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North Yorkshire Council

Audit Committee

Minutes of the meeting held on Monday, 18th March, 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, Mark Crane, Felicity Cunliffe-Lister (virtual attendance), George Jabbour, Karin Sedgwick, Mike Jordan, Rich Maw, Mr David Marsh, Mr David Portlock.

Officers present: Gary Fielding (virtual attendance), Karen Iveson, John Raine, Anton Hodge, Kerry Metcalfe, Max Thomas, Stuart Cutts, Daniel Clubb, Paul Preston, Edward Maxwell.

Other Attendees: Nicola Wright, Deloitte, Mark Kirkham, Mazars and Greg Charnley, Grant Thornton (virtual attendance).

Apologies: Councillor Neil Swannick and Peter Wilkinson.

Copies of all documents considered are in the Minute Book

106 Minutes of the Committee Meeting held on 11 December, 2023

Resolved –

That the Minutes of the meeting held on 11 December, 2023, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

107 Declarations of Interest

There were no declarations of interest.

108 Public Questions or Statements

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

109 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.

Resolved –

That the report be noted.

110 Final Accounts and Audit update

Considered – the report of the Corporate Director, Resources which updated Members on the audit and publication of Statement of Final Accounts (SOFA) of legacy Councils and sought approval of the Committee to approve the Statement of Accounts of legacy Councils following completion of external audit.

The report was introduced by John Raine, Head of Technical Finance. Further updates were provided on the progress of external audit work by Nicola Wright, Deloitte including in relation to on-going 2022/23 work and the pension fund.

Mark Kirkham, Mazars, External Audit, commented on the report.

Councillor Cliff Lunn, Chair, commented on central government directives relating to external audit opinions.

Greg Charnley, Public Sector Audit Manager, Grant Thornton UK LLP joined the meeting remotely and commented on Appendices E and F, Grant Thornton RDC Ryedale District Council (RDC) 2022/23 Audit Findings report and the RDC 2022/23 Auditors Annual report. Anton Hodge, Assistant Director, Resources, North Yorkshire Council and former Section 151 Officer for Ryedale District Council was also in attendance.

David Portlock, co-opted member enquired whether there were any materials issues that Mr Charnley or Mr Hodge were aware of not reflected in the balance of sheet at RDC of March 2023, that would impact on North Yorkshire Council (NYC) accounts in 2023/24? Both Mr Charnley and Mr Hodge confirmed there were no material issues they were aware of.

Councillor Maw commented on the exit package for the former Chief Executive of RDC including payments in lieu and whether it represented good Value for Money. Mr Hodge responded that the RDC's Chief Executive's redundancy was undertaken in accordance with consistent and legal practice in such circumstances.

David Marsh, co-opted member enquired whether the forecast outturn for NYC was in line with budget? Karen Iveson, Assistant Director confirmed that at Quarter 3, the budget overall was reasonably on-track with an underspend of approximately £4m reported to the Executive.

David Marsh, co-opted Member also commented that it had been general practice for the Committee to have private meetings (without North Yorkshire Council Officers present) with the internal and external auditors annually, would this continue? Max Thomas, Veritau confirmed he would arrange a meeting, probably around September, 2024.

David Marsh, co-opted member, commented on the update on Legacy Council Accounts 2022/23 (Appendix A of the submitted report) and in particular, the status of those audits still in progress. He further enquired why the former Craven District Council draft accounts had not been completed?

Karen Iveson, Assistant Director, Resources responded that the former Craven District Council 2022/23 audit was progressing and anticipated they would be completed by next month. A brief update on the Scarborough Accounts and Harbour court case was also provided.

Questions were further asked around the anticipated completion dates of all the legacy Council accounts and staff capacity to complete this work.

Gary Fielding, Corporate Director, Resources responded that he and his senior management team were keen to complete the legacy Council's accounts as soon as

this could be done so focus moving forward could be on the new North Yorkshire Council accounts.

Councillor Jabbour commented on the work undertaken by the former North Yorkshire County Council's external auditors, Deloitte. He also referenced the transitional audit work being undertaken and the awaiting of the Court judgment on the harbour matter of the Legacy Scarborough Borough Council accounts.

Resolved –

That the Audit Committee delegate authority to the Chairman and Section 151 Officer to approve the final Statement of Accounts for Ryedale District Council (2022/23) and authorise the Chairman and Section 151 Officer to sign the Statement of Accounts and Letters of Representation (as detailed at Paragraph 4.7 of the submitted report).

(Nicola Wright, Deloitte, External Auditors left the meeting at this juncture).

111 Mazars Audit Strategy Memorandum for North Yorkshire Pension Fund for 2023/24 - Appendix C to the report Final Accounts and Audit update

Considered - the draft Audit Strategy Memorandum, North Yorkshire Pension Fund from Mazars, year ending 31 March, 2024.

