

# North Yorkshire Council

## Audit Committee

Minutes of the meeting held on Monday, 24th June, 2024 commencing at 1.30 pm at County Hall, Northallerton.

Committee Members present: Councillor Cliff Lunn in the Chair; plus Councillors Alyson Baker, Philip Broadbank, David Chance, George Jabbour, Karin Sedgwick, Mike Jordan, Neil Swannick and Co-opted Members Mr David Marsh and Mr David Portlock.

Observing: Councillor Carl Les, OBE.

Officers present: Gary Fielding, Karen Iveson, Stuart Carlton, Howard Emmett, Rachel Woodward, Max Thomas, Stuart Cutts, Daniel Clubb, Paul Preston, Edward Maxwell.

Other Attendees: Nicola Wright and Nick Rayner, both Deloitte (virtual attendance), Rob Walker and Ellie Horsley (both Mazars).

Apology: Mark Kirkham, Mazars.

### Announcement

Cllrs David Chance and Mike Jordan were welcomed to the meeting as newly appointed members of this Committee.

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

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#### 121 Minutes of the Meeting held on 18 March, 2024

##### Resolved –

That the Minutes of the meeting held on 18 March, 2024, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

#### 122 Declarations of Interest

David Portlock, Co-opted Member, in the interests of transparency, declared a personal interest in Minute 131 - Internal Control Matters for the Children and Young People's Services Directorate, as he was Chair of Governors of an Academy School in North Yorkshire which had current relationships with North Yorkshire Council, for example Special Educational Needs and Disabilities (SEND), Educational Health and Care Plans (EHCPs), Clerking Services; and that in November 2023 he was appointed Chair of the Audit Committee of the Academy Trust of which his School was a member.

## **123 Public Participation**

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

## **124 Progress on Issues Raised by the Committee**

Considered –

The joint report of the Corporate Director – 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 introduced the report and referenced the future training sessions that Members had raised and requested at the March, 2024 meeting of the Committee. She added that following consultation with Max Thomas, Head of Internal Audit and John Raine, Head of Finance, Corporate and Technical, North Yorkshire Council, the following training sessions were proposed for the Committee in 2024 and 2025:

- September 2024 – Accounting issues and the Committee's role in approving the accounts (which would align with the 23/24 accounts approval);
- December 2024 – Counter Fraud;
- March 2025 – The role of Audit Committee (external audit, internal audit and risk management);
- June 2025 – Treasury Management refresh; and
- September 2025 - Data Protection / Information Security.

Mr David Marsh asked a question re the Audit functions of the York and North Yorkshire Combined Authority and whether there would be any overlap in work and responsibilities of North Yorkshire Council. Gary Fielding, Corporate Director, Resources responded the two organisations were completely separately constituted legal entities but would be happy to provide a couple of slides explaining such and the responsibilities of NYC in relation to Audit and its Audit responsibilities at the March, 2025 training session for the Committee.

Councillor Jabbour mentioned that he had attended the last meeting of the Shareholder Committee and raised the issues that had been discussed under minute 119 "Commercial Governance Review" at the previous meeting of the Audit Committee held on 18<sup>th</sup> March, 2024. The main areas of feedback from the Audit Committee reported to the Shareholder Committee related to the recommendation around Elected Members on Boards. Several Members of the Audit Committee had expressed the view that Elected Members should be represented as they felt they were ultimately accountable for any decisions made by companies. Additionally, one Member of the Audit Committee had also queried whether non-executive directorship opportunities might be considered so that Elected Members with specific skills could put themselves forward for those roles.

**Resolved –**

(1) That the report be noted; and

(2) That training sessions be organised for Audit Committee Members in 2024 and 2025 as outlined in the pre-amble of this minute.

## **125 External Auditors - Deloitte**

Considered – a verbal update from the former North Yorkshire County Council External Auditors - Deloitte

A verbal update was provided by Nicola Wright and Nick Rayner, Deloitte on progress of the 2022/23 of the former North Yorkshire County Council (NYCC) accounts and provided an update in relation to Council pension fund.

David Portlock, Co-opted Member enquired about what information Deloitte were awaiting, Nicola Wright responded regarding audit samples and outstanding questions and she anticipated Deloitte would have completed their work on the 2022/23 accounts by the time of the next (September 2024) meeting of the Committee.

Karen Iveson, Assistant Director, Resources added that the NYC Finance team were currently dealing with 20 external audits including those from legacy Councils.

Other comments related to the impact of loss of “corporate memory”, whereby employees left, retired etc from the organisation; staffing levels in finance; the Council’s risk register; and the Whitby Harbour accounts (which was responded to by Mazars in its report later on the agenda).

### **Resolved –**

That the verbal update be noted.

## **126 External Audit Progress Report - June 2024**

Considered - the Audit Progress report: North Yorkshire Council, June 2024 of the external auditors, Forvis Mazars.

Rob Walker, Manager, and Ellie Horsley, both Forvis Mazars, attended the meeting for this item.

Mr Walker introduced the report and responded to questions and comments.

