

North Yorkshire County Council

Audit Committee

Minutes of the informal remote meeting held on Monday, 13th December, 2021 commencing at 1.30 pm.

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

In attendance: County Councillor Carl Les

Officers present: Kevin Draisey, Gary Fielding, Anton Hodge, Karen Iveson, Andrew Jarvis, John Raine, Fiona Sowerby, Max Thomas, Richard Webb and Ruth Gladstone

Other Attendees: Nicola Wright and Nick Rayner

Apologies: County Councillor Robert Baker

Copies of all documents considered are in the Minute Book

237 Minutes of the informal meeting of the Committee held on 25 October 2021

Resolved –

That the Minutes of the informal meeting of Audit Committee Members held on 25 October 2021, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

238 Declarations of Interest

There were no declarations of interest.

239 Public Questions or Statements

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

240 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 other matters that had arisen since the Committee's last meeting and related to the work of the Committee.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report.

Resolved –

That the report be noted.

241 External Audit Update

Considered –

The verbal report of Nicola Wright (Audit Partner, Deloitte) advising of progress of the external audit of the County Council's accounts, including the accounts of North Yorkshire Pension Fund. She reminded Members there were two parts to achieving the sign-off of the 2020/21 accounts:-

- (i) The remediation work on the 2019/20 accounts that linked to the FRC review – The remediation work was now complete and there remained only one person to confirm their satisfaction, which was expected to happen either that afternoon or the following morning. This work had confirmed that there was no issue with the 2019/20 accounts. However, with regard to the large adjustment which had been made to the valuation balance of schools within the 2019/20 accounts, the FRC reviewer had asked Deloitte whether there should have been a prior year adjustment in a similar fashion, and Deloitte had not believed so, and Deloitte had confirmed that. However, Deloitte should have reported, to the Audit Committee, the value, which was not material. Therefore, Deloitte would be adding that into their updated 2020/21 report for clarity and including it in the representation letter. This did not require change to the accounts which had been signed for the previous year.
- (ii) Once the remediation work on the 2019/20 accounts was signed off, either later that day or the following morning, Deloitte would be in a position to close down the 2020/21 financial statements. Nicola Wright understood that there had been some recent liaison with the Council's Accountancy Team around "dotting the I's and crossing the T's", but she hoped these would be signed-off that week.

In response to Members' questions, the following points were clarified:-

- The planned signing-off, later that day or the following morning, related only to the remediation of the 2019/20 accounts. Thereafter, Deloitte would be able to proceed to the signing of the 2020/21 accounts.
- Ill health within Deloitte had delayed the external audit because different people, who had been providing cover, had raised questions to which the Council's Accountancy Team had had to respond. To provide an assurance to Members, Nicola Wright advised that she and Nick Rayner had been on a call that morning with the review partner and she could not see a reason why Deloitte would not be able to sign the accounts that week and to have it done before the Christmas break.
- Gary Fielding (Corporate Director – Strategic Resources) reported that he was really keen for the Council's Accountancy Team to be able to move on to deliver local government review in North Yorkshire, which was a massive piece of work, and that, as long as the audit window remained opened, there was the prospect of Deloitte raising more queries. He sought assurance that the only questions now being asked were to deal with outstanding issues as opposed to new material. Nicola Wright responded that she understood that the queries which Deloitte was raising were things that had been asked previously and Deloitte was just "dotting the I's and crossing the T's", making sure that their questions had been answered, that they understood the explanations and answers provided by the Council, and that Deloitte's documentation was absolutely at the quality and standard it should be. She did not believe that Deloitte had raised any new questions during the previous few weeks but asked Gary Fielding to contact her if he thought new matters had been raised. Nicola Wright added that there were 6 steps of review. Other people

were involved in the review and it was quite normal to have some tidying-up points at this stage as an audit was being closed down, to make sure everything was documented appropriately etc. She confirmed that no big pieces of work were outstanding, and no questions were being asked which would lead to a change in the accounts.

- The delay in the external audit of the Council's accounts did not reflect badly on the Council because only around 9% of authorities had had their accounts signed-off by the statutory deadline due to national issues surrounding the audit market, the audit process and various reviews. Gary Fielding advised that around 50% of county councils had now had their accounts signed-off, although that figure had been 9% just a month or so previously.

Members were reminded that the Chief Executive Officer, using his emergency powers, had previously delegated power to the Corporate Director – Strategic Resources, in consultation with the Committee's Chairman, to approve the Final Statement of Accounts for 2020/21 and the Letter of Representation, unless there were any material changes resulting from the final stages of the audit. Gary Fielding and Members commented that they had heard nothing, in Nicola Wright's verbal report to today's meeting, to suggest there were any major issues of principle to resolve from the final stages of the audit. Gary Fielding advised that he considered that the power, previously delegated, was not time-limited and could be relied on for the signing of the 2020/21 accounts.

