

North Yorkshire County Council

Audit Committee

Minutes of the remote informal meeting held on Monday, 28th June, 2021 commencing at 1.30 pm.

County Councillor Cliff Lunn in the Chair plus County Councillors Karl Arthur, Margaret Atkinson, Robert Baker, Jim Clark and David Hugill, and Mr Nick Grubb, Mr David Marsh and Mr David Portlock.

In attendance: County Councillors Carl Les and Paul Haslam.

Officers present: Gary Fielding, Max Thomas, Vicki Dixon, Ruth Gladstone, Karen Iveson, John Raine and Fiona Sowerby.

Other Attendees: Nicola Wright and Nick Rayner (Deloitte).

Copies of all documents considered are in the Minute Book

201 Minutes of the Committee Meeting held on 22nd March 2021

Resolved –

That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers - That the Minutes of the meeting of Audit Committee held on 22 March 2021, having been printed and circulated, be signed as a correct record.

202 Declarations of Interest

There were no declarations of interest.

203 Public Questions or Statements

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

204 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 that the Committee had raised at previous meetings and Treasury Management matters.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report, highlighting the following:-

- The three training sessions requested on 20 December 2019 had now been held or were organised.
- Virtual training sessions could be held at any time and not necessarily immediately prior to Audit Committee meetings. The key issue was achieving good attendance at training.
- The CIPFA Financial Management Code was part of the SOFA Update to today's meeting. The same arrangement would be put in place for future meetings.

- Treasure Management training was arranged for 30 June 2021.
- Follow-up training on governance of external companies would be arranged and incorporated in the Committee's work programme.

In response to questions, Gary Fielding and John Raine (Head of Technical Finance) provided the following information:-

- If interest rates were to increase, there would be no direct impact on the Council's current borrowing because all current borrowing was at a fixed rate. However, an increase in interest rates in order to tackle inflation would tend to have a negative impact on the Councils' finances, especially if affecting the Care sector.
- Gary Fielding undertook to contact Mr David Marsh (External Member) outside this meeting to provide information regarding governance of the teckal company.

Resolved –

That the report be noted.

205 Draft Statement of Accounts 2020/21

Considered –

The report of the Corporate Director – Strategic Resources which invited the Committee to consider the draft Statement of Final Accounts (SOFA) for 2020/21, together with the creation of a Working Group to provide further overview of the draft SOFA and supporting documentation.

John Raine (Head of Technical Finance) introduced the report, highlighting that the draft SOFA would be audited by the External Auditor (Deloitte) between July and September 2021 and be re-submitted to Audit Committee for formal approval on 20 September 2021 after the external audit had been completed.

Members discussed membership of the proposed Working Group. Gary Fielding advised that the Working Group would carry out its work electronically. County Councillor Margaret Atkinson volunteered to be involved in the Working Group but added that she had additional responsibilities to undertake this year as Vice-Chairman of the County Council. County Councillor Karl Arthur also volunteered to be involved in the Working Group on the understanding that meetings could be organised around his shift work.

Resolved –

That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers -

- (a) That a Working Group be created to support the Audit Committee in providing overview of the Draft Statement of Accounts 2020/21 and associated governance documents in advance of the accounts being audited and resubmitted to the Audit Committee's meeting on 20 September 2021 for formal approval.
- (b) That the following Audit Committee Members and External Member be appointed to serve on the Working Group at part (a) of this decision:-
 - County Councillor Cliff Lunn (Chairman)
 - County Councillor Karl Arthur
 - County Councillor Margaret Atkinson
 - Mr David Portlock

206 Value for Money

Considered –

The report of the Corporate Director – Strategic Resources which invited the Committee to consider the ongoing arrangements made within the County Council in respect of achieving Value for Money, and how overall assurance was obtained about the effectiveness of the arrangements.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report.

Members raised several issues, to which Gary Fielding responded. The issues raised included the following:-

- The framework could be used to address the objective which an organisation wished to achieve eg the objective of achieving a circular economy to protect the globe and natural assets. The organisation would firstly need to describe that as a particular outcome it wanted to achieve. Subsequently, it would measure how effective it was in achieving that objective by looking at the resources it had put into that. A good organisation needed to understand its decision-making and how it contributed to value for money.
- Regarding property requirements following Local Government Review, Gary Fielding felt that it was highly unlikely that the new Council or Councils would require the same property footprint as at present because:- (a) the new Council/Councils would require less property; (b) it was financially advantageous to reduce a property footprint; and (c) it would be environmentally advantageous to reduce a property footprint to focus on the most energy efficient buildings.
- The County Council scored well, compared to other councils, in sourcing local supplies. The use of local supplies was part of the Procurement Strategy reflecting an increased emphasis on social value. Consequently, the County Council might conduct business with a local supplier who was slightly more expensive because they delivered greater social value.
- On Local Government Review, whether there would be a staff reskilling program to ensure staff at potential risk had the opportunity to look into going into any growth areas, was an issue for the new Council or Councils. Gary Fielding felt that the new Council or Councils would be acutely aware of this, depending on where savings had to be made. The Council or Councils would likely want to try to minimize redundancy costs and would therefore look to redeploy wherever possible.
- The County Council had systems in place to maximise the lifetime cost, and the lifetime benefits, of many different types of County Council assets. Examples were the Corporate Property function, the Integrated Passenger Transport function, the centralised IT function, and the central Business Support function.

