

# North Yorkshire County Council

## Audit Committee

Minutes of the meeting held on Monday, 27th June, 2022 commencing at 1.30 pm at County Hall, Northallerton.

Committee Members present: County Councillor Cliff Lunn in the Chair; plus County Councillors Alyson Baker, Philip Broadbank, George Jabbour, Nigel Knapton, Andy Paraskos (as Substitute for Mark Crane), Stuart Parsons (as Substitute for Lindsay Burr MBE), Karin Sedgwick, Neil Swannick, and Matt Walker, and Mr David Marsh and Mr David Portlock

In attendance: County Councillor Carl Les

Officers present: Stuart Carlton, Howard Emmett, Gary Fielding, John Raine, Fiona Sowerby, Max Thomas and Ruth Gladstone

Other Attendees: Nick Rayner (Deloitte)

Apology: Mr Nick Grubb

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

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### **1 Minutes of the informal remote meeting of the Committee held on 21 March 2022**

#### **Resolved –**

That the Minutes of the informal remote meeting held on 21 March 2022 be taken as read and be confirmed and signed by the Chairman as a correct record.

### **2 Election of Vice-Chairman**

#### **Resolved –**

That, subject to the approval of full Council, County Councillor George Jabbour be elected Vice-Chairman of the Committee, to serve until the Council elections in 2027.

### **3 Declarations of Interest**

There were no declarations of interest.

### **4 Public Questions or Statements**

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

### **5 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 other matters

that had arisen, relating to the work of the Committee, since the Committee's previous meeting.

Gary Fielding (Corporate Director – Strategic Resources), in introducing the report, suggested that, in preparation for this Committee being asked, in summer/autumn 2023, to sign-off the accounts of the County Council and of each of the seven district/borough councils, that informal, virtual briefings should be organised between Members of this Committee and the Chairman of each district/borough council's Audit Committee and that council's Monitor Officer. Members expressed support for that suggestion and commented that one briefing might be arranged to consider one district/borough council, followed by two further briefings for considering three district/borough councils at each. Gary Fielding undertook to consider whether the External Auditor of each district/borough council should also be invited to attend.

A Member questioned whether it was appropriate for the Leader of the County Council to be in attendance at Audit Committee meetings on the grounds that the Committee should be independent and the presence of the Leader might suggest otherwise. The Chairman and other Members made the following comments in response: the political whip was not applied in Audit Committee; the Committee's Chairman had invited the Leader to be present; and the Committee's meetings were open to members of the public. The Chairman asked for the situation to be considered further and, if necessary, be brought back to a future meeting.

#### **Resolved –**

- (a) That the report be noted.
- (b) That three virtual, informal briefings be arranged for the purpose described in the second paragraph of the preamble to this minute.
- (c) That the attendance of the Leader of the County Council at Audit Committee meetings be considered further and, if necessary, be brought back to a future meeting.

## **6 Audit Committee Terms of Reference / Review of Effectiveness / Co-opted Members**

Considered: The report of the Corporate Director – Strategic Resources asking the Committee to consider whether any changes to the Committee's terms of reference were required to improve the Committee's effectiveness, and whether the term of appointment of the existing Independent Co-opted Members of the Committee should be extended.

Gary Fielding (Corporate Director – Strategic Resources) undertook to circulate to Members the training programme for audit committee chairs and members, to be provided by the Department for Levelling Up, Housing and Communities and the LGA.

During Members' discussion regarding the Committee's effectiveness, Mr David Portlock and Mr David Marsh advised that they did not wish to have voting rights on the Committee because they were not democratically elected. However, they felt fully able to express their opinions during the Committee's meetings.

Note: Mr David Portlock and Mr David Marsh left the meeting whilst the Committee considered whether the term of appointment of the Committee's existing Independent Co-opted Members should be extended. (Mr Nick Grubb had submitted an apology for absence for this meeting.)

During discussion concerning the term of appointment of the Committee's Independent Co-opted Members, Gary Fielding highlighted that any extension would be dependent on

existing Co-opted Members confirming that they remained eligible for appointment eg they were not affiliated to any political party and remained resident in, or had some other connection with, North Yorkshire.