Resolved –

- (a) That the report be noted.
- (b) That the Corporate Director – Strategic Resources inform Audit Committee Members once the accounts are signed-off.

242 The CIPFA Financial Management Code

Considered –

The report of the Corporate Director – Strategic Resources which provided information about the aspects of County Council performance that had been regarded, in December 2020, as possible areas of improvement against CIPFA's Financial Management Code issued in October 2019.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report, highlighting that the first full year of compliance with the Code was 2021/22 although, due to Covid pressures, CIPFA had advised that this could be done within a more flexible framework.

During discussion, Members commented that they welcomed the approach being taken, namely, that the Financial Governance Sub Workstream, within the Finance Workstream under Local Government Reorganisation, would be picking up many of the areas identified as amber within the Appendix to the report, in order to make best use of resources.

Resolved –

- (a) That the work to further enhance compliance with the Financial Management Standards within CIPFA's Financial Management Code be noted.
- (b) That any significant revisions to the Code, along with any corresponding proposed actions by the County Council, be reported back to the Audit Committee.

243 Risk Management - Progress Report

Considered –

The report of the Corporate Director – Strategic Resources which advised of the updated Corporate Risk Register, the links between Directorate Risk Registers and the Corporate Risk Register, and progress on other Risk Management related matters.

Fiona Sowerby (Head of Insurance and Risk Management) introduced the report and responded to Members' questions. During discussion, failures in the care market were highlighted. Fiona Sowerby advised that the Health and Adult Services Directorate had a team of staff which went into failing care homes and either took control or arranged for the residents to be placed elsewhere. In particular, there had been a major issue with a home care provider in the Selby area, which had posed a number of issues for the team. However, there had been no instances where the County Council had not been able to manage the situation.

Resolved –

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, and the links between Directorate Risk Registers and the Corporate Risk Register, as set out at Appendix B to the report, be noted.
- (b) That the situation regarding other Risk Management related matters be noted.

244 Appointment of External Auditors

Considered –

The report of the Corporate Director – Strategic Resources which set out proposals for appointing the external auditor to the Council (including the North Yorkshire Pension Fund) for the accounts for the five-year period from 2023/24.

Karen Iveson (Assistant Director - Strategic Resources) introduced the report, highlighting that the recommendation was that the Council should accept the invitation of Public Sector Audit Appointments (PSAA) to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies with effect from 1 April 2023. Two other options were available, namely, (i) for the Council to appoint its own external auditor following procedures set out in the relevant Act; and (ii) for the Council to act jointly with other authorities to procure an external auditor following procedures set out in the relevant Act. Karen Iveson highlighted that the date of 1 April 2023 coincided with the transition to a new unitary council for North Yorkshire. The matter had been discussed by the Section 151 Officers of the eight existing councils in North Yorkshire who were supportive of opting into the sector-wide procurement conducted by PSAA because they felt that, on balance, this would produce better outcomes and would be less burdensome for the Council than a procurement undertaken locally.

Members discussed the report and expressed strong support for the officer recommendation. They commented that the other two options would not be an efficient use of officer time and would not be value for money. They added that this would be their opinion even if a review of local government was not being implemented at the same time.

The officers clarified that the recommendation of this informal meeting would be submitted to the Chief Executive and, subject to his approval, to a meeting of the Executive in January 2022 and thereafter to a meeting of the full Council for formal decision.

Resolved –

That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers:- The Audit Committee Members recommend that the Council accepts the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

245 Procurement and Contract Management Update

Considered –

The report of the Corporate Director – Strategic Resources which provided an update on the work of the Procurement and Contract Management Service including key achievements, recent activity and the continuing response to the Covid-19 pandemic.

Kevin Draisey (Head of Procurement and Contract Management) introduced the report and responded to Members' questions. During discussion, the following confirmations were provided:-

- The County Council's Procurement and Contract Management Service was working with officers from each of the North Yorkshire district councils to identify all contracts that were due for renewal during the subsequent few years in order to avoid duplication or the new Council being tied into something that it would not want in the future.
- The Procurement and Contract Management Service was working with the LEP to support SMEs and no duplication of effort was taking place.
- The construction industry had seen inflationary price increases and availability issues recently and the County Council had had to change some of its specifications and approach to reflect that. However, the County Council had not experienced "huge" price increases reported elsewhere.
- The resilience of the social care market was a particular concern and therefore the County Council was providing support.
- There had been no breaches of the County Council's procurement rules.

It was reported that this was the last meeting of the Committee which Kevin Draisey would attend because he had been appointed to a post within the Cabinet Office from January 2022. Members congratulated Kevin Draisey on his appointment, wished him well in his new post, and thanked him for all the work he had done for the County Council.

Resolved –

The progress on key achievements and recent activity be noted.

246 Internal Audit Report on Information Technology, Corporate Themes and Contracts

Considered –

The report of the Head of Internal Audit which advised of the internal audit work completed during the period to 30 November 2021 in respect of information technology, corporate themes, and contracts and procurement.

