

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Monday, 20th March, 2023 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, Mark Crane, George Jabbour, Nigel Knapton, Karin Sedgwick, Neil Swannick and Matt Walker, Mr David Marsh and Mr David Portlock

In attendance: County Councillor Carl Les

Officers present: Gary Fielding, Stuart Cutts, Vicki Dixon, John Raine, Max Thomas and Ruth Gladstone

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

Copies of all documents considered are in the Minute Book

46 Minutes of the Committee Meeting held on 12 December 2022

Resolved –

That the Minutes of the Committee's meeting held on 12 December 2022, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to checking that the Committee, at its meeting on 28 November 2022, delegated authority, to the Committee's Chairman and the Section 151 Officer, to sign the 2021/22 SOFA following completion by Deloitte.

Note: Later during this meeting, confirmation was provided that the Committee, at its meeting on 28 November 2022, had delegated authority for the action mentioned in the above Resolution.

47 Declarations of Interest

There were no declarations of interest.

48 Public Questions or Statements

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

49 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 last meeting.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report and highlighted that a further report concerning the review of commercial governance would be

submitted to a future meeting of the Committee following LGR.

County Councillor George Jabbour advised that he had attended further LGA training for audit committees' chairs and vice-chairs which had been very informative. He will circulate the relevant notes to other Members of the Committee.

County Councillor George Jabbour also raised the completion of the 2021/22 SOFA. Nicola Wright (Deloitte) reported on outstanding actions which included the insertion, by Deloitte, of a note concerning infrastructure assets, together with a few changes to be made by Council officers. John Raine (Head of Finance Technical) advised that the changes required by Council officers could be completed the day following this meeting and, based on that, Deloitte agreed to meet the deadline of 31 March 2023. Nicola Wright advised that there was a potential issue with the calculation of the pension liability linked to the triennial revaluation.

Resolved –

That the report be noted.

50 External Audit Appointments from April 2023

Considered: The oral report of Gary Fielding (Corporate Director – Strategic Resources) which advised that it had been confirmed that Mazars had been appointed as the External Audit for North Yorkshire Council for the five years to 2027/28. An increase in audit fee was anticipated. A handover from Deloitte to Mazars would be organised.

Resolved –

That the report be noted.

51 Treasury Management Strategy

Considered: The report of the Corporate Director - Strategic Resources which invited the Committee to review the 2023/24 Treasury Management Strategy.

Members highlighted recent distress in the banking industry. John Raine (Head of Finance Technical) outlined the actions which the Council took to monitor constantly organisations' creditworthiness. He also reported that he had no concerns about the processes which the County Council had in place in that regard.

In response to a question from David Portlock, Gary Fielding confirmed that he had time to undertake the responsibilities of the Section 151 Officer alongside those of the Corporate Director – Strategic Resources but relied on delegating to colleagues.

In response to a question from a Member, Gary Fielding reported that some capital projects from the borough and district councils had not been approved by the County Council and would be considered within the new North Yorkshire Council. Financing of capital projects would be reported on a quarterly basis. If the borrowing requirement was affected, internal borrowing might be considered.

It was noted that Treasury Management training had been provided for Committee Members immediately following the recent elections. Members felt that refresher training, involving the Council's advisors, would be useful. County Councillor George Jabbour asked for it to be recorded in the minutes that he would circulate, to other Committee Members, the notes of the recent LGA training he had attended for audit committees' chairs and vice-chairs.

Resolved –

- (a) That it be noted that the Committee has no comments to make concerning the 2023/24 Treasury Management Strategy.
- (b) That refresher training in Treasury Management, involving the Council's advisors, be arranged.
- (c) That County Councillor George Jabbour circulate, to other Committee Members, the notes of the recent LGA training he attended for audit committees' chairs and vice-chairs.

52 Central Services Directorate

Considered –

- (a) The report of the Head of Internal Audit which advised of the internal audit work performed during the period ended 1 February 2022 for the Central Services Directorate.
- (b) The report of the Corporate Director – Strategic Resources which provided an update on issues and progress against governance related areas identified within the Central Services Directorate.

Max Thomas (Head of Internal Audit) introduced the report at (a). Vicki Dixon (Assistant Director – Strategic Resources) introduced the report at (b) and responded to Members' questions concerning that report.

Members provided feedback on one issue regarding the Directorate Risk Register. That issue is recorded at part (c) of the following Resolution. David Portlock congratulated the Technology and Change Service for maintaining its ISO 27001:2013 Information Security Management System certification standard. No other feedback or comments were made on the Directorate Risk Register or other related control issue.

Resolved –

- (a) That the results of internal audit work performed in the period for the Central Services Directorate be noted.
- (b) That the position on the Central Services Directorate key governance issues be noted.
- (c) That the Risk Register for the Central Services Directorate be noted, subject to a fallback plan and Action Manager being included for risk 15/243 – carbon neutral.

53 Accounting Policies

Considered: The report of the Corporate Director – Strategic Resources concerning changes to the County Council's Accounting Policies for 2022/23 and potential changes in the pipeline which were likely to impact on future years' Accounting Policies and SOFAs.

John Raine (Head of Finance Technical) introduced the report and provided an oral update in which he advised that some changes would be required to reflect information provided by Deloitte concerning accounting for infrastructure assets.

Members discussed with Nicola Wright (Deloitte) and Gary Fielding (Corporate Director – Strategic Resources) whether the statutory deadline for approving the 2022/23 accounts would be met. Nicola Wright advised that Deloitte was in discussions with organisations about which of them would really be ready for the external audit, recognising that July and August were during the holiday season. Gary Fielding advised that the new Council was ambitious in terms of timescale to minimise loss of corporate memory.