David Marsh, Co-opted Member asked a question around technical accounting changes to which Mr Walker responded.

In respect of Whitby and Scarborough Harbour accounts and objections an update was provided. Councillor Jabbour added that he had recently observed the recent Court hearing in London (in a personal capacity) and added an outcome was of the Court’s declaration was now awaited.

David Portlock asked a question about how the new NYC planned to retain “Corporate Memory on accounting matters relating to former legacy Councils. Gary Fielding, Corporate Director, Resources responded that the Council’s Human Resources Team were currently working on a three-point plan to address this matter.

David Portlock, Co-opted Member, asked what could be the impact of outstanding Audits of the former legacy Councils on completion of the 2023/24 Audit for NYC? Mr Walker responded that he could not say at this point. Several legacy Councils had not yet produced draft Accounts up to 31 March, 2023 so there could be uncertainty about the opening position of NYC on 1 April 2023. Mr Walker did however indicate that he was more optimistic about being able to complete the required audit work on the income and expenditure of NYC for the year 2023/24. It was noted that whilst the timeline for completing the 2023/24 Audit was now November 2024, this was dependent on the status

of audits up to 31 March, 2023.

David Marsh, Co-opted Member commented on the outstanding queries in relation to the legacy Harrogate Borough Council 2021/22 audit work and progress.

**Resolved –**

The report be noted.

(Cllr Carl Les, OBE, joined the meeting at this juncture)

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

Considered – The annual report of the Head of Internal Audit which provided a summary of internal audit work performed in 2023/24 and expressed an opinion on the overall framework of governance, risk management and controls in place in North Yorkshire Council; and informed Members of Veritau’s conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Programme.

Max Thomas, Head of Internal Audit introduced this report.

Councillor Jordan asked a question around housing audit matters. Mr Thomas responded that it was for Service Managers to consider and respond to audit recommendations, but added the service acknowledged and accepted improvements were needed.

Comments were made about the need to work on standardising and modernising the different operating systems that had been in place at the former legacy councils. Work was on-going in this regard.

Another comment related to the introduction of a new creditors system, which Karen Iveson, Assistant Director, Resources, responded was currently going through the procurement stage with the aim the system would go live in April, 2026.

A further comment related to working with the Social Housing Regulator. Gary Fielding, Corporate Director, Resources confirmed a meeting had taken place with the regulator. Cllr Jabbour commented that the Housing and Leisure Overview and Scrutiny Committee had also recently asked a question on this subject at a recent meeting.

Stuart Cutts, Assistant Director, Veritau commented on proposed future improvements to target timeframes for Audits and links to Committee dates.

**Resolved –**

That the Committee noted:

- (i) the **Reasonable Assurance** opinion of the Head of Internal Audit regarding the overall framework of governance, risk management and control operating within North Yorkshire Council as set out in Appendix 1;
- (ii) the four significant control issues which are recommended for inclusion in the 2023/24 Annual Governance Statement;
- (iii) the outcome of Veritau’s quality assurance and improvement programme and the confirmation that its internal audit service conforms with the Public Sector Internal Audit Standards.

## **128 Information Governance - Annual Report**

Considered – the report of the Corporate Director, Resources which provided an update on governance matters, developments in the Council's information governance arrangements, details of related performance and compliance with relevant legislation.

Max Thomas, Head of Internal Audit introduced the report.

Members commented on the number and nature of data breaches outlined in Section 5 of the report. In response, Mr Thomas responded that it was difficult to compare like for like with other Local Authorities in terms of how North Yorkshire Council (NYC) was performing regarding data breaches. He also commented on the meaning of what shared advice given in the form of "consideration" meant in correspondence with the Information Commissioner's Office (ICO) in respect of one case reported and on "advice the ICO had provided to the Council with advice on additional security, which was currently being reviewed".

### **Resolved –**

The Committee noted the Council's Information Governance arrangements and activities during the year.

(Stuart Carlton, Corporate Director – Children and Young People's Services (CYPS); and Howard Emmett, Assistant Director, Resources entered the meeting at this juncture).

## **129 2024/25 Internal Audit and Information Governance Work Programmes**

Considered –

The report of the Head of Internal Audit which sought approval for the internal audit work programme for 2024/25 and included details of the information governance work programme.

Stuart Cutts, Assistant Director, Veritau introduced the report and responded to Members' questions and comments.

A question was asked by David Portlock, Co-opted Member about Annex B and current priorities for Internal Audit Work and timing of Audits and whether those items marked "Do Later" could be re-prioritised if deemed necessary for any reason. Mr Cutts confirmed re-prioritisation could take place if it was deemed necessary to do so.

### **Resolved -**

The Committee approves the 2024/25 internal audit work programme and notes the information governance work programme.

## **130 Counter Fraud Annual Report**

Considered – the report of the Head of Internal Audit which provided a summary of the counter fraud work performed in 2023/24 for North Yorkshire Council.

Daniel Clubb, Assistant Director, Counter Fraud, Veritau, introduced the report and

highlighted various aspects of the counter fraud activity undertaken during 2023/24.