Max Thomas (Head of Internal Audit, Veritau Ltd) highlighted that the report set out the areas which Veritau had reviewed, their findings, and the opinion which they had given. Where Veritau had found processes or controls required improvement, they had agreed appropriate actions with the relevant Council managers. These actions would be followed up in due course to ensure they were implemented. Max Thomas also highlighted that many of the Directorates' audits, which were reported at other times through year, included elements of IT controls, procurement and contract management and that assurance was gained from those audits, as well as those listed in the report to today's meeting. Max Thomas reported that there were no particular issues to bring to the Committee's attention, that Veritau continued to receive good cooperation with its audit work, and the control weaknesses which had been identified had all been accepted by management.

Resolved –

That the results of internal audit work performed in the period, in respect of the Council's information technology, corporate and contract arrangements, be noted.

247 Health and Adult 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 31 October 2021 for the Health and Adult Services Directorate.

Max Thomas (Head of Internal Audit, Veritau Ltd) highlighted that the report presented the results of internal audit work completed in respect of the Health and Adult Services Directorate in the year to 31 October 2021. Details of the audit reports finalised in the year were listed in Appendix 1 to the report. In addition to those specific audits, Veritau had provided additional support and advice to the Directorate through the year and some of that work was summarised in paragraph 3.2 of the report. The report set out details of the areas which Veritau had reviewed as part of each audit, the findings from those audits, and the opinion given. Where Veritau had found areas or controls which required improvement, they had agreed appropriate actions with managers within the Directorate. Those actions would be followed up to ensure that they were implemented in due course. Max Thomas also highlighted that most of the areas in which Veritau had undertaken specific audits were ones where the Directorate's management already had concerns and the Directorate had requested internal audit input. Therefore the findings and opinions in Appendix 1 looked slightly concerning, but demonstrated the value of management within the Directorate and Veritau working together.

Max Thomas and Anton Hodge (Assistant Director - Strategic Resources) responded to Members' questions, including advising that remote working had not been identified, by Veritau, as a factor in most of the audits undertaken within the Health and Adult Services Directorate.

Members commented that the Health and Adult Services Directorate was doing an exceptional job in supporting the social care market. Anton Hodge advised that the Directorate continued to lobby Government for a better funding settlement, in particular to recognise the higher cost of providing services in a rural area.

Resolved –

That the results of internal audit work performed in the period for the Health and Adult Services Directorate be noted.

247 Health and Adult Services Directorate - Internal Control Matters

b

Considered –

The report of the Corporate Director – Health and Adult Services which outlined some of the key service risks and governance developments within the Directorate, and provided details of the Directorate’s Risk Register.

Richard Webb (Corporate Director – Health and Adult Services) and Anton Hodge (Assistant Director - Strategic Resources) introduced the report and responded to Members’ questions. During discussion, the following was reported:-

- A national solution was required to address pay and conditions of care sector staff. The County Council was trying to do what it could, and some pay increases were being considered although they probably would not match pay rates offered by global brands.
- Nine of around 2,000 County Council staff had been lost/redeployed following the Government requirement for staff working in care homes to be fully vaccinated against coronavirus.
- The current environment was extremely tough for all councils across the UK. However, the Corporate Director – Health and Adult Services very much hoped that the County Council was not going to “fall off the cliff edge” in delivering its social care statutory services. He felt that the situation was currently manageable on a smaller scale and intermittent. In addition, the County Council’s Executive had recently approved investment proposals which included an allocation, for example, for additional grants to family carers and also to look at what the County Council could do in liaison with the voluntary sector and other groups to support people.
- The Directorate had an agreed programme with Veritau to audit external providers and in-house providers.

Members thanked Richard Webb and Anton Hodge for providing a full description of the Directorate’s work and for advising how it worked with Veritau.

Resolved –

That the Risk Register for the Health and Adult Services Directorate be noted.

248 Audit Committee Programme of Work

Considered –

The Committee’s Work Programme.

Gary Fielding (Corporate Director – Strategic Resources) introduced the Committee’s Work Programme and highlighted the reinstatement of training sessions.

Members expressed support for reinstating training sessions and discussed when the training should be held. Members suggested that training sessions might be held prior to meetings of the Audit Committee but should commence 60 or 90 minutes prior to the meetings so that sessions did not have to be curtailed and sufficient time was also allowed for preparation for the live-broadcasting of the meeting.

Members discussed the themes for the training sessions and suggested that cyber and information security should be covered earlier than October 2022 because it was a subject for which everyone had responsibility and massive change would be taking place before then.

Resolved –

That the Work Programme be amended to reflect Members' comments, namely:-

- (a) The training sessions commence 60 or 90 minutes prior to the Committee's meetings.
- (b) The training session regarding cyber and information security be rearranged to an earlier date.

The meeting concluded at 3.30 pm.