**Resolved –**

- (a) That no change be sought, at this time, to the Committee's terms of reference.
- (b) That, subject to the approval of full Council, the existing term of appointment of the three Independent Co-opted Members of the Committee be extended to 30 November 2023.

**7 Annual Report of the Head of Internal Audit**

Considered: The Annual Report of the Head of Internal Audit which provided a summary of the internal audit work performed during the year ended 31 March 2022 and expressed an opinion on the overall framework of governance, risk management and control in place within the County Council. It also advised of Veritau's conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Programme.

Max Thomas (Head of Internal Audit), in introducing the report, highlighted his recommendation that Information Security was a significant control issue and should be included in the 2021/22 Annual Governance Statement. Information Security continued to be a significant risk despite all actions taken previously. In response to a question, Max Thomas advised that the serious data breaches which had occurred would not prevent him from providing a Substantial Assurance opinion because the County Council was aware of the risk of Information Security.

In responding to Members' questions, Max Thomas advised that "no opinion" was different to "no assurance", and that "no opinion" was used for a variety of reasons, for example, when only one small area had been audited.

A Member highlighted the need for Information Governance policies to reflect home working by staff.

**Resolved –**

That the following be noted:-

- (a) 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 at Appendix 1 to the report;
- (b) the significant control issue which is recommended for inclusion in the 2021/22 Annual Governance Statement; and
- (c) 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.

**8 Internal Audit Plan 2022/23**

Considered: The report of the Head of Internal Audit which sought approval of the internal audit programme of work for 2022/23, a copy of which was appended to the report.

During discussion, Max Thomas (Head of Internal Audit) advised that the reduction in audit days for the Health and Adult Services Directorate and the Children and Young Peoples' Services Directorate represented a change of focus in the work which internal audit was performing in connection with Local Government Review.

**Resolved –**

That the Internal Audit Plan for 2022/23 be approved.

**9 Draft Statement of Final Accounts 2021/22**

Considered: The report of the Corporate Director – Strategic Resources which invited the Committee to consider a draft Statement of Final Accounts (SOFA) for 2021/22 for the County Council in advance of the accounts being audited by Deloitte between July and November 2022 and being re-submitted to the Committee for formal approval at the meeting on 28 November 2022 after the external audit had been completed. The report also asked the Committee to consider setting up a Corporate Governance Working Group to provide further overview of the SOFA for 2021/22 and supporting documentation.

In response to Members' questions, Gary Fielding (Corporate Director – Strategic Resources) advised that he would wish to cover the County Council's Revenue and Capital Outturn for 2021/22 during the Committee's forthcoming Seminar concerning Local Government Review and the Medium Term Financial Strategy.

Mr David Portlock commended John Raine and his team for all the efforts they had made in preparing the draft Statement of Final Accounts and Annual Governance Statement in time for consideration at this meeting, especially in view of their involvement in Local Government Review.

**Resolved –**

- (a) That the draft Statement of Final Accounts for 2021/22, as appended to the report, be noted.
- (b) That a Working Group be created to support the Audit Committee in reviewing the County Council's Statement of Final Accounts for 2021/22 and associated governance documents and submit a report for consideration in advance of the Committee considering the Statement of Final Accounts at its meeting on 28 November 2022, and that County Councillors Cliff Lunn, Philip Broadbank, George Jabbour and Stuart Parsons, together with Mr David Portlock (non-voting), be appointed to the working group.

**10 Corporate Governance**

Considered: The report of the Corporate Director – Strategic Resources concerning progress and improvements regarding Corporate Governance related matters, governance arrangements and changes made due to the Coronavirus pandemic, and the governance arrangements for the transition programme for Local Government Reorganisation.

The report was presented by Fiona Sowerby (Head of Insurance and Risk Management).

**Resolved –**

That the following be noted:-

- (a) progress on Corporate Governance related matters;
- (b) the improvements that have been made, and that are to be made, in Corporate Governance;
- (c) the governance arrangements and changes made due to the coronavirus pandemic; and
- (d) the governance arrangements for the transition programme for Local Government Reorganisation.

## **11 Counter Fraud Annual Report**

Considered: The report of the Head of Internal Audit concerning counter fraud developments, arrangements and work being undertaken, and inviting the Committee to approve the amended Whistleblowing Policy and the Counter Fraud and Corruption Policy.