Resolved –

- (a) That it be noted that this Committee has reviewed the arrangements currently in place for assuring value for money.
- (b) That no areas be identified for further development of the assurance arrangements.

- (c) That it be noted that Members are satisfied that the report presented to this meeting adequately contributes to the requirements of fulfilling the Audit Committee's terms of reference as set out at paragraph 3.1 of the report.

207 Corporate Governance

Considered –

The report of the Corporate Director – Strategic Resources which advised of progress and improvements on Corporate Governance related matters and the governance arrangements and changes which had been made due to the Coronavirus pandemic.

Fiona Sowerby (Head of Insurance and Risk Management) introduced the report, highlighting the following issues:-

- The Local Code of Corporate Governance considered at the Committee's meeting on 22 March 2021 had been approved and was now available on the County Council's website.
- The Annual Governance Statement was included in the draft Statement of Final Accounts 2020/21 and reflected the latest CIPFA governance guidance "Bulletin 06 Application of the Good Governance Framework 2021".
- Information about other developments in 2020/21, the Corporate Governance checklist summary of improvements, together with governance arrangements and changes made due to the coronavirus pandemic, were set out in the report.

Fiona Sowerby and Gary Fielding responded to Members' questions and gave detailed explanations of the arrangements in place:- (a) for this Committee to liaise, as necessary, with the Standards Committee on matters relating to the Codes of Conduct for both Members and Officers; and (b) how/by whom the governance checklist was updated. Mr David Portlock commented that he was happy with the arrangements, as explained.

Fiona Sowerby provided confirmation that the County Council's governance arrangements would pick-up the County Council's plans around climate change.

Resolved –

- (a) That the progress on Corporate Governance related matters be noted.
- (b) That the improvements which have been made, and that are to be made, in Corporate Governance, as set out in Appendix A, be noted.
- (c) That the governance arrangements and changes made due to the Coronavirus pandemic be noted.

208 Annual Report of the Head of Internal Audit

Considered –

The annual report of the Head of Internal Audit which summarised the internal audit work performed during the year ended 31 March 2021, set out the opinion of the Head of Internal Audit on the overall framework of governance, risk management and control in place within the County Council, and advised of Veritau's conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Plan.

Max Thomas (Head of Internal Audit) introduced the report, highlighting the following:-

- (a) His opinion regarding the overall framework of governance, risk management and

- control in place within the County Council was “Substantial Assurance”. He had placed no reliance on the work of other assurance bodies in coming to that opinion.
- (b) The full impact of the Coronavirus pandemic was not yet known, although Veritau had identified no particular issues through its audit work.
 - (c) There was one significant control issue of relevance to the preparation of the 2020/21 Annual Governance Statement. That issue was Information Security. This had been identified in the previous year, and for a number of years. The County Council was undertaking a lot of work to try to mitigate the risks around Information Security, although it remained a significant risk for the County Council.

Members questioned Max Thomas on the following issues:-

- David Portlock asked Max Thomas how he had avoided giving a “Limited Assurance” or “Limited Scope” opinion when Veritau had undertaken no audit work during the first quarter of the year, 7 audit reports were still in draft and had not yet been finalised, and, in respect of Central Services, only two reports had been issued in the year. Max Thomas responded that CIPFA had provided guidance to Heads of Internal Audit, which he had followed. He had taken the view that the County Council, before the pandemic, had been in a very strong position and Veritau had no significant concerns about controls or risk management within the County Council. Internal Audit work had been paused during the pandemic but had not stopped altogether. Instead Veritau had put a lot of resources into providing advice and supporting County Council services. Throughout the year, Veritau had been engaged with the County Council’s senior management and there was nothing which had suggested that the framework was not as good as previously. Max Thomas added that, in his view, the County Council had responded incredibly well to the pandemic. Whilst Veritau had issued fewer final reports during the year compared to previous years, assurance could still be taken from audit work at draft report stage or where fieldwork was substantially complete. Nothing had been identified which suggested that there were major issues.
- At Members’ request, Max Thomas provided examples of “flexible audit planning arrangements”. He explained that it was a new approach which was being used by many Internal Auditors across the country and meant that, rather than having a very detailed audit plan drawn up some months before the start of the year, there was a much more high level work programme which would be continually reviewed and updated. Under the new approach, Veritau would prioritise work to align with the County Council’s risks and consequently some audits that were originally in the work programme might be dropped and other audits would come in. Many of the audits would be shorter and more focused than previously, making for a more flexible audit process which hopefully would provide greater benefit and value to the County Council. Max Thomas added that, in terms of reporting back to the Audit Committee, he envisaged that Veritau would provide more detail on the prioritisation and re-prioritisation of Veritau’s work programme to ensure that the Committee would know what Veritau was working on at that time, in the near future, and later in the year. This would inform the Committee of the focus of Internal Audit work.

