

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Monday, 28th November, 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, George Jabbour, Mike Jordan (as Substitute for Mark Crane), Nigel Knaption, Karin Sedgwick, Neil Swannick and Matt Walker, and Mr David Portlock

Officers present: Gary Fielding, John Raine, Fiona Sowerby and Ruth Gladstone

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

Apologies: County Councillor Philip Broadbank and Stuart Parsons and Mr David Marsh

Copies of all documents considered are in the Minute Book

26 Minutes of the Committee meeting held on 24 October 2022

Resolved –

That the Minutes of the meeting held on 24 October 2022, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

27 Declarations of Interest

There were no declarations of interest.

28 Public Questions or Statements

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

29 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 the Committee had raised at previous meetings, and other matters that had arisen since the Committee's last meeting which related to the work of the Committee.

Gary Fielding (Corporate Director – Strategic Resources), in introducing the report, advised that CIPFA had produced, during summer 2022, guidance regarding local authority commercial activities. County Council officers had undertaken work to review that guidance and the outcome was due to be reported to the Shareholder Committee. Gary Fielding advised that he would forward a copy of the report for the Shareholder Committee to all Audit Committee Members.

Members enquired about the effect on Council budgets of increased inflation rates. Gary Fielding advised that 1% inflation represented about £2.7m. He undertook to provide a fuller response following the meeting.

Resolved –

That the report be noted.

30 2021/22 External Audit of the North Yorkshire Pension Fund

Considered: The draft report issued by Deloitte on 17 November 2022 concerning the 2021/22 audit of North Yorkshire Pension Fund.

Nicola Wright (Audit Partner, Deloitte) introduced the draft report, highlighting that the Deloitte audit was responsibly well progressed. She provided an update on the matters that still had to be completed, and advised of the findings to date. Nicola Wright highlighted that, subject to the satisfactory receipt and the completion of the outstanding items, Deloitte expected to issue an unmodified audit opinion on the Pension Fund included within the financial statements of North Yorkshire County Council.

In response to Members' questions, Nicola Wright confirmed the following:-

- most of the matters identified as not complete on page 4 of the Deloitte draft report, issued on 17 November 2022, had now been completed;
- she anticipated that the audit of North Yorkshire Pension Fund would be signed off before Christmas; and
- additional fees were being discussed for the audit of the Pension Fund with Public Sector Audit Appointments (PSAA) because this was the only way, under the current scale fees regime, that Deloitte was able to recover a fee which recognised the significant size of North Yorkshire Pension Fund and the audit work required. Discussions with PSAA had not yet concluded.

Nicola Wright undertook to share, with Gary Fielding, the list of outstanding journal entries relating to the Pension Fund.

Resolved –

That the draft report be noted.

31 2021/22 External Audit of North Yorkshire County Council

Considered: The progress report issued by Deloitte on 17 November 2022 concerning the 2021/22 audit of North Yorkshire County Council.

Nicola Wright (Audit Partner, Deloitte) reported that the Statutory Instrument relating to Infrastructure Assets, discussed at the Committee's previous meeting, was scheduled to be published on 30 November 2022 and be effective from 25 December 2022. In addition, CIPFA planned to issue guidance which would amend the Code, and a bulletin in relation to the disclosure requirements in North Yorkshire County Council's Accounts. Deloitte had asked to see the guidance prior to publication, but had not yet seen it. Gary Fielding advised that he too had not yet seen the CIPFA guidance and commented that that guidance might not give 'ultra-clear' advice. Nicola Wright advised that, due to the situation regarding the Statutory Instrument, the Accounts of North Yorkshire County Council were unlikely to be signed-off until January 2023 and that many local authorities were in a similar same position.

Members asked to be kept updated on the situation relating to the Statutory Instrument. They also asked for a copy of the CIPFA guidance, once published, to be forwarded to them.

Nicola Wright expressed her thanks to the County Council's Finance Team for all the work they had undertaken as part of the audit of the 2021/22 accounts, in particular recognising the work that the Team had simultaneously had to do in relation to local government reorganisation in North Yorkshire.

Nick Rayner (Deloitte) introduced the progress report issued by Deloitte on 17 November 2022 concerning the 2021/22 audit of North Yorkshire County Council.

Members discussed the misstatement within the accounts relating to care home prepayments. (This comprised a debit of £5.6m on the income statement, and a credit of £5.6m in net assets.) Members expressed support for the decision made by the Council's management to not correct this misstatement because a sizeable piece of work would be required and this would be out of proportion to the risk involved. Members recognised that a similar misstatement would be disclosed in the Council's accounts in future years. Members accepted that the misstatement would not have a meaningful effect on the Council's Accounts.

