

North Yorkshire Council

Audit Committee

Minutes of the meeting held on Monday 23 September 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, Felicity Cunliffe-Lister, George Jabbour, Karin Sedgwick, Mike Jordan, Neil Swannick, Steve Watson, Peter Wilkinson and Co-opted Members Mr David Marsh and Mr David Portlock.

Observing: Councillor Carl Les, OBE and Councillor Paul Haslam.

Officers present: Gary Fielding, Karen Iveson, John Raine, Karl Battersby, Edward Maxwell and Charles Casey.

Other Attendees: Rob Walker and Mark Kirkham (both Forvis Mazars), Max Thomas and Daniel Clubb (both Veritau)

Apologies: None

Copies of all documents considered are in the Minute Book

136 Minutes of the Committee Meeting held on 24 June, 2024

Resolved –

That the Minutes of the meeting held on 24 June 2024, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

137 Declarations of Interest

There were no declarations of interest.

138 Public Questions or Statements

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

139 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. The training session that would be held before the December 2024 meeting of the Committee would include counter fraud procedures and information on the changes to the Bank of England interest rate.

In response to a question from Councillor George Jabbour it was confirmed that training sessions would be held before each subsequent meeting of the Committee.

Resolved –

(1) the committee noted the report

140 Internal Audit and Counter Fraud Progress Report -

Considered: The report of the Head of Internal Audit which informed Members of the progress made to date in delivering the 2024/25 internal audit 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.

Max Thomas, Head of Internal Audit, Veritau introduced the report and gave an overview of the salient points in the report. He reminded Members that the 2024/25 internal audit programme of work had been approved by the Committee at its meeting held on 18 June 2024. Daniel Clubb (Assistant Director – Corporate Fraud at Veritau) gave detail on Counter Fraud activities on behalf of the Council.

Annexed to the submitted report were:

Annex 1 – Internal Audit Progress Report – North Yorkshire Council;
Annex 2 – Counter Fraud Progress report

In response to question regarding the lack of business continuity plans in schools across the County Max Thomas explained that a significant number of schools were without plans, it was with CYPS to offer support in developing and testing of such business continuity plans. In response to another question Mr Thomas explained that there was no definitive reason for the rise in Fols and Subject Access Requests, one possible cause was that requests were held back in the time immediately post vesting day. In response to a question about the Scarborough Water Park report, Mr Thomas explained that the draft report was with officers and would be ready for finalisation once officers had decided if they accepted the recommendations and how they would like to proceed. A Member highlighted page 29 of the report which stated that there had been no management response to the ICT governance audit, Mr Thomas advised that response had now been received and Gary Fielding confirmed he would looking into why there had not been a timely response to this audit.

Daniel Clubb, Assistant Director – Corporate Fraud at Veritau, introduced appendix 2 to the Committee and gave an overview of the salient points such as national counter fraud policy developments and an overview of counter fraud work at the Council. Since April there had been 164 counter fraud referrals, the team had completed 75 investigations and there were 89 investigations currently ongoing. To date, investigative work has helped the Council to achieve £178.9k in actual savings.

In response to a question regarding the next training session for Members Mr Clubb explained that there were details that could be made public as to act as deterrence but he

would be unable to share any specific details about individual cases. In response to another question Mr Clubb advised that if an officer resigned in the middle of an investigation that would not necessarily result in the closing of the case. Veritau would continue their internal investigation and seek to recover any losses through legal means. It was finally explained that officers would not automatically be suspended during an investigation, this would be done on a case by case basis and would be primarily to protect the relevant service.

Resolved –

(1) Members noted the progress made in delivering the 2024/25 Internal Audit programme of work and the other assurance related services provided by Veritau.

141 External Audit Progress Update

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

Rob Walker and Mark Kirkham, both of Forvis Mazars, attended the meeting for this item.

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

Councillor George Jabbour stated that he was aware with his work on the North York Moors National Park Authority that the authority had been assured they would receive additional resource to ensure they were able to issue their finalised external audit report. He highlighted the upcoming deadline of December and backstop deadline in February and he asked if NYC would be given extra resource to allow the Council to meet the deadlines. Councillor Jabbour also highlighted the outstanding court judgement on the Scarborough Borough Council – Whitby Harbour undertaking and the determination on the land in question and how this would impact the finalisation of the external audit report.

In response to Cllr Jabbour's questions Mr Kirkham explained that he was waiting for the previous auditors (Deloitte) to give their final opinion on the Council's balances before he could specify a time as the opening balances were significant matter relevant to the audit of the new Council. After speaking with Deloitte the understanding was that they were still planning on giving an unqualified opinion before the deadline. Mr Kirkham explained that although they were working diligently to meet the backstop deadlines, timeframes had already slipped back several times and there was a significant risk that they would be unable to give an unqualified opinion on the new Council's first year of operation by the backstop date in February. Mr Kirkham added that if the audit was not completed by that date he had a plan for recovering the audit and moving forward but the process would take several years.

In further response to the Scarborough BC and Whitby Harbour issue, Mr Kirkham explained that the question about the accounts went back to 2015/16 and applied to subsequent years. Forvis Mazars had compiled two composite reports to report their value for money arrangements work and would be happy to send the draft reports to Members. He had been awaiting the declaration from the Court and intended to finalise the audit opinion work but the new and earlier backstop date in December means that the opinions for the years 2015/16 onwards would now need to be disclaimed.

Members had further discussion about issues such as the value of the case against Scarborough Borough Council and other audit work that related to the previous District and Borough Councils.