Resolved –

- (a) That the “Substantial Assurance” opinion of the Head of Internal Audit regarding the overall framework of governance, risk management and control operating within the County Council, as set out in Appendix 1 to the report, be noted.
- (b) That the significant control issue which is recommended for inclusion in the 2020/21 Annual Governance Statement 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.

209 Counter Fraud Annual Report

Considered –

The report of the Head of Internal Audit which provided an update on counter fraud matters, developments in the County Council's arrangements to minimise fraud risk, and details of work completed and related performance in 2020/21.

Max Thomas (Head of Internal Audit) introduced the report, highlighting that, despite the Coronavirus pandemic, Veritau's Counter Fraud Team had helped the County Council deliver £93k of counter fraud savings in 2020/21, against an annual target of £50k. In addition, Veritau had completed 46 investigations in 2020/21, with successful outcomes achieved in 54% of cases. Most of the savings had come from Adult Social Care. Two whistleblowing reports had been received during the year which Veritau had looked into. Veritau had also undertaken a range of other work and activities designed to help prevent and detect fraud against the County Council, details of which were appended to the report.

David Portlock congratulated Max Thomas on the recognition of the work of Veritau's Counter Fraud Team in being nominated as a finalist for outstanding team in the Tackling Economic Crime Awards.

In response to Members' questions, Max Thomas confirmed that Veritau publicised its success in counter fraud as a deterrent, particularly in liaison with District Councils around Council Tax fraud.

Resolved –

That the recent developments in the County Council's counter fraud arrangements, and the work completed in 2020/21 to prevent, detect and investigate fraud, be noted.

210 2021/22 Internal Audit Plan

Considered –

The report of the Head of Internal Audit which sought Members' support for approval of the Internal Audit programme of work for 2021/22.

Max Thomas (Head of Internal Audit) introduced the report, highlighting that the draft plan had been considered at the Committee's meeting on 22 March 2021. Subsequently, the consultation exercise had been completed and no substantive changes had been made. Max Thomas highlighted that this was a high level work programme which was intended to be flexible. Veritau would keep the programme under review and would adopt it to align with the County Council's risks.

Resolved –

That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers – That the Internal Audit Plan for 2021/22, as set out at Appendix 1 of the report of the Head of Internal Audit, be approved.

211 Central Services Directorate - Internal Audit Work

a

Considered –

The report of the Head of Internal Audit which advised of the Internal Audit work performed during the year ended 31 May 2021 for the Central Services Directorate.

Max Thomas (Head of Internal Audit) introduced the report, highlighting that Veritau had provided advice and support to the Central Services Directorate during the year and had issued two reports regarding the Directorate, details of which were appended to the report.

Resolved –

That it be noted that Members, having considered the information in the report, are satisfied that the internal control environment operating in the Central Services Directorate is both adequate and effective.

211 Central Services Directorate - Internal Control Matters

b

Considered –

The report of the Corporate Director – Strategic Resources which provided an update on issues and progress on governance related areas identified within the Central Services Directorate, together with details of the Directorate's latest Risk Register.

Vicki Dixon (Assistant Director – Strategic Resources) introduced the report.

Vicki Dixon and Gary Fielding responded to Members' questions, confirming that:- the County Council experienced difficulties recruiting to certain posts, for example, in IT, Procurement, HR, Finance, Legal and also Care Staff; the County Council utilised the Government's Apprentice Scheme and the Kickstart Scheme. At a Member's request, Vicki Dixon provided more detail about the work being undertaken to support the Council's aspiration to achieve carbon neutrality by 2030 (risk reference 15/243).

Resolved –

(a) That the position on the Central Services Directorate key governance issues be noted.

(b) That the Directorate Risk Register for the Central Services Directorate be noted.

212 Programme of Work 2020/21

Considered –

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

Gary Fielding (Corporate Director – Strategic Resources) introduced the report and added that he wished to discuss, outside this meeting, when training sessions should be held and to ensure that the content was correct.

Resolved –

That the Work Programme be noted.

The meeting concluded at 3.15 pm.