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North Yorkshire Council

Audit Committee

Minutes of the meeting held on Monday, 26th June, 2023 commencing at 1.30 pm at County Hall, Northallerton.

Committee Members present: Councillor Cliff Lunn in the Chair; plus Councillors Alyson Baker, Philip Broadbank, Mark Crane, George Jabbour, Nigel Knaption, Karin Sedgwick, Neil Swannick, Matt Walker, Mr David Marsh and Mr David Portlock

In attendance: Councillor Carl Les

Officers present: Howard Emmett, Gary Fielding, Anton Hodge, Karen Iveson, John Raine, Fiona Sowerby, Max Thomas, Stephen Loach, Stuart Cutts, Mark Codman, Paul Preston and Sian Moore

Other Attendees: Nicola Wright (Deloitte) and Mark Kirkham (Mazars)

Copies of all documents considered are in the Minute Book

Announcements

The Chair informed the Committee that North Yorkshire Councillor Stuart Parsons had resigned from the Committee with immediate effect.

He also welcomed to the meeting Mark Kirkham from Mazars, who had been appointed as the external auditors for North Yorkshire Council from 1 April, 2023.

60 Minutes of the former NYCC Audit Committee Meeting held on 20 March, 2023

Resolved –

That the Minutes of the meeting of the former North Yorkshire County Council Audit Committee held on 20 March, 2023, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

61 Declarations of Interest

Mr David Portlock, Co-opted Member declared interests in Minute 64 – 2023/24 Internal Audit Plan (NY Pension Fund) as he was the Independent Chair of the North Yorkshire Pension Board and Minute 69 – Internal Control Matters for Children and Young People's Services Directorate as he was a Chair of governors at a school.

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

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

Gary Fielding (Corporate Director – Resources) introduced the report and advised on the progress made and also informed the Committee that his colleague Karen Iveson, Assistant Director, Strategic Resources would be taking a more prominent role supporting the work of the Audit Committee at future meetings.

Councillor George Jabbour advised that he had attended a webinar organised by the Chartered Institute of Public Finance and Accountancy (CIPFA) on infrastructure assets which had been very informative. He added he would circulate the relevant notes to other Members of the Committee via Democratic Services.

In response to a question from Councillor Jabbour regarding the external audit of the North Yorkshire County Council accounts for 2021/22, Nicola Wright, Deloitte provided a verbal update to the Committee on progress and on-going work and confirmed that the external audit would be completed by 31 July 2023.

David Portlock, Co-opted Member enquired of Nicola Wright whether she had received all the information required of North Yorkshire Council Officers regarding the 2021/22 accounts of North Yorkshire Council (formerly North Yorkshire County Council). In response, she stated that all the information required had been received from Officers'. The one outstanding issue related to comments awaited from Deloitte's Actuaries. She reiterated and confirmed that Deloitte would be able to complete its audit of 2021/22 accounts by 31 July, 2023.

In response to a Members' question regarding the volatility and rises in interest rates, Gary Fielding Corporate Director – Resources responded that the Council was guided by its treasury management specialists in relation to interest rates. He added he was happy to share further information on this matter with the Committee.

Resolved –

That the report be noted.

64 2023/24 Internal Audit Plan

Considered: The report of the Head of Internal Audit which sought the Committee's approval for the internal audit programme of work for 2023/24.

Stuart Cutts, Assistant Director, Audit Assurance, Veritau introduced the report, gave a brief overview of the programme of work which was outlined at Appendix 1 of the submitted report and answered Members' questions thereon.

David Marsh, Co-opted Member asked a question on asset management and achieving revenue from property sales. In response Mr Cutts stated he would be discussing this matter with Kerry Metcalfe, Assistant Director, Commercial, Property and Procurement in the near future adding that the safeguarding of all new assets of the new North Yorkshire

Council was of upmost importance.

David Portlock, co-opted member commented on the OFSTED inspection of Adult Learning and its findings. He also referred to Annex A of the indicative internal audit work programme 2023/24 – potential activity “Scheme of Delegation” what did this refer to? In response, Max Thomas, Veritau responded it related specifically to health and social care activities. He would also amend the priority for adult learning from “Do Later” to “Do Next” in the current priorities for internal audit. David Portlock also asked if Information and Cyber Security in relation to North Yorkshire Pension Fund was reviewed as part of Internal Audit’s review of the Council. This was confirmed.

Resolved –

That the internal audit programme of work 2023/24 be approved.

65 Annual Report of the Head of Internal Audit

Considered: The report of the Head of Internal audit which provided a summary of the internal audit work performed in 2022/23 and expressed an opinion on the overall framework of governance, risk management and control in place within (the now former) North Yorkshire County Council; and informed the Committee of Veritau’s conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Programme (QAIP).

Max Thomas, Head of Internal Audit, Veritau gave an overview of the salient points in his annual report to the Committee. In particular he drew attention to paragraph 17 of the submitted report and the significant control issue on Information Security which was considered relevant to the preparation of the 2022/23 Annual Governance Statement (AGS). He also referred to two small anomalies in the report, on page 42 on “Final report issues” the heading “Reported to Committee” was incorrect and on page 43, the entry for Fairburn CP School should read “No Opinion Given” and not “Substantial Assurance”

In response to a question from David Marsh, Co-opted Member regarding the Annual reports relating to legacy District/Borough Councils, Max Thomas confirmed all had received annual reports in March 2023 and a list of opinions could be circulated to Committee Members if required.

Gary Fielding Corporate Director – Resources also placed on record his thanks to Veritau and its staff during Local Government re-organisation who had proved very helpful in providing short term additional capacity in a number of areas during this period of major transition.

In response to a question from a Member regarding Information Security, Gary Fielding Corporate Director – Resources added he was the Council’s Senior Information Risk Officer (SIRO) for this area of work and Max Thomas added the Information Commissioner’s Office had been satisfied with the Council’s response to incidents.

In response to a question from David Portlock, Co-opted Member regarding School themed audit – ICT, Max Thomas responded that whilst there had been found to be some weaknesses in school information security arrangements, these had been identified and an action plan put in place.

Daniel Clubb, Assistant Director, Corporate Fraud then presented the Counter Fraud Annual report 2022/23, which was contained in Appendix 2 of the submitted report.

In response to a Member's question whether the Council had a policy for publicising successful prosecutions, Mr Clubb confirmed it was covered by the Council's fraud policy framework and it was good practice to do so as a deterrent to others not to undertake fraud against the Council.

Another Member enquired about the impact home working during and following the pandemic had had on the number of Whistleblowing referrals. Mr Clubb responded that whilst referrals continued to be received, the challenge was getting North Yorkshire Police to take forward more formal action in many cases of fraud detected.

Resolved –

- (a) That the **Substantial Assurance** opinion of the Head of Internal Audit regarding the overall framework of governance, risk management and control operating with North Yorkshire Council, as set out in Appendix 1 of the submitted report be noted;
- (b) That the significant control issue which was recommended for inclusion in the 2022/23 Annual Governance Statement (AGS) be noted;
- (c) That the outcome of the quality assurance and improvement programme and confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards be noted; and
- (d) That the Counter Fraud Work undertaken during the year as set out in Appendix 2 of the submitted report be noted.

66 Draft Statement of Accounts 2022-23

Considered – The report of the Corporate Director – Resources which requested the Committee to consider a draft Statement of Final Accounts (SOFA) for 2022/23 for legacy Councils in advance of:

- (a) those accounts being audited by various audit teams between June and November, 2023;
- (b) being re-submitted to the Audit Committee for formal approval on 27 November, 2023 after the external audits have been completed; and

To approve a Corporate Governance Working Group and its membership in order to provide further overview of the North Yorkshire County Council SOFA for 2022/23 and supporting documentation.

John Raine, Head of Technical Services provided the Committee with a verbal update on the position relating to the legacy Councils draft statements of financial accounts for 2022/23. He drew attention to paragraph 4.2 of the report and the published draft 2022/23 SOFA documents certified by the Corporate Director – Resources, which had been circulated as separate booklets as a supplement with the published agenda.

David Marsh, Co-opted Member enquired of Gary Fielding, Corporate Director – Resources whether he was assured with the amounts of monies received as reserves from legacy Borough/District Councils to the new North Yorkshire Council. Mr Fielding responded he was not aware of any issues at this time.

Regarding the draft Richmondshire District Council SOFA 2022/23, Richard Tebbs, Ernst Young joined the meeting remotely via video teams and provided an update on the SOFA's

2020/21; 2021/22 and 2022/23. Sian Moore, formerly Corporate Director at Richmondshire District Council also attended the meeting and spoke on this item.

Resolved –

- (a) That the Committee consider the draft Statement of Accounts for 2022/23 in advance of the accounts being audited and re-submitted to the Audit Committee on 27 November, 2023 for approval; and
- (b) That the Committee approve the creation of a Corporate Governance Working Group, its membership comprising Councillors Broadbank, Lunn, Jabbour, Swannick and Co-opted Member David Portlock.

67 Ryedale District Council 2022-23 Audit Plan

Considered: The report of Grant Thornton UK LLP on the Ryedale District Council 2022/23 Audit Plan

Gareth Mills, Key Audit partner and Engagement Lead, Grant Thornton UK LLP joined the meeting remotely via MS Teams and introduced the Audit Plan and invited the Committee's questions and comments thereon.

A Member commented on the former Chief Executive's redundancy package as outlined in Part 4 – Other risks identified and the reason for the risk identification.

Resolved –

That the Audit Plan be noted.

68 Corporate Governance

Considered: The report of the Corporate Director – Resources which invited the Committee to note: progress on Corporate Governance related matters; improvements and changes made to governance arrangements; and the governance of arrangements for transition through Local Government Reorganisation (LGR) and the upcoming transformation programme.

Fiona Sowerby, Head of Insurance and Risk Management introduced the report and highlighted the key points contained therein.

A Member commented on paragraph 5.1 of the report and on the role of Members active engagement in scrutinising corporate governance matters including the Annual Governance Statement (AGS).

Resolved –

That this Committee notes progress on Corporate Governance related matters; improvements and changes made to governance arrangements; and the governance of arrangements for transition through Local Government Reorganisation (LGR) and the upcoming transformation programme.

69 Internal Control Matters for Children and Young People's Services

Considered: The report of the Corporate Director, Children and Young People's Services (CYPS) which outlined some of the key risks and governance related issues within the Directorate and provided details of the updated Risk Register for Children and Young People's Services Directorate.

Howard Emmett, Assistant Director, Resources introduced the report and invited the Committee to provide feedback and comments on the CYPS directorate risk register, key risk and governance issues/developments and activities during the year.

David Portlock, Co-opted Member referred to the OFSTED Inspection in February, 2023 of the Adult learning and Support services in respect the "overall effectiveness" was judged as "Required Improvement" and enquired on progress in management and leadership in this service. Work was on-going to improve this aspect of the service.

David Portlock, Co-opted Member also asked a question around service resilience. In response, Mr Emmett referred to an example of difficulties of recruiting and filling vacancies in areas such as Children's services social work and recruitment drives that had been undertaken to employ new staff in this field of work.

Another Member commented that there were still many areas identified with high risk scores in the risk register which was of concern.

David Marsh, Co-opted Member commented on the number of children being identified with special education needs and disabilities (SEND) and the funding relating to supporting those children

Resolved –

- (a) That the updated risk register of the CYPS directorate be noted; and
- (b) That the Committee's feedback and comments, as provided at this meeting, on the CYPS directorate risk register, key risk and governance issues,/developments and any other related internal control matters be noted.

70 Information Governance Annual Report

Considered: The report of the Corporate Director – Resources which provided an update on information 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.

A Member asked a question relating to the number of Freedom Of Information (FOI) requests received by the former North Yorkshire County Council and for an estimate the new North Yorkshire Council anticipated would be received in the first 12 months. Max Thomas responded, adding Veritau dealt with all FOI requests on behalf of North Yorkshire Council. He added last year North Yorkshire County Council received approximately 1,000 requests. It was anticipated that taking into account the number of FOI requests received by the legacy district/borough Councils last year, the anticipated total for NYC in the next 12 months was around 2,000 requests.

Resolved –

That this Committee notes the Council’s information governance arrangements and activities during the year.

71 CIPFA Financial Management Code

Considered: The report of the Corporate Director – Resources which reported on the self-assessment of compliance with the Chartered Institute of Public Finance and Accountancy’s Financial Management Code (CIPFA FM Code).

Gary Fielding (Corporate Director – Resources) introduced the report. He also referenced an error on page 155, Section 8 of the submitted report, correcting a reference in the fourth paragraph that “the deputy for S114 duties.....” should read “the deputy for s151 duties.....”

Resolved –

- (a) That the Committee notes the self-assessment of compliance with the Code detailed in the Appendix to the submitted report; and
- (b) That a further update report be brought to this Committee in twelve months’ time.

72 Review of Assurance over Value for Money

Considered: The report of the Corporate Director – Resources which sought Members’ views on the on-going arrangements made within the Council for achieving Value for Money (VfM); and to consider how overall assurance was obtained about the effectiveness of these arrangements.

Karen Iveson, Assistant Director, Strategic Resources introduced the report.

She commented on the current position regarding the cost of borrowing to the Council and Public Works Loan Board (PWLB) rates and loans.

Resolved –

- (a) That the Audit Committee review the arrangements currently in place for assuring Value for Money (VfM);
- (b) That the Audit Committee identifies any areas for further development in the assurance arrangements; and
- (c) That the Audit Committee confirms that it was satisfied that the report adequately contributed to the requirements of fulfilling the terms of reference noted in Section 2.1 of the submitted report.

73 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.

Gary Fielding, Corporate Director – Resources introduced the programme of work

Resolved –

That the Committee's Programme of Work be noted.

The meeting concluded at 3.40 pm.