**Resolved –**

That the Counter Fraud work undertaken during the year be noted.

(Max Thomas, Head of Internal Audit left the meeting at this juncture).

**131 Internal Control Matters for the Children and Young People's Services Directorate**

Considered – the report of the Corporate Director – Children and Young People's Services (CYPS) which outlined some of the key service risks and governance related issues within the directorate and provided details of the updated risk register for the Children and Young People's Services directorate.

Mr Emmett, Assistant Director, Resources introduced the report and Mr Carlton expanded on matters contained within the risk register.

David Portlock, Co-opted Member asked a question regarding paragraph 4.4 of the report and the area SEND inspection of arrangements for children and young people with special educational needs and/or disabilities undertaken by OFSTED and the Care Quality Commission (CQC) during April, 2024. In response the Committee was informed the inspection report would be published on the website in due course.

**Resolved –**

That the Committee notes the updated risk register for the CYPS directorate and that the Committee's feedback and comments, as outlined at this meeting, on the CYPS directorate risk register, key risk and governance issues and other internal control matters be noted.

**132 Procurement and Contract Management Strategy**

Considered – the report of the Corporate Director, Resources which asked the Committee to note and comment on the Council's revised Procurement and Contract Management Strategy for the period April, 2024 to March, 2029.

Rachael Woodward, Head of Procurement introduced the report.

David Portlock, Co-opted Member queried the outturn for 2023/24 for the KPIs linked to the procurement strategy. In response, Ms Woodward stated she would obtain the requested information post-meeting and circulate to the Committee. She added that this information was monitored and reported on a quarterly basis through Management Board, Executive and Overview and Scrutiny Board, via the Executive Performance Report.

A further question was asked by David Marsh, Co-opted Member on policy and process, paragraph 3.5.3 of the report relating to the new procurement regime. Ms Woodward responded that the changes were welcomed and positive and would provide greater transparency and increased flexibility on how the Council undertook procurement and also commented on the Council's social value responsibilities as outlined at paragraph 3.5.9 of the report.

Councillor Swannick commented there was no direct reference to jobs under section 3.5.9 – social value.

In response to a question from David Portlock, Co-opted Member, Ms Woodward confirmed that all changes resultant from the new Procurement Act 2023 would be adopted in due course into the Council's Procurement and Contract Procedure Rules and associated processes/procedures to ensure compliance and best practice were adopted across the Council.

**Resolved** – that the Audit Committee:

(a) notes the revised Procurement and Contract Management Strategy; and

(b) comments as provided at this meeting by the Committee be used to further add value to the on-going work on procurement and contract management, especially in relation to delivering the procurement and contract management strategy.

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

### **133 CIPFA Financial Management Code**

Considered – the report of the Corporate Director, Resources which updated the Committee on the self-assessment of compliance with the Chartered Institute of Public Finance and Accountancy's Financial Management Code (CIPFA FM Code).

Karen Iveson, Assistant Director, Resources responded to Members' questions regarding the process for identifying and implementing a replacement core financial system, currently ORACLE, which had recently commenced. A report would be going to an Executive for approval following the tender process to get agreement for a new system with an anticipated Go Live date of April, 2026.

**Resolved** – That the Committee

(a) notes the self-assessment of continued compliance with the code detailed in the appendix to the report; and

(b) for further update reports to be brought to Audit Committee if there were significant changes to the requirements of the CIPFA FM Code.

### **134 Corporate Governance**

Considered –

The report of the Corporate Director, Resources which asked the Committee to note progress on Corporate Governance and note improvements and changes made to governance arrangements.

Karen Iveson, Assistant Director, Resources introduced the report and responded to questions and comments.

Cllr Swannick made some comments regarding Artificial Intelligence (AI) that Karen Iveson responded she would feedback to technology colleagues within the Council and

provide the Committee with a response post-meeting.

David Portlock, Co-opted Member enquired about changes in leadership following the recent retirement of Fiona Sowerby, Head of Insurance and Risk Management. In response, Karen Iveson informed the Committee that the Insurance and Risk Management service had been reviewed and a new Officer appointed to lead the service. She added it was envisaged there would be a closer working relationship with the internal auditors Veritau regarding governance moving forward.

**Resolved –** That the Audit Committee:

(a) note progress on Corporate Governance related matters; and

(b) note the improvements that had been made, and that were to be made on corporate governance, as detailed in Appendix A, summary of improvements of the submitted report.

### **135 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.

**Resolved –**

(1) That the Committee's Programme of Work be noted;

(2) That the Council's Calendar of meetings for 2025/26, when approved by Full Council be circulated to members of this Committee to make them aware of future Audit Committee meeting dates; and

(3) That the Value for Money (VfM) reports that had previously been submitted to this Committee be incorporated into the Annual Governance Statement (AGS) / Corporate Governance reports in the future to avoid duplication.

### **136 Any other Items**

None.

### **137 Date of Next Meeting**

1.30pm on Monday 23<sup>rd</sup> September, 2024.

The meeting concluded at 3.25pm