

North Yorkshire County Council

Audit Committee

Minutes of the remote informal meeting held on Monday, 25th October, 2021 commencing at 1.30 pm.

County Councillor Cliff Lunn in the Chair; plus County Councillors Margaret Atkinson, Robert Baker, Philip Broadbank, Jim Clark, David Hugill, Don MacKay, Mr Nick Grubb and Mr David Portlock

In attendance: County Councillor Carl Les

Officers present: Karl Battersby, Karen Iveson, Matthew Robinson, Anne E Simpson, Max Thomas and Ruth Gladstone

Other Attendees: Nicola Wright and Nick Rayner

Apologies: County Councillor Karl Arthur and Mr David Marsh

Copies of all documents considered are in the Minute Book

225 Minutes of the informal meeting of the Committee held on 20th September 2021

Resolved –

That the Minutes of the informal meeting held on 20th September 2021 be agreed as an accurate record.

226 Declarations of Interest

There were no declarations of interest.

227 Public Questions or Statements

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

228 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 – Strategic Resources) introduced the report.

Resolved –

That the report be noted.

229 2020/21 External Audit of the North Yorkshire Pension Fund

a

Considered –

The updated report of Deloitte concerning the progress of the 2020/21 external audit of North Yorkshire Pension Fund.

Nicola Wright (Audit Partner, Deloitte) introduced the report and highlighted that, since the meeting of Audit Committee Members on 20 September 2021, Deloitte had continued to work on the audit of the North Yorkshire Pension Fund. However, Deloitte had had a resource issue, due to illness, around some of the review processes. This had led to delays in the issuing of the report, although Deloitte had kept Gary Fielding, County Councillor Cliff Lunn and Mr David Portlock updated. The updated report had now been issued for today's meeting, subject to the completion of the review processes. Nicola Wright reported, with regard to the detail of the report:-

- There had not been much change to the Pension Fund report compared to the previous version because this audit had been largely completed at the time of the meeting on 20 September 2021.
- Deloitte had now completed their work around the journals, which was the significant risk around management override of controls, and the transactional testing of the move of some of the funds centrally to Borders to Coast Pensions Partnership. Subsequently Deloitte had made no new findings and no changes in terms of the findings they had reported previously to Committee Members.
- Deloitte had noted that a set of accounts was included within the reports for today's meeting. Deloitte had sent some amendments, regarding those accounts, to County Council staff. However, one small amendment had not been made prior to the circulation of the papers for today's meeting. The amendment related to the narrative in Note 10, which referred to transfers-out, and talked about transfers-out being to employers as opposed to other funds or other schemes. Consequently, Deloitte were intending to ask that that should be amended in the final version. With that exception, there was nothing additional that Deloitte needed to bring to Audit Committee Members' attention regarding the external audit of the North Yorkshire Pension Fund and there was nothing additional to the information which Deloitte had highlighted at Members' meeting on 20 September 2021.

Members asked to discuss this item of business at the same time as the item of business "2020/21 External Audit of North Yorkshire County Council".

Resolved –

That discussion regarding the 2020/21 External Audit of North Yorkshire Pension Fund be deferred and be discussed at the same time as the item "2020/21 External Audit of North Yorkshire County Council".

229 2020/21 External Audit of North Yorkshire County Council

b

Considered –

The updated report of Deloitte concerning the progress of the 2020/21 external audit of North Yorkshire County Council.

Nicola Wright (Audit Partner, Deloitte) introduced the report and highlighted that Deloitte had, similar to the audit of the North Yorkshire Pension Fund, carried on with completing the work on the 2020/21 external audit of North Yorkshire County Council. Page 33 of the supplement agenda papers for today's meeting outlined progress to date and showed some of the items, shown as outstanding at the last committee meeting, and now updated and shown as completed, together with the two significant risks in the report. Nicola Wright highlighted the main changes compared to the previous version of the report, which were:-

- Deloitte had now concluded their work on both the significant risk of the completeness of expenditure and around journals. Subsequently, references to each, within the detail of the report, had been updated.
- Deloitte had included, in the updated report, the management responses received from the Council team concerning some of the recommendations.
- Now included in the appendix was an unadjusted misstatement item which was effectively a classification between cash and debtors.