During discussion, a Member highlighted that the Whistleblowing Policy made several references to meetings taking place and notes being made of such meetings. However, there were no references to enabling the whistle-blower to counter-sign those notes. Max Thomas undertook to take that comment on board, whilst advising that some whistleblowing complaints received were anonymous and, in some cases, employees wished only to report the issue to Veritau to take forward and did not wish to engage with the process.

### **Resolved –**

- (a) That the recent developments in the County Council's counter fraud arrangements, approach to local government reorganisation, and the work completed in 2021/22 to prevent, detect and investigate fraud, be noted.
- (b) That the amended Whistleblowing Policy and Counter Fraud and Corruption Policy be approved, subject to amendments being made, where appropriate, about enabling whistle-blowers to counter-sign notes of meetings.

## **12 Review of Assurance over Value for Money**

Considered: Report of the Corporate Director – Strategic Resources concerning the ongoing arrangements made within the County Council in respect of achieving Value for Money (VFM) and how overall assurance was obtained about the effectiveness of these arrangements.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report and Nick Rayner (Deloitte) explained the role of External Audit in relation to VFM.

### **Resolved –**

- (a) That the arrangements currently in place for assuring Value for Money be noted.
- (b) That no areas be identified for further development in the assurance arrangements.
- (c) That it be noted that this Committee is satisfied that the report adequately contributes to the requirements of fulfilling the terms of reference noted in section 2.1.

### **13a Children and Young People's Services Directorate - Internal Audit Work**

Considered: The report of the Head of Internal Audit which advised of the internal audit work performed during the period 1 September 2021 to 31 May 2022 for the Children and Young People's Services Directorate.

In introducing the report, Max Thomas (Head of Internal Audit) advised that, based on the follow up work undertaken during the period, he was satisfied with the progress that had been made by management to implement previously agreed actions necessary to address identified control weaknesses.

Max Thomas undertook to specify, in future annual reports regarding the internal audit work performed for the Children and Young People's Services Directorate that such reports related only to local authority maintained schools.

Max Thomas confirmed that he could provide assurance to the Committee about the procedures in place within the Children and Young People's Directorate based on the audit work which Veritau had undertaken during the period and also taking into account the audit work performed within the Directorate in previous years.

#### **Resolved –**

That the results of internal audit work performed in the period for the Children and Young People's Services Directorate be noted.

### **13b Children and Young People's Services Directorate - Internal Control Matters**

Considered –

The report of the Corporate Director – Children and Young People's Services which outlined some of the key service risks and governance related issues within the Children and Young People's Directorate and provided details of the updated Risk Register for the Directorate.

Stuart Carlton (Corporate Director – Children and Young People's Services), accompanied by Howard Emmett (Assistant Director, Strategic Resources), introduced the report and responded to Members' questions.

#### **Resolved –**

That the key service risk and governance issues/developments within the Children and Young People's Services Directorate, and the updated Risk Register for the Directorate, be noted.

### **14 Programme of Work**

Considered: The Committee's programme of work which identified items of business scheduled for consideration at each of the Committee's forthcoming meetings.

Regarding the three topics previously identified for Audit Committee Seminars, Members highlighted the need to prioritise the topic of Governance of External Companies (including NY Highways) and Commercial Investments.

In response to Members' questions, Nick Rayner advised that Deloitte would have staff in place from July 2022 to undertake the external audit of the County Council's Statement of Final Accounts 2021/22. However, he was unable to guarantee that the external audit would be completed by the time of the Audit Committee's meeting on 19 September 2022. Gary Fielding advised that, nevertheless, he wished to continue to plan for the Statement of Final Accounts for 2021/22 to be considered at the Committee's meeting on 19 September 2022 because he needed Finance Staff to be engaged in Local Government Review after that date.

**Resolved –**

That the Committee's Programme of Work be approved, subject to the following:-

- (a) a Seminar concerning LGR Update/MTFS and Governance Issues being held on a date when a meeting of Audit Committee is not taking place.
- (b) the Audit Committee Seminar on 19 September 2022 include the topics of the Governance of External Companies (including NY Highways) and Commercial Investments and that a review of Finance/Contract/Property Procedure Rules be not submitted to the Committee's meeting on 19 September 2022.

The meeting concluded at 4.00 pm.