In response to questions from Mr Portlock, Nick Rayner confirmed that the management accounting papers had generally been accurate and produced to a high quality. However, there had been a consolidation error as part of the accounting papers. This had now been corrected.

In response to questions from Mr Portlock regarding the timescale for the PSAA to agree the additional fee to be charged by Deloitte for Covid-19 work, Nicola Wright advised that she hoped the fee for 2020/21 would be resolved soon, and that discussions about the fee for 2021/22 had not yet commenced. She considered the 2020/21 additional fee would be in the region of £16k and suggested that, bearing in mind the size of the organisation, that amount was not unreasonable.

Resolved –

That the progress report be noted.

32 Report Following the Detailed Review of the draft Statement of Final Accounts for 2021/22

Considered: The report of the Members' Working Group concerning issues identified during the detailed review of the draft Statement of Final Accounts (SOFA) and the Annual Governance Statement (AGS) for 2021/22, actions taken as a result of issues being identified, and offering an opinion on the draft SOFA and draft AGS for 2021/22.

Mr David Portlock (Chair of the Members' Working Group) introduced the report and highlighted that, at the time when the Members' Working Group had come to the conclusions set out at section 4 of the report, they had not seen the updated reports from Deloitte. He advised that it had been his intention, as Chair of the Members' Working Group, to recommend to today's meeting that the Audit Committee approve the SOFA and AGS which appeared as the next item of business on the agenda for today's meeting. He advised that he had heard nothing at today's meeting which suggested that that should not be the Members' Working Group's recommendation. However, he was now not sure whether the Members' Working Group was in a position to make a recommendation given the comments from the External Auditors, unless advised otherwise, and highlighted that the Committee was due to meet again on 12 December 2022. Mr David Portlock advised that the Members' Working Group was happy to move forward but they were waiting for

Deloitte to finish their work. He was, however, happy to say to Members that the Committee should delegate authority to the Chair and section 151 Officer to sign the various documents in due course. Gary Fielding commented that work on the accounts was unlikely to be any further forward at the time of the Committee's meeting on 12 December 2022 and therefore it would be useful for authority to be delegated at today's meeting.

Resolved –

That the report of the Members' Working Group, together with the additional information and advice provided by Mr David Portlock as recorded in the preamble to this minute, be noted.

33 Statement of Final Accounts for 2021/22 including Letter of Representation

Considered: The report of the Corporate Director – Strategic Resources concerning the 2021/22 Letter of Representation, Statement of Final Accounts, and Annual Governance Statement.

John Raine (Head of Finance Technical), in introducing the report, advised that he had no further information to add.

Mr David Portlock referred to the Annual Governance Statement and highlighted that section 7 had some formatting issues. In addition, the date of 28 November 2022 appeared several times within the Statement. Gary Fielding (Corporate Director – Strategic Resources) undertook to ensure that the appropriate corrections were made.

In response to a question from Mr David Portlock, Gary Fielding advised that he would be very happy to sign the Letter of Representation in due course. Gary Fielding highlighted that, until the accounts were signed and finished, the Council needed to be alive to new issues and needed to regard it as a 'living, breathing' document. As such, something might still happen which could have an impact on the balance sheet at that particular time. He was mindful of this and the potential impacts on the Annual Governance Statement and the Letter of Representation. He advised that, at the point when the Chair and he were content to exercise their delegated authority, they would communicate that to Audit Committee Members. Similarly, if there were any changes, such changes would be communicated to Audit Committee Members. A Member asked for this to be recorded in the Minutes of the meeting.

Resolved –

- (a) That authority be delegated to the Chairman and Section 151 Officer to sign the Letter of Representation set out in Appendix A to the report on behalf of the Audit Committee.
- (b) That, in relation to the Statement of Final Accounts 2021/22:-
 - (i) the changes to the Final SOFA, as set out in paragraph 4 of, and Appendix B to, the report be noted;
 - (ii) subject to the satisfactory completion of Deloitte's audit work, the Final SOFA for 2021/22 be approved and authority delegated to the Chairman and Section 151 Officer to sign the Accounts on behalf of the Committee;
 - (iii) authority be delegated to the Chairman and Section 151 Officer to sign the Statement of Responsibilities for the Statement of Accounts, as attached at Appendix C to the report.

- (c) That the Annual Governance Statement 2021/22 be approved and authority be delegated to the Chairman and Section 151 Officer to sign the Annual Governance Statement on behalf of the Committee.

34 Commercial Governance Review

The Chairman advised that this item of business had been withdrawn from the agenda for this meeting. *(See also the preamble at Minute 29.)*

The meeting concluded at 2.25 pm.