff had been under pressure due to additional tasks relating to Covid-19.

Nicola Wright (Audit Partner, Deloitte) and Rachel Reynolds (Audit Manager, Deloitte) introduced the report relating to the audit of North Yorkshire Pension Fund.

Nicola Wright (Audit Partner, Deloitte) and Nick Rayner (Senior Manager, Deloitte) introduced the report relating to the audit of North Yorkshire County Council.

Gary Fielding (Corporate Director – Strategic Resources) advised that he agreed with Nicola Wright's comments that this had been a very difficult year. He welcomed Nicola Wright's comments about the good work undertaken by the County Council's Finance Team and advised that he appreciated the flexibility that Deloitte colleagues had had to deploy.

**Resolved -**

That the reports be noted.

**168. Report following the Detailed Review of the draft Statement of Final Accounts (incorporating the Annual Governance Statement) for 2019/20**

Considered -

The report of the Members' Working Group setting out the Group's recommendation concerning the Annual Governance Statement 2019/20 and the Statement of Final Accounts 2019/20.

Mr David Portlock (External Member) introduced the report and highlighted that, at the time of the Members' Working Group's review and collation of this report, the findings of the External Auditor had not been available. However, having noted the External Auditor's reports and presentations to this meeting, and having had a discussion with Deloitte that morning regarding a few issues within the reports, he was now happy to be able to confirm the recommendation set out at paragraph 9.3 on page 160 which was that, when Members consider the next item of business at this meeting, the recommendation was that they should approve the Statement of Final Accounts and the Annual Governance Statement for 2019/20.

Mr David Portlock expressed his thanks, and the appreciation of the Members' Working Group, to the officers who had interacted with the Group for their willingness, transparency and engagement throughout the difficult times and circumstances within which the Finance Team had had to operate.

Gary Fielding (Corporate Director – Strategic Resources) expressed his thanks to Mr David Portlock for all the work he had undertaken and the way and manner in which he had performed that work. Members of the Committee endorsed those comments.

**Resolved -**

That the report be noted.

**169. Statement of Final Accounts for 2019/20 including Letter of Representation**

Considered -

The report of the Corporate Director - Strategic Resources which invited the Committee to approve:- the Letter of Representation to the External Auditor; the Statement of Final Accounts for 2019/20 following completion of the external audit of those accounts; and the Annual Governance Statement for 2019/20.

Gary Fielding (Corporate Director – Strategic Resources) paid tribute to the work of John Raine (Head of Technical Finance) and his staff for their work regarding the Statement of Final Accounts.

Gary Fielding (Corporate Director – Strategic Resources), together with John Raine (Head of Technical Finance), introduced the report, highlighting that there had been some very minor presentational changes to the Statement of Final Accounts since its publication for this meeting. Gary Fielding and John Raine responded to Members' questions.

During discussion, County Councillor Geoff Webber suggested that the County Council should publish, as an appendix (and redacted as appropriate), information and findings of Ombudsman investigations. Gary Fielding (Corporate Director – Strategic Resources) highlighted that Ombudsman investigations about matters of sufficient magnitude were already submitted to the Executive and that quarterly Performance Reports included information about the numbers of complaints and commendations received and the numbers of complaints to the Ombudsman. Max Thomas (Head of Internal Audit) advised that, in some councils, such information was also taken to their audit committee and that this provided another forum for discussion about the management of complaints rather than about the complaints themselves. Gary Fielding undertook to consider County Councillor Geoff Webber's suggestion and to get back to him with a response.

Members noted that the external audits of the 2019/20 accounts had not yet concluded and it was possible that new issues might arise in forthcoming days. Nicola Wright advised that Deloitte's expectation was that, once having concluded their work, they would re-issue their report with all the outstanding issues omitted, together with the Management Representation Letter.

The Committee discussed and agreed arrangements to be applied if new issues arose from the concluding work on the external audit of the accounts. The Committee's decision is recorded at paragraph (d) of the Resolution to this Minute.

Note: A named vote was taken and all eight County Councillor Members of the Committee voted in favour of the following Resolution. (External Members do not have voting rights.)

