

# North Yorkshire Council

## Audit Committee

Minutes of the meeting held on Monday, 23rd October, 2023 commencing at 1.30 pm at County Hall, Northallerton.

Committee Members present: Councillor Cliff Lunn in the Chair; plus Councillors Philip Broadbank, Mark Crane, Heather Phillips (substitute for Councillor Alyson Baker), George Jabbour, Neil Swannick, Felicity Cunliffe-Lister and Mr David Portlock

In attendance: Councillor Mike Jordan

Officers present: Gary Fielding, Karen Iveson, Max Thomas, Stuart Cutts, Daniel Clubb, Karl Battersby, Vicki Dixon, Will Boardman, Stephen Loach, Mark Codman and Paul Preston

Other Attendees: Nicola Wright, Deloitte, Mark Kirkham and James Collins, Mazars

Apologies: Councillor Alyson Baker, Peter Wilkinson and Mr David Marsh

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

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#### 74 Minutes of the Meeting held on 26th June, 2023

##### Resolved –

That the Minutes of the meeting of the Audit Committee held on 26 June, 2023, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

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### Announcements

The Chair informed the Committee of two membership changes since the last meeting.

Councillor Felicity Cunliffe-Lister had replaced Councillor Nigel Knapton and was welcomed to her first meeting of the Committee. The other membership change was that Councillor Peter Wilkinson, who had submitted his apologies for this meeting, had replaced Councillor Matt Walker.

Councillor Car Les, Leader of the Council, who attended these meetings in an observational capacity, had also submitted his apologies.

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#### 75 Declarations of Interest

Mr David Portlock, Co-opted Member declared a personal and prejudicial interest in Minute 78 – Appointment of Independent Co-opted Members to the Audit Committee as

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he was an applicant for one of the three positions available. He left the meeting room whilst the matter was considered by the Audit Committee.

## **76 Public Participation**

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

## **77 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.

Karen Iveson, Assistant Director – Resources introduced the report and advised on the progress made and drew the Committee's attention to the refresher training in Treasury Management that was held on 18<sup>th</sup> July, 2023.

In response to a question regarding the scheduling of a further report to the Audit Committee post Local Government Reorganisation (LGR) on Commercial Governance review, Karen Iveson, Assistant Director – Resources responded this report would be provisionally scheduled for consideration at the Committee's 18<sup>th</sup> March, 2024 meeting.

**Resolved –**

That the report be noted.

## **78 Appointment of Independent Co-opted Members**

Considered: The report of the Head of Internal Audit which sought the Committee's consideration of the appointment of independent co-opted members to the Audit Committee.

Max Thomas, Head of Internal Audit, Veritau, gave an overview to the recruitment and appointments process. He explained that the Council's Constitution allowed for the appointment of up to 3 independent co-opted members to the Audit Committee. The positions were non-voting, and the members must not be affiliated to any political party. He added the Chartered Institute of Public Finance and Accountancy (CIPFA) also recommended the appointment of at least two independent members to provide audit committees with appropriate technical expertise and knowledge<sup>1</sup>.

The Committee was reminded that the usual term of appointment for the co-opted member was four years from 31 July in the year that the Council has elections. The term of the two current co-opted members was originally due to end on 31 July 2022, but this was extended to 30 November 2023 to avoid any loss of knowledge or expertise during the period of local government reorganisation.

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<sup>1</sup> CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022

A recruitment exercise had been conducted in August 2023 to select suitable candidates for the next term. However despite publicising the vacancy only two applications were received by the closing date. The two applications were from the current co-opted members of the Audit Committee.

Members discussed the report and were supportive of the proposal to recommend to Full Council on 15th November, 2023, the reappointment of Mr David Marsh and Mr David Portlock and that the terms of the independent co-opted members of the Audit Committee, the appointment period from 1 December 2023 to 31 July 2027 (following the Council elections in May 2027).

The Committee asked Mr Thomas to enquire post-meeting whether there were any non-voting independent Members that had served on the former legacy District/Borough Councils who might be interested in applying for the third vacancy independent co-opted member post on the Committee. Mr Thomas responded he would pursue this line of enquiry following the meeting. If this proved unsuccessful, then Members suggested a further recruitment exercise for the vacant independent member position be undertaken in the 2024/25 Municipal Year.

**RECOMMENDATION TO COUNCIL – That Council agrees the following appointments to the Audit Committee: that David Marsh and David Portlock be appointed as two independent co-opted members of Audit Committee for the period 1 December, 2023 until 31 July, 2027.**

(Mr David Portlock, Co-opted Member declared a personal and prejudicial interest in the above matter as he was an applicant for one of the three Independent Co-opted positions available. He left the meeting room whilst the matter was considered by the Audit Committee).

## **79 Internal Audit and Counter Fraud Progress Report**

Considered: The report of the Head of Internal Audit which informed Members of the progress made to date in delivering the 2023/24 internal audit programme of work, and the other related services provided to the Council by Veritau (information governance and counter fraud). The report also highlighted any issues likely to impact on the programme of work throughout the remainder of the year.