Members discussed the progress of the external audits with Nicola Wright and the following comments were made:-

- Members commented that they were disappointed at not being able to discuss the final SOFA at today's meeting.
- Members acknowledged that they could understand that no one could predict illness and they wished the Deloitte staff a speedy road to recovery.
- In response to questions, Nicola Wright confirmed that there were no large outstanding areas for testing by Deloitte.
- Nicola Wright explained that the delay with the audits had arisen largely because the County Council, as a large council, had additional quality processes in place around engagement quality partner reviews and it was in those areas where Deloitte had struggled due to staff sickness. Interim arrangements had been put in place to get the reports out and review but unfortunately those interim arrangements had tested positive for COVID within a few days and therefore it had been a really challenging time around capacity for Deloitte.
- Nicola Wright highlighted that Deloitte and the County Council were not alone in facing the challenges of public audit at present. She explained that there were a range of issues affecting the situation, for example:- ill health; access to the right skills in the market; the challenges around quality; and raising the bar and making sure that work was done to that highest possible standard. Members highlighted that the County Council was possibly unique in that it was facing the challenge of local government reorganisation and consequently, the sooner that County Council staff could put the audit of the 2020/21 accounts behind them, the sooner they could focus on work relating to local government review. Nicola Wright advised that Deloitte were aware of that and therefore were aiming to complete the audit of the County Council first.
- Nicola Wright reported that Deloitte was not far away now from being ready to sign off the County Council's accounts. Only some review processes remained to be completed. However, they had to be completed before Deloitte could issue an opinion regarding the accounts.
- In response to questions, Nicola Wright advised that she hoped that Deloitte would

be finished the audits in the following two to three weeks, subject to the return to work on 1 November of a member of her staff who had had COVID. However, if there were any delays, Deloitte would inform Gary Fielding, County Councillor Cliff Lunn and Mr David Portlock outside the committee cycle. Nicola Wright confirmed that “two to three weeks” was realistic, subject to any further sickness absence.

Resolved –

That Deloitte’s update reports about the 2020/21 audits of the North Yorkshire Pension Fund and North Yorkshire County Council be noted.

230 Report Following the Detailed Review of the draft Statement of Final Accounts for 2020/21

Considered –

The updated 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 for 2020/21, actions taken as a result of issues being identified, and offering an opinion on the draft SOFA and draft Annual Governance Statement for 2020/21.

Mr David Portlock (Chair of the Members’ Working Group) introduced the updated report and highlighted the discussions which had involved the Members’ Working Group subsequent to the meeting of Audit Committee Members on 20 September 2021. He also outlined the changes which had been made to the Members’ Working Group’s report, those changes being in paragraphs 2.4, 2.6 and 4.2.

Mr David Portlock highlighted that the external audits had not yet been completed and therefore the recommendation of the Members’ Working Group (namely, that the SOFA and the Annual Governance Statement for 2020/21 be signed) could not be acted on yet. He advised, however, that he had heard nothing from Nicola Wright, during this meeting, which would lead him to wish to change the Members’ Working Group’s recommendation.

Resolved –

That the updated report of the Members’ Working Group be noted.

231 Statement of Final Accounts for 2020/21 including Letter of Representation

Considered –

The updated report of the Corporate Director – Strategic Resources concerning the 2020/21 Letter of Representation, Statement of Final Accounts, and Annual Governance Statement.

Karen Iveson (Assistant Director - Strategic Resources) introduced the report and highlighted that the external audit was still to be complete. Karen Iveson submitted verbally the following amended recommendation for Members’ consideration:-

- (a) That Members note the changes to the Final SOFA as set out in paragraph 4 and Appendix B.
- (b) That authority is delegated to the Corporate Director – Strategic Resources in consultation with the Chairman of the Audit Committee to approve the Final Statement of Accounts and Letter of Representation, unless there are any material

changes resulting from the final stages of the audit. Where any material issues arise, the Statement of Accounts and Letter of Representation will be raised at another meeting of the Audit Committee.

Mr David Portlock outlined the key areas of change made to the SOFA since the meeting of Audit Committee Members held on 20 September 2021. The key areas of change were as follows:-

- Collection Fund – estimates had been replaced with the actual figures which had now been received from the District Councils.
- Dedicated Schools Grant – the Government had changed how unspent Dedicated Schools Grant must be reflected in the accounts.
- Capital Grants received by the Council – the treatment, within the draft accounts, of unspent grant funding had changed following discussion with Deloitte. In addition, some grants, on further investigation, were received by the Council as Agent as opposed to Principal and these were now also shown differently in the accounts.

Mr David Portlock also highlighted the following:-

- The minor changes to the narrative and disclosures on the bottom of the first page of Appendix B, although the meeting of Audit Committee Members held on 20 September 2021 had been advised to these.
- Prudential (the AVC provider) had still not provided the necessary information for the 2020/21 accounts and the resultant incomplete information was reflected in Note 23 to the Pension Fund main statements.