Resolved –

The report be noted.

112 Accounting Policies

Considered – The report of the Corporate Director, Resources, which asked the Committee to note there were no changes to the accounting policies for the Council for the financial year 2023/24; and note potential changes in the pipeline that were likely to impact on future year's Accounting Policies and Statements of Final Accounts.

Resolved –

That the Committee notes:

- (a) there were no changes to the accounting policies for 2023/24 (paragraph 3.3 of the submitted report);
- (b) potential changes to the SOFA and accounting policies which were in the pipeline for future years (2023/24 onwards) (paragraph 3.4 and Appendix A of the submitted report); and
- (c) the Statement of Accounts timetable for 2023/24 (paragraphs 4.1 – 4.2 of the submitted report).

113 Internal Audit Work Programme Consultation 2024/25

Considered – the report of the Head of Internal Audit which sought Members' views on priorities for internal audit in 2024/25 to help inform the focus of the internal audit work programme.

Max Thomas, Head of Internal Audit introduced the report.

The Committee commented on the report and a number of Members referenced Information Technology (IT) and cyber-security and protection of IT services from cyber-attacks; the continued development and the use of Artificial Intelligence (AI) generally across all sectors of the economy; asset management and reviews; and procurement.

Another Member referenced "deep dive" audit reviews undertaken at that Member's legacy authority, citing an example of industrial units and how useful that type of audit work had been.

Gary Fielding, Corporate Director, Resources, responded and mentioned on-going work on the Council assets, building up a list of what land and assets the Council owned from legacy Councils as well as the former North Yorkshire County Council. There were 8 legacy asset registers to bring together and asset review work was being progressed.

Resolved –

That the Committee's views, as received during the discussions on this report at the meeting, on areas that should be considered a priority for inclusion in the 2024/25 internal audit work programme be noted.

114 Internal Audit and Counter Fraud Progress Report

Considered –

The report of the Head of Internal Audit which informed the Committee of progress made to date in delivering the 2023/24 internal audit work 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.

Stuart Cutts, Assistant Director, Veritau provided an update on Veritau's internal audit and information governance work and Daniel Clubb, Assistant Director, Veritau introduced and commented on the Counter Fraud work undertaken. Mr Cutts and Mr Clubb then invited and responded to the Committee's questions and comments on these areas of work.

Max Thomas, Head of Internal Audit also commented on the report.

David Portlock, co-opted Member commented on Appendix B – current priorities for internal audit work – People Management (Timing – Do Next). He commented that people management should be seen as a high-risk area and could contribute to more uncertainty in the new Council if not prioritised.

High Needs and Special Educational Needs (Timing – Do Later) were also highlighted as areas of concern and needing a higher priority.

In response to a question from a Member, Daniel Clubb, Veritau confirmed that both a

combination of acting on information received and also pro-active work were undertaken in Counter Fraud work. Mr Clubb also referenced a number of pro-active campaigns undertaken by Veritau such as in relation to cyber crime.

Mr Clubb also added that successful prosecutions of those who committed fraud was widely publicised in conjunction with the Council's communications team, through social media for example. This also acted as a deterrent to others who may be contemplating any fraudulent activity in the future.

Another Member stressed the importance of continued checks on single occupancy homes to ensure the single person discount on Council Tax was current and not being abused.

Resolved -

That the Committee notes the progress made in delivering the 2023/24 Internal Audit Programme of work and the other assurance related services provided by Veritau.

115 Corporate Governance - Review of Local Code and Annual Governance Statement

Considered –

The report of the Corporate Director, Resources which asked the Committee to review and approve the updated Local Code of Corporate Governance for North Yorkshire Council.

Karen Iveson, Corporate Director, Resources introduced the report and responded to Members' questions and comments.

Resolved –

That the Local Code of Corporate Governance (Appendix A to the submitted report) for the Authority be recommended for approval by the Chief Executive Officer (under paragraph 5.15 of the Officers' Delegation Scheme), in consultation with the Leader of the Council, the appropriate Executive Member, the Corporate Director, Resources and the Assistant Chief Executive, Legal and Democratic Services.

116 Directorate Risk Register - Central Services

Considered –

The report of the Corporate Director – Resources which provided details of the Risk Register for Central Services.

Karen Iveson, Corporate Director, Resources introduced the report.

David Marsh, co-opted member commented on Risk Mitigation Plan, RR_HHR_22: continue to enable staff to initiate and develop initiatives to improve their health and well-being at work. Karen Iveson responded that new ways of working and a mixture of hybrid (home/office working) does improve recruitment.

Gary Fielding, Corporate Director, Resources emphasised hybrid working made NYC a more attractive employer to potential recruits. He also referenced area such as Information Technology (IT) and **Page 5** in recruiting to posts like Database

Administrators and also in property services and being able to recruit qualified property staff. He did however reference the internal development of “Grow your own” staff through initiatives like graduate trainees and apprenticeships. The Council was also looking generally at the way we work moving forward.

Resolved –

That the Committee notes the Risk Register for Central Services and Members’ feedback and comments thereon be noted.

117 Counter Fraud Framework Report

Considered – the report of the Head of Internal Audit which asked the Committee to note the results of the annual fraud risk assessment; sought the Committee’s approval for the 2024/25 counter fraud strategy plan and the counter fraud workplan; and sought the Committee’s approval for the updated Anti-Money laundering and Terrorist Financing Policy.

Daniel Clubb, Assistant Director, Counter Fraud, Veritau introduced the report and responded to Members’ questions and comments thereon.

Members commented on the constant need for due diligence in respect of potential fraud and the Chair added that in his opinion, fraud was not an area well understood by the police.

Another Member mentioned half hour training sessions for Audit Committee Members that had occurred in the past on topical training and development issues. Karen Iveson, Assistant Director, Resources said she would look into the matter and of potentially reintroducing such training courses.

David Portlock referred to Section 6:1 of the report and asked Max Thomas, head of Internal Audit if the wording could be slightly revised and updated to clarify the commentary on “Policy Review”

Resolved –

- (a) That the results of the annual fraud risk assessment be noted;
- (b) That 2024/25 Counter Fraud Strategy action plan be approved; and
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- (c) That the updated Anti-Money Laundering and Terrorist Finance Policy be approved.
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118 Treasury Management and Capital Strategies

Considered –

The report of the Corporate Director, Resources which invited the Committee to review and comment on the 2024/25 Treasury Management and Capital Strategies.

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

David Marsh, co-opted Member raised a query around the Housing Revenue Account (HRA) and asked questions regarding the Council's reserves. Karen Iveson responded that reserves were essential to the long-term delivery of the Council's plans and also referenced specific reserves, such as earmarked reserves and insurance reserves.

David Marsh also asked a question regarding NYC's approach to lending to other local authorities? John Raine, Head of Technical Finance responded that due diligence was always undertaken.

Karen Iveson added that the Council had two modest investments in properties, one being a Co-op building, the other a Bank premises.

David Portlock, co-opted Member asked a question whether the 2022/23 (£ Actual) figures contained in the report were an aggregation of all the former legacy Councils? Officers confirmed this was the case.

Cllr Broadbank commented on the figures on the Non-Treasury Investments (Alternative Property Investments), Harrogate Royal Baths. Karen Iveson undertook to provide the Member with an update after the meeting.

Resolved -

That the Audit Committee's review of the 2024/25 Treasury Management and Capital Strategies and comments and questions thereon, be noted.

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119 Commercial Governance Review

Considered –

The report of the Corporate Director, Resources which provided an analysis of how Council owned companies were governed using best practice for commercial governance as a guide set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) updated publication "Local Authority Owned Companies – A good practice guide 2022 edition". The report also provided an update to the Commercial Governance Review report presented to the Audit Committee on 11 December, 2023.

Kerry Metcalfe, Assistant Director, Property, Procurement and Commercial introduced the report and responded to Members' questions and comments thereon.

She also clarified that the report was being submitted the Shareholder Committee the day after Audit Committee and corrected and clarified the recommendations as listed in section 12 of the submitted report.

Members' raised several comments and concerns regarding paragraph 11.0 (bullet point 5) in relation to Elected Members Director roles for companies as raised at this meeting. Kerry Metcalfe undertook to convey these comments and concerns to the Shareholder Committee which was to meet the following day.

It was strongly felt by Members that the Shareholder Sub-Committee should also look at and consider the wording of section 11, bullet point 5 of the report which presently stated: "That the Board membership for companies is reviewed and consideration is given to

whether Elected Members should stand down as Directors (except Veritau and Yorwaste) on the basis that the Shareholder Committee provides the elected member oversight of commercial entities”

The Chair, Councillor Lunn also commented on a Selby housing Trust now being wound up,

(During the course of the discussions, Gary Fielding, Corporate Director, Resources, declared a personal interest in that he was the Chair of Align Property).

Resolved – That the Audit Committee:

- (a) Notes the recommendations and in particular Members’ comments and concerns regarding paragraph 11.0 (bullet point 5) in relation to Elected Members Director roles for companies as raised at this meeting.
- (b) Delegates the approval of the new conflicts of interest policy to the Assistant Chief Executive – Legal and Democratic Services; and
- (c) Delegates all other necessary steps to secure the implementation of all other recommendations as set out in this report to the Corporate Director – Resources.

120 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 mentioned that the October and November, 2024 meetings would only be held if legacy accounts needed to be dealt with at that time. She also would look at training sessions for Audit Members on specific Audit topics as had been raised earlier in the meeting.

Resolved –

That the Committee’s Programme of Work be noted.

The meeting concluded at 3.20pm.