

# North Yorkshire County Council

## Audit Committee

Minutes of the remote meeting held on Monday 22 March 2021 commencing at 1.30 pm.

County Councillor Cliff Lunn in the Chair plus County Councillors Karl Arthur, Margaret Atkinson, Robert Baker, Jim Clark, David Goode (Substitute), David Hugill and Don MacKay, and Mr Nick Grubb, Mr David Marsh and Mr David Portlock.

In attendance: County Councillor Carl Les.

Officers present: Gary Fielding, Karen Iveson, Max Thomas, John Raine, Fiona Sowerby and Ruth Gladstone.

Other Attendees: Nicola Wright, Nick Rayner and Rachel Reynolds (Deloitte).

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### Copies of all documents considered are in the Minute Book

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In opening the meeting, the Chairman referred to the untimely death, on 11 March 2021, of County Councillor Geoff Webber. The Chairman paid tribute to the valuable contribution that County Councillor Geoff Webber had made to the work to this Committee and expressed, on behalf of Members of the Committee, condolences to the family.

#### **187 Minutes of the Committee Meeting held on 14 December 2020**

##### **Resolved –**

That the Minutes of the meeting held on 14 December 2020, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

#### **188 Declarations of Interest**

There were no declarations of interest.

#### **189 Public Questions or Statements**

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

#### **190 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.

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

In respect of the governance of external companies, Gary Fielding referred to the training provided earlier that day for Committee Members and advised that further training would be arranged.

In respect of Treasury Management, Gary Fielding advised that CIPFA was revising Codes of Practice and the Prudential Code for Capital Finance. This followed Government concern around councils who had borrowed in order to fund commercial investments. Gary Fielding highlighted that North Yorkshire County Council had never borrowed to fund commercial investments.

**Resolved –**

That the report be noted.

**191 External Audit Plan 2020/21 for North Yorkshire County Council**

Considered –

Deloitte's Audit Plan for the County Council for the year ended 31 March 2021 which set out respective responsibilities in relation to the financial statements audit and included Deloitte's consideration of key audit judgements and planned scope.

From Deloitte, Nicola Wright (Audit Partner) and Nick Rayner (Audit Manager) introduced the report. They highlighted:- the timetable for the 2020/21 audit; the materiality thresholds; Deloitte's thoughts about the impact of the Covid-19 pandemic on the audit, the annual report and financial statements; the significant risks identified in the plan; new auditing standards; and the fee.

Nicola Wright and Gary Fielding responded to Members' questions.

**Resolved –**

That the report be noted.

**192 External Audit Plan 2020/21 for North Yorkshire Pension Fund**

Considered –

Deloitte's Audit Plan for the North Yorkshire Pension Fund for the year ended 31 March 2021 which set out respective responsibilities in relation to the financial statements audit and included Deloitte's consideration of key audit judgements and planned scope.

From Deloitte, Nicola Wright (Audit Partner) and Rachel Reynolds (Audit Manager) introduced the report. They highlighted:- the timetable for the 2020/21 audit; the materiality threshold; and the significant risks identified in the plan.

Nicola Wright and Rachel Reynolds responded to Members' questions. In response to questions from David Portlock, Nicola Wright confirmed that any type 1 or type 2 controls report produced on Border to Coast Pension Partnership (BCPP) would not be produced by Deloitte and therefore no conflict of interest would arise. Nicola Wright also clarified that Deloitte would not be looking at, or relying on, the work of the Internal Audit Service at BCPP.

**Resolved –**

That the report be noted.

**193 2021/22 Internal Audit Plan Consultation**

Considered –

The report of the Head of Internal Audit seeking the Committee's views on priorities for

internal audit in 2021/22 and highlighting that this was an opportunity for Members to identify any specific areas which should be considered as priority for audit review.

Max Thomas (Head of Internal Audit) introduced the report and responded to Members' questions.

**Resolved –**

That the draft Internal Audit Plan for 2021/22, as set out at Appendix 1, be noted.

**194 Progress on 2020/21 Internal Audit Plan**

Considered –

The report of the Head of Internal Audit which advised of progress made to date in delivering the 2020/21 Internal Audit Plan and any developments likely to impact on the Plan throughout the remainder of the financial year.

Max Thomas (Head of Internal Audit) introduced the report and responded to Members' questions. In response to a question from County Councillor David Goode, Max Thomas advised that the trend for responding to Freedom of Information requests within 20 days was upwards and that the aim was to get back up to 90% by 1 April 2021.

**Resolved –**

That the progress made in delivering the 2020/21 Internal Audit programme of work be noted.