Max Thomas, Head of Internal Audit, Veritau introduced the report and gave an overview of the salient points in the report. He reminded Members that the 2023/24 internal audit programme of work had been approved by the Committee at its meeting held on 26 June, 2023. Further comments were added by Stuart Cutts, Assistant Director, Audit Assurance, Veritau and Daniel Clubb, Assistant Director, Corporate Fraud, Veritau who introduced Annex 3 of the report.

Annexed to the submitted report were:

Annex 1 – Internal Audit Progress Report – North Yorkshire Council;  
Annex 2 – External Quality Assessment (EQA) Report – a report for Veritau, prepared by John Chesshire, approved reviewer for the Chartered Institute of Internal Auditors; and  
Annex 3 – Counter Fraud Progress report.

Max Thomas responded to a question from a Member in relation to Information Governance and the increased workload in Freedom of Information (FOI) and Subject Access Requests (SARs) of Veritau's Information Governance Team since Local

Government Reorganisation (LGR).

A Member commented on and expressed his concerns regarding the Fairburn CP School final report issued (Annex 1, Appendix A of the report).

Another Member commented on the current priorities for the internal audit work, strategic and corporate risks and the Business Continuity audit (timing – do now), (Annex 1, Appendix B of the report).

A further Member commented on the current priorities for the internal audit work, ICT disaster recovery audit (timing – do later), (Annex 1, Appendix B of the report).

Max Thomas informed the Committee of a small correction to the wording in Appendix 4 of Annex 2: The reference to "...Chair of the Pension Fund Committee" should be replaced with "...Chair of the North Yorkshire Pension Board".

A Member observed that the CIAA reviewer had judged Veritau conformed with 59 out of the 60 relevant principles, partially conforming on the remaining principle. The Member commented that this was an excellent outcome and Max Thomas and his colleagues at Veritau should be congratulated.

The Chair commented on Annex 3 – Counter Fraud Progress report. Although the amounts recovered were relatively modest, investigations and prosecutions continued to act as a deterrent to fraudsters.

**Resolved** – that the progress made in delivering the 2023/24 Internal Audit programme and work and other assurance related services provided by Veritau be noted.

**80 North Yorkshire County Council - Planning report to the Audit Committee for the year ending 31 March, 2023**

Considered – The report of the external auditors, Deloitte

Nicola Wright, Deloitte introduced the report and gave an overview of the salient points contained therein which she drew to the Committee's attention.

Councillor Jabbour enquired about the external audit of the North Yorkshire County Council accounts for the year 2021/2022 and Nicola Wright responded stating that the outstanding issues would be resolved imminently.

Mr David Portlock, Independent Member sought assurance that the timescales outlined in the report for interim and final reports to Audit Committee were realistic? In response, Nicola Wright, Deloitte provided such an assurance, subject to anything material emerging during the audit.

**Resolved** – the report and the Committee's comments thereon are noted.

(Gary Fielding, Corporate Director, Resources entered the meeting during the consideration of this item at 2.10pm)

**81 North Yorkshire Pension Fund - Planning report to the Audit Committee on the 2023**

## **Audit**

Considered – the report of the external auditors, Deloitte.

Nicola Wright, Deloitte introduced the report and gave an overview of the salient points contained therein which she drew to the Committee's attention.

Mr David Portlock, Independent Member commented on Appendix 2, Independence and Fees of the submitted report and observed there were still some fees and charges to be agreed. Nicola Wright responded that work was on-going with regard to fees and charges yet to be agreed. He also commented on the use of "spotlight", Deloitte's data analytics software as contained in the significant audit risks – management override of controls section of the report.

**Resolved** - the report and the Committee's comments thereon are noted.

## **82 Selby District Council 2022-23 Audit Strategy Memorandum - year ending 31 March 2023**

Considered: The report of Mazars on the Selby District Council 2022-23 Audit Strategy Memorandum – year ending 31 March, 2023.

James Collins, Mazars, introduced the Audit Strategy Memorandum and invited the Committee's questions and comments thereon.

Mr Collins also provided verbal updates to the Harrogate and Scarborough Borough Councils 2021/22 audits.

A Member observed the unusual addressee of the covering letter and sought confirmation that the appointment of Align Property Partners (a subsidiary of North Yorkshire Council) as management's expert would not lead to a possible conflict of interest? Assurance was given that appointments were focussed on ensuring the necessary codes of practice and expert advice conformed to the required standards for valuers and it was normal for valuations to also be conducted in house.

**Resolved –**

That the Audit Strategy Memorandum be noted.

## **83 Annual Report of the Audit Committee 2023**

Considered: The report of the Chair of the Audit Committee to enable the Members to consider the draft annual report of the Audit Committee for the year end 30 September, 2023, prior to its submission to full Council.

The Chair, Cllr Lunn introduced the report, which had been drafted on his behalf by Max Thomas, Head of Internal Audit, Veritau.