**Resolved -**

- (a) That, subject to (d) of this Resolution, the Chairman, on behalf of the Audit Committee, be authorised to sign the Letter of Representation as set out at Appendix A to the report.
- (b) That, subject to (d) of this Resolution, in relation to the Statement of Final Accounts 2019/20:-
  - (i) The changes to the Final Statement of Final Accounts, as described in paragraph 4 of the report and Appendix B to the report, be noted.
  - (ii) The Final Statement of Final Accounts be approved.
  - (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, subject to (d) of this Resolution, the Annual Governance Statement 2019/20 be approved and the Chairman be authorised to sign, on the Committee's behalf, the Annual Governance Statement.
- (d) That, arising from Deloitte's work to conclude the external audit of the accounts:-
  - (i) It be noted that Deloitte expects:- (1) the Statement of Accounts to be changed if material issues arise; and (2) if there are small disclosures which the Corporate Director – Strategic Services chooses not to amend, these will be included in the Letter of Representation.
  - (ii) If only minor issues arise:- (1) the Statement of Final Accounts and/or the Letter of Representation be amended in accordance with authority hereby delegated to the Corporate Director – Strategic Resources in consultation with the Chairman of the Audit Committee; and (2) the Corporate Director – Strategic Resources, following consultation with the Chairman of the Committee, be authorised to sign the Letter of Representation.
  - (iii) If material issues arise, another meeting of the Audit Committee be convened as a matter of urgency.
  - (iv) All Members of the Audit Committee be informed of the individual items which Deloitte identify during their work to conclude the accounts and also be advised of any amendments which have been made to the documents and be invited to make any representations.

**170. Annual Report of the Audit Committee**

**Considered -**

The report of the Chairman of the Audit Committee which invited Members to consider a draft of the Committee's annual report for the year ended 30 September 2020 for submission to a meeting of the County Council.

**Resolved -**

- (a) That the report be noted.

- (b) That the draft annual report of the Audit Committee, as appended to the report, be approved for submission to the County Council.

**171. Progress on 2020/21 Internal Audit Plan**

Considered -

The report of the Head of Internal Audit which advised of progress made to date in delivering the 2020/21 Internal Audit Plan and developments likely to impact on the Plan throughout the remainder of the financial year.

Max Thomas (Head of Internal Audit) introduced the report and responded to Members' questions.

**Resolved -**

That the progress made in delivering the 2020/21 Internal Audit programme of work be noted.

**172. Counter Fraud and Associated Matters**

Considered -

The report of the Head of Internal Audit concerning counter fraud performance in 2019/20, the new Counter Fraud Strategy, and the outcome of the Annual Fraud Risk Assessment.

Max Thomas (Head of Internal Audit) introduced the report and responded to Members' questions.

Members advised that they would like to see, in future reports, an overview, with names redacted, of cases of suspected fraud and malpractice within the County Council. They explained that they felt it important that Members were aware of how cases of fraud came to be. The Corporate Director – Strategic Resources undertook to discuss this with the Head of Internal Audit but highlighted this should be done on the basis of learning being developed to prevent fraud occurring in the future. The Head of Internal Audit highlighted that some of the cases in the report before this meeting were currently live and therefore care needed to be taken.

**Resolved -**

- (a) That counter fraud performance in 2019/20 be noted.
- (b) That the updated Counter Fraud Strategy be approved.
- (c) That the outcome of the Annual Fraud Risk Assessment be noted.

**173. Business Continuity - Update Report**

Considered -

The report of the Assistant Director - Policy, Partnerships and Communities which provided an overview of, and continued assurance regarding, the business continuity arrangements within North Yorkshire County Council.

Neil Irving (Assistant Director Policy, Partnerships and Communities) introduced the report and responded to Members' questions.

**Resolved -**

That the business continuity arrangements across the Council and with partners be noted.

**174. Redmond Review of Local Authority Financial Reporting and Audit**

Considered -

The report of the Corporate Director - Strategic Resources which provided an update on the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (The Redmond Review).

Gary Fielding (Corporate Director – Strategic Resources) introduced the report and responded to Members' questions.

Nicola Wright (Deloitte) highlighted that timing was a particularly interesting issue due to the number of auditors who were available with the relevant specialisms of working in the public sector and this had led, in the previous couple of years, to capacity issues and some cases of the 31 July deadline being missed. Nicola Wright also highlighted that external audit fees within local government had reduced over recent years and would need to be revisited in due course to reflect the pressure now on external auditors.

During discussion, Members expressed the following opinions:- the Statement of Final Accounts was impenetrable to the public and to many elected Members; it was wasteful to create documents which the vast majority of people did not understand; creating another document would be one more document to audit and would add to the bulk of the paperwork; Members preferred to get the accounts approved by 31 July in order to focus on other issues; it was not a good use of an Audit Partner's time, or external audit fees, for the External Auditor to attend a meeting of full Council to present a report

**Resolved -**

That the update be noted.

**175. Audit Committee Work Programme**

Considered -

The Committee's Work Programme which identified items of business scheduled for consideration at each of the Committee's forthcoming meetings.

**Resolved -**

- (a) That the Work Programme be noted.
- (b) That training sessions for Committee Members be recommenced in 2021.

The meeting concluded at 4pm.

RAG/JR