**195 Audit Committee Terms of Reference and Review of Effectiveness**

Considered –

The report of the Corporate Director – Strategic Resources inviting the Committee to consider whether any changes were required to its Terms of Reference and the next steps to be taken in respect of the review of its effectiveness.

Gary Fielding (Corporate Director – Strategic Resources) and Max Thomas (Head of Internal Audit) introduced the report. Regarding the Committee's Terms of Reference, Max Thomas advised that officers did not feel that any further changes needed to be made at this time. With regard to the review of the Committee's effectiveness, Max Thomas highlighted the provisional findings which had arisen from the review of the Committee's effectiveness.

Gary Fielding and Max Thomas responded to Members' questions. David Marsh commented that, as an Independent Member of the Committee, he was not seeking voting rights. David Portlock (Independent Member) advised that he was relaxed about having voting rights and questioned whether voting rights should be held by Members who had not been democratically elected.

**Resolved –**

- (a) That it be noted that the Committee considers that no change is required to its Terms of Reference at this time.
- (b) That the provisional findings from the review of the Committee's effectiveness, as listed below, be agreed and the officers take these away for implementation/further recommendation:-

- identifying and addressing gaps in the knowledge and skills of Committee Members;
- adopting a more structured approach to training for Committee Members;
- doing more to explain the role and purpose of the Committee to the rest of the Council, and the relationship between the Committee and the Council's Executive, Scrutiny functions and Standards Board;
- helping Members of the Committee to engage more effectively with the discussion on relevant matters and to provide challenge where necessary (ie doing more to help Members understand how the Council operates and what they are being asked to consider);
- ensuring the Committee continues to fulfil its purpose which requires Members to seek assurance but keep discussions sufficiently high level (ie to focus on overseeing and monitoring the Council's governance, risk management and control arrangements);
- reviewing the voting rights of the independent co-opted Members (subject to any legal restrictions).

## **196 Accounting Policies**

Considered –

The report of the Corporate Director - Strategic Resources concerning the County Council's Accounting Policies for 2020/21, potential changes in the pipeline which were likely to impact on the Accounting Policies in future years, and the 2021 timetable for the Statement of Final Accounts.

John Raine (Head of Technical Finance) introduced the report, advising that there were no significant impacts on the County Council's Accounting Policies arising from recent changes to the Codes of Practice. He also highlighted the timetable for the 2020/21 SOFA and highlighted that, whilst the deadlines had been moved back in response to Covid-19 (with the draft SOFA now being required by 1 August, and the final SOFA required by 30 September), the County Council's intention was to continue to work to submitting the Council's draft SOFA to the Audit Committee's meeting on 28 June 2021 and the final SOFA to the Committee's meeting on 20 September 2021.

**Resolved –**

- (a) That it be noted that there are no changes to the Accounting Policies for 2020/21.
- (b) That the changes to the 2021 timetable for the Statement of Accounts be noted.
- (c) That the potential changes to the SOFA and Accounting Policies which are in the pipeline for future years, as set out in paragraph 6.1 of the report, be noted.

## **197 Treasury Management Strategy**

Considered –

The report of the Corporate Director – Strategic Resources which invited the Committee to review the County Council's 2021/22 Treasury Management Strategy.

John Raine (Head of Technical Finance) introduced the report, highlighting the submission of the Annual Treasury Management Strategy to the County Council on 17 February 2021 and to the Executive's meeting on 26 January 2021. The Strategy had been shared informally with Audit Committee Members prior to the Executive's meeting.

Gary Fielding and John Raine responded to Members' questions which included the

following:-

- In response to a question from Nick Grubb, John Raine confirmed that the County Council did not invest in emerging banks. He explained that the County Council invested only in banks that were shown, through its External Advisor's creditworthiness assessment, to have a high level of creditworthiness, which emerging banks would not meet.
- Members might probably benefit from increased awareness training in Treasury Management and the key issues for the Treasury Management Strategy framework. A Member highlighted that the topic of Treasury Management was vast and complex and required the County Council to engage specialist Advisors.

**Resolved –**

That the 2021/22 Treasury Management Strategy, as set out at Annex 1 to the report, be noted.

**198 Corporate Governance**

Considered –

The report of the Corporate Director – Strategic Resources which invited the Committee to undertake an annual review of the updated Local Code of Corporate Governance.

Fiona Sowerby (Head of Insurance and Risk Management) introduced the report, highlighting the draft updated Local Code of Corporate Governance that was set out at Appendix A to the report. She highlighted that only minor amendments had been made as part of this annual review, and that the principal minor change was to the eleventh bullet point at paragraph 4.19 to add that the Counter Fraud Strategy was now aligned with the national Fighting Fraud and Corruption Local Strategy.