Resolved –

- (a) That Members note the changes to the Final SOFA as set out in paragraph 4 and Appendix B.
- (b) That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers:- That authority is delegated to the Corporate Director – Strategic Resources in consultation with the Chairman of the Audit Committee to approve the Final Statement of Accounts and Letter of Representation, unless there are any material changes resulting from the final stages of the audit. Where any material issues arise, the Statement of Accounts and Letter of Representation will be raised at another meeting of the Audit Committee.

232 Annual Report of the Audit Committee

Considered –

The report of the Chairman of the Audit Committee which invited Committee Members to consider the Committee's draft annual report for the year ended 30 September 2021.

The report was introduced by County Councillor Cliff Lunn (Chairman of the Audit Committee) who invited Members to make comments on the draft report or highlight any inaccuracies relating to its content.

There was a discussion concerning whether the word "savings" in paragraph 12 of the

draft report was correct. The Head of Internal Audit clarified that the term was being used to refer both to funds recovered from fraudsters and some savings. Members concluded that the word “savings” did not require amendment.

Resolved –

- (a) That the report be noted.
- (b) That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers:- That the draft annual report of the Audit Committee be approved prior to its submission to the County Council.

233 Business and Environmental Services Directorate - Internal Audit Work

a

Considered –

The report of the Head of Internal Audit which advised of the internal audit work performed during the year ended 30 September 2021 for the Business and Environmental Services Directorate.

The Head of Internal Audit introduced the report, responded to Members’ questions, and undertook to contact Mr David Portlock after the meeting to advise him of the number of audits currently in progress which were either directly covering, or covering some aspect of, the Business and Environmental Services Directorate.

Resolved –

That it be noted that the Committee, having considered the report of the Head of Internal Audit, is satisfied that the internal control environment operating in the Business and Environmental Services Directorate is both adequate and effective.

233 Business and Environmental Services Directorate - Internal Control Matters

b

Considered –

The report of the Corporate Director – Business and Environmental Services, which provided an update on progress against areas for improvement identified through internal procedures, together with the latest Risk Register for the Business and Environmental Services Directorate.

The Corporate Director – Business and Environmental Services introduced the report and responded to Members’ questions.

Members complimented the Corporate Director – Business and Environmental Services on providing a very comprehensive and excellent presentation of his report.

Resolved –

- (a) That the update on the salient points relating to the Directorate be noted.
- (b) That the Risk Register for the Business and Environmental Services Directorate be noted.

234 Counter Fraud Policy Framework

Considered –

The report of the Head of Internal Audit, which invited Members to note the results of the annual fraud risk assessment, consider recommending approval of the new Counter Fraud Strategy Action Plan, and consider and comment on the draft revised Counter Fraud and Corruption Policy and the draft revised Whistleblowing Policy.

The report was introduced by Max Thomas (Head of Internal Audit) who highlighted that the Council's fraud risk assessment was updated annually and the 2021/22 version was at Annex 1 to the report. Also reviewed annually, and changed if necessary, was the Council's Counter Fraud Strategy and associated policy framework. No changes were proposed this year to the Strategy itself. However, the Strategy contained an Action Plan which was updated annually and the latest update to the Action Plan was at Annex 2 to the report. This year, the Counter Fraud and Corruption Policy and the Whistleblowing Policy had been subject to detailed review and revision. The revised policies were currently subject to consultation with HR and Unison and the final versions would be submitted to the Committee's next meeting. Members made no comments concerning the draft revised Counter Fraud and Corruption and Whistleblowing policies.

Resolved –

- (a) That the results of the annual fraud risk assessment be noted.
- (b) That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers:- That the updated Counter Fraud Strategy Action Plan, as set out at Annex 2 of Appendix 1 to the report considered by Audit Committee Members on 25 October 2021, be approved.

235 Business Continuity - Update Report

Considered –

The report of the Head of Resilience and Emergencies, which provided an overview of the current business continuity arrangements for North Yorkshire County Council and provided continued assurance for the management of risk within Directorates and Service areas.

Matt Robinson (Head of Resilience and Emergencies) introduced the report and responded to Members' questions.

Resolved –

That the recent challenging incidents that have been managed by the County Council's Directorates, overseen by the Business Continuity Champions and fully supported by the Resilience and Emergencies Team, and the continued efforts of all service areas at North Yorkshire County Council to embed resilience practice, be noted.

236 Audit Committee Programme of Work 2020/21

Considered –

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

Resolved –

That the Committee's Programme of Work be noted.

The meeting concluded at 2.55 pm.