Resolved –

The report be noted.

142 Chairman's Annual Report

Considered: The report of the Chair of the Audit Committee to enable Members to consider the draft annual report of the Audit Committee for the year end 30 September, 2024, prior to its submission to full Council.

The Chair, Cllr Lunn introduced the report, which had been drafted on his behalf by Max Thomas, Head of Internal Audit, Veritau. Mr Thomas explained that the report had been written making some assumptions about what would be discussed at today's meeting. At the close of the meeting, provided the Committee agreed, he would finalise the report before its submission to the Council.

In response to a question regarding the delayed implementation of the Procurement Act, it was confirmed that there had been a delay and implementation was now due for February 2025.

Resolved –

That the Committee:

(1) note the report; and

(2) approve the draft annual report of the Audit Committee prior to its submission to full Council.

143 Statement of Final Accounts including AGS (including letter of representation)

Considered: The report of the Corporate Director – Strategic Resources concerning the 2023/24 Letter of Representation, Statement of Final Accounts, and Annual Governance Statement.

Karen Iveson (Assistant Director Resources), in introducing the report advised that there was still a significant amount of work to be done and the council was working with their external auditors to complete audit work before the deadlines in December and February. She explained that subject to the views of the Committee the remit of Corporate Governance Working Group (the Working Group), which has previously been established to review North Yorkshire County Council's accounts for 2022/23, be extended to include the district and borough accounts that remain outstanding.

It was proposed that the Working Group would consider the external audit reports and make recommendations for approval to the Corporate Director Resources (s151 Officer) and the Chairman of the Audit Committee for delegated approval. Current Membership and terms of reference for the working group could be found in appendix A and Appendix B contained an overview of the status of the accounts and the audits in progress for the legacy councils. Appendix C contained the Council's draft accounts for 2023/24 which had been published on the 27 August 2024. The report outlined that the final SOFA was not for approval prior to the review by external audit and was being circulated for information. There would likely be an extra meeting of the Committee in February to approve the final SOFA.

Members discussed the role of the working group in relation to the consideration of the outstanding accounts of the County Council and former districts and boroughs, there was broad agreement that the working group would need to be pragmatic and prioritise certain

areas. In relation to recommendation (2) Councillor Neil Swannick expressed his objection to the delegation to the Corporate Director Resources and the Chairman of the Audit Committee to approve the legacy district and borough accounts and sign the letters of representation, up to 2022/23.

Karen Iveson confirmed that it was a priority to finalise the NYC 2022/23 and 2023/24 accounts. In respect if any issues were found in the review of the legacy accounts they would be brought before the Committee for consideration.

Resolved –

That the Committee:

(1) approve the membership and extended remit of the Corporate Governance Working Group as set out at Appendix A;

A vote was taken and the motion was declared carried with 1 abstention.

(2) authority be delegated to the Corporate Director Resources and the Chairman of the Audit Committee to approve the legacy district and borough accounts and sign the letters of representation, up to 2022/23

A vote was taken and the motion was declared carried with 6 votes for, 3 votes against and 1 abstention.

144 Directorate Risk Register - Environment

Considered – The report of the Corporate Director Environment that sought to provide an update to Members of progress against the areas for improvement identified through internal procedures and to provide details of the latest Risk Register for the Environment Directorate.

Karl Battersby (Corporate Director Environment) gave a detailed summary of key progress and transformation that had occurred within the Environment Directorate since vesting day and an overview of services risk register.

Councillor Paul Haslam attended the meeting for this item and spoke of his concern of the increasing risk of climate change and in particular the effect of the overwhelming amount of rain was having on the County's gullies. He asked what the service was doing to measure the impact of climate change and whether more could be done to assess the impact environmental forces and to protect members of the public from flooding.

In response Karl Battersby explained that the service was aware that the changes to the climate were having a significant effect on the Council's infrastructure and changes had been made to the capital programme to allow more money for the repair and maintenance of bridges. In recent times more damage has been done by storms and ice and the weather was increasingly difficult to predict and therefore prepare for. Knaresborough Town experienced significant flooding earlier in the year and although the Council could have new developments install attenuation tanks, adapting the existing network would be a significantly costly problem.

In response to a question about the what the Council was doing to address the continuing high risk of Climate Change Mr Battersby explained that the Council was assessing carbon offset opportunities, as one example of this the Council was working on the White Rose

Forest Project. The planting of trees in that project would offset carbon and help to combat flooding. In response to a question about road closures Mr Battersby explained that the Council was applying to the Secretary of State to institute a daily charge that would encourage companies to work faster to enable roads to be reopened. In response to a question on the shortage of heavy goods and other drivers Mr Battersby informed Members that the Council already offered driver training however there were national issues of test availability and this was a particularly volatile market. In response to a question on public transport issues, Mr Battersby explained that the Combined Authority now has responsibility for public transport plan, but over the coming months we would need to develop a strategic vision and plan between NYC, CYC and the CA.

Resolved -

That the Committee:

- 1) note the Directorate update on salient points
- 2) note the Directorate Risk Register for the Environment Directorate
- 3) Provide feedback and comments on the Directorate Risk Register and any other related internal control issues.

145 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 reaffirmed to Members that there would likely be an extra meeting in February for Members to approve the Statement of Accounts, Members would be notified of the time and date as soon as the meeting was scheduled.

It was agreed that a report on Artificial Intelligence would be presented at a future meeting.

Resolved –

That the Committee's Programme of Work be noted.

The meeting concluded at 3.06 pm.