Resolved –

That the following be noted, together with the update provided orally at this meeting by the Head of Finance Technical: -

- (a) the current position on potential changes to the Accounting Policies for 2022/23;
- (b) the changes to the Statement of Accounts timetable for 2023; and
- (c) potential changes for the SOFA and Accounting Policies which are in the pipeline for 2023/24 onwards.

54 Corporate Governance

Considered: The report of the Corporate Director – Strategic Resources which invited the Committee to consider the Local Code of Corporate Governance for the new North Yorkshire Council.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report and amended the recommendation as set out in the report to invite the Committee to refer its recommendation to the Executive for approval, prior to Vesting Day, under the Executive’s transitional powers. The Committee was advised that the Local Code of Corporate Governance for the new North Yorkshire Council was due to be considered at the meeting of the Executive to be held on 21 March 2023.

Resolved –

That this Committee recommends the Executive, prior to Vesting Day and under the Executive’s transitional powers, to approve the Local Code of Corporate Governance for the new North Yorkshire Council, as appended to the report.

55 Internal Audit Charter

Considered: The report of the Head of Internal Audit concerning approval for the Internal Audit Charter for the new North Yorkshire Council.

Stuart Cutts (Veritau) introduced the report and amended the recommendation as set out in the report to invite the Committee to refer its recommendation to the Executive for approval, prior to Vesting Day, under the Executive’s transitional powers. The Committee was advised that the Internal Audit Charter for the new North Yorkshire Council was due to be considered at the meeting of the Executive to be held on 21 March 2023.

Resolved –

That this Committee recommends the Executive, prior to Vesting Day and under the Executive’s transitional powers, to approve the Internal Audit Charter for the new North Yorkshire Council, as appended to the report.

56 Counter Fraud Strategy, Work Plan, and Fraud Risk Assessment

Considered: The report of the Head of Internal Audit concerning approval of the Counter

Fraud Strategy 2023-27, together with the Counter Fraud Work Plan, for the new North Yorkshire Council.

Max Thomas (Head of Internal Audit) introduced the report and amended the recommendation as set out in the report to invite the Committee to refer its recommendation to the Executive for approval, prior to Vesting Day, under the Executive's transitional powers. The Committee was advised that the Counter Fraud Strategy 2023-27 and the Counter Fraud Work Plan for the new North Yorkshire Council were due to be considered at the meeting of the Executive to be held on 21 March 2023.

In response to Members' questions, Max Thomas confirmed that, where there was a successful prosecution for fraud, it was publicised in the press.

Gary Fielding undertook to contact County Councillor George Jabbour after this meeting to update him on the action taken arising from County Councillor George Jabbour's suggestion, made at the Committee's meeting on 12 December 2022, that the Council should consider adding a warning to flag external emails that staff received, in a similar way to how other organisations did to combat phishing.

Members highlighted the risk of internal fraud during the LGR process. Max Thomas clarified that staff training in counter fraud work was ongoing, that finance staff had received such training during the week prior to this meeting, and that the target date set out in the report, namely January 2024, was the date by which all such training should be completed. He added that counter fraud work would be ongoing after 1 April 2023 and that everyone would need to be super-alert during the forthcoming year. However, the necessary policies, the counter-fraud team within Veritau, and links to the National Fraud Initiative, were all in place.

Resolved –

That this Committee recommends the Executive, prior to Vesting Day and under the Executive's transitional powers, to approve the Counter Fraud Strategy 2023-27 and the Counter Fraud Work Plan for the new North Yorkshire Council, as appended to the report.

57 Progress on 2022/23 Internal Audit Plan

Considered: The report of the Head of Internal Audit which advised of progress made to date in delivering the 2022/23 Internal Audit Plan and the other related services provided to the County Council by Veritau.

Max Thomas (Head of Internal Audit) introduced the report and, together with Stuart Cutts (Veritau), responded to Members' questions.

Resolved –

That the progress made in delivering the 2022/23 Internal Audit programme of work and the other assurance related services provided by Veritau be noted.

58 2023/24 Internal Audit Plan Consultation

Considered: The report of the Head of Internal Audit which sought Members' views on the priorities for internal audit in 2023/24 and advised of a proposed change to the arrangements for reporting the results of audit work.

Stuart Cutts (Veritau) introduced the report, highlighting that the internal audit work programme for 2023/24 would be submitted to the Committee's next meeting for approval.

He also highlighted the proposal to start reporting the detailed results of audit work as part of regular quarterly reports to the Committee.

A Member suggested that external companies should be listed in the 2023/24 programme of work. Gary Fielding confirmed that reports concerning the new Council's full range of commercial issues would be submitted to the Committee.

County Councillor George Jabbour advised his highest priorities for audit review were to those events and processes which could lead to disastrous consequences for human life and thereafter to financial systems and systems to protect against cybercrime.

Resolved –

- (a) That the suggestions made by Members, as recorded in the preamble to this Minute, be considered for the internal audit programme of work for 2023/24.
- (b) That it be noted that the Committee agrees with the proposed change to the arrangements for reporting the results of audit work.

59 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.

Gary Fielding (Corporate Director – Strategic Resources) introduced the programme of work and advised that the 2023/24 calendar of meetings for the new North Yorkshire Council included a meeting of the Committee on 18 September 2023. That meeting was for the approval of accounts from the eight councils. However, if the accounts were not ready, the meeting would be cancelled.

Confirmation was provided that Veritau and Deloitte were looking at possible dates on which to hold an informal, private meeting with Audit Committee Members.

Resolved –

That the Committee's Programme of Work be amended to include the meeting on 18 September 2023 and the dates of other meetings to be held during the year, and that the programme be re-circulated to Committee Members.

The meeting concluded at 3.10 pm.