Mr Thomas drew the Committee's attention to paragraph 23 of the draft annual report submitted, which the Chair had asked the wording be amended to now read "A draft 2022/23 Annual Governance Statement for the former County Council was presented to the Committee in June 2023. The Annual Governance Statement will be approved when the audit of the 2022/23 Statement of Final Accounts (SOFA) is completed and the

accounts were re-submitted to the Committee for approval”

**RECOMMENDATION TO COUNCIL – That subject to the amendment to paragraph 23 as outlined above, the draft report be submitted to the Full Council meeting to be held on 15<sup>th</sup> November, 2023.**

#### **84 Internal Control matters for the Environment Directorate**

Considered: The report of the Corporate Director, Environment which provided an update to Members of progress against the areas for improvement identified through internal procedures and provided the Committee with details of the latest risk register for the environment directorate.

Karl Battersby, Corporate Director – Environment joined the meeting remotely and gave an update and overview on the main areas of note for the directorate and responded to the Committee’s questions and comments thereon. The main areas of note were:

- Highways and Transportation;
- Waste Management;
- Environment and Change;
- Integrated Passenger Transport (IPT);
- Fleet and Operations;
- Harbours;
- Licensing;
- Regulatory Services;
- Registrars, Bereavement and Coroners Service;
- Local Government Reorganisation (LGR);
- North Yorkshire Highways;
- Capital Programme.

The Corporate Director, Environment then drew the Committee’s attention to the directorate risk register for the Environment Directorate which was appended to the report and in particular provided further commentary and context to the most high risk areas as contained on the first page of the Appendix to the report (page 180 of the public document pack).

A Member asked a question on the waste collection service across the County post Local Government re-organisation? The Director responded that work was ongoing to realise the benefits and economies of scale in this area of work as one Council.

Mr David Portlock, Independent Member, with the Chair’s permission, asked a question on behalf of the other independent Member, David Marsh, who was unable to attend the meeting regarding the Environment Directorate risk register – Risk ENV\_2 Passenger Transport Market Resilience and the difficulties of providing such transport over such extensive rural networks that existed in North Yorkshire. He also asked if there were any plans to bring services back in-house. The Director, Environment acknowledged the concerns raised and added that there was a national shortage of bus drivers and a big issue of a backlog of tests for those people wanting to become bus drivers. In addition, other organisations were offering higher levels of pay to attract bus drivers.

Another Member commented on taxi licensing, noting that some people had paid a significant amount of money for licence plates in former legacy Council areas, which were effectively rendered worthless now licensing was undertaken on a Countywide basis.

**Resolved –**

- (a) That the salient points in relation to the internal control matters for the Directorate, as outlined by the Corporate Director, Environment be noted;
- (b) That the directorate risk register for the environment directorate be noted; and
- (c) That the Committee’s feedback and comments, as provided at this meeting, on the Environment directorate risk register, key risk and governance issues/developments and any other related internal control matters be noted.

(Gary Fielding, Corporate Director, Resources left the meeting during the consideration of this item at 3.00pm)

**85 Partnership Governance - Annual Report**

Considered: The report of the Assistant Chief Executive – Policy, Partnerships and Communities which reported on the governance of partnerships involving the former North Yorkshire County Council only, during the financial year 2022/23.

Will Boardman, Head of Strategy and Performance introduced the report. He outlined the aim of the annual report was to enable the Audit Committee to review the effectiveness of partnership governance arrangements.

Appendix 1 to the report listed the Partnerships that were within the scope of the annual report as at 31 March, 2023. Mr Boardman added that the number and nature of partnerships changed from time to time and, as with all annual reports, the data within the appendix was a snapshot on one date.

Appendix 1 also summarised information on governance and reporting arrangements for each partnership as at 31 March, 2023, together with their key achievements for 2022/23 and key issues and priorities for 2024.

The Committee commented on the report and Appendix and drew Mr Boardman’s attention to a number of former Councillors and Officers contained within the Appendix. Mr Boardman confirmed these anomalies would be addressed and details updated when the document was next refreshed.

**Resolved –** That this Committee:

- (a) receives the annual report on annual governance;
- (b) notes the arrangements in place to ensure good governance and reporting of partnership activity; and
- (c) notes the contents of the schedule of partnerships that were within the scope of the submitted report as at 31 March, 2023 (Appendix 1).

**86 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.

Karen Iveson, Assistant Director, Resources introduced the programme of work.

She added that an item on Business Continuity – annual report item would be rescheduled for consideration at the December, 2023 meeting and that the item on Governance of External Companies (including NY Highways) and Commercial Investments added to the work programme for the 18<sup>th</sup> March, 2024 meeting.

The Chair informed Members that the meeting of the Committee that had been scheduled to be held on Monday 27<sup>th</sup> November would be cancelled and that all business listed for that date would be rescheduled to the meeting to be held on Monday 11<sup>th</sup> December, 2023.

**Resolved – that:**

- (1) the Committee's Programme of Work be noted;
- (2) the item on Business Continuity – annual report item would be rescheduled for consideration at the December, 2023 meeting;
- (3) the item on Commercial Governance review added to the work programme for the 18<sup>th</sup> March, 2024 meeting; and
- (4) the meeting of the Committee scheduled for 27<sup>th</sup> November, 2023 be cancelled.

The meeting concluded at 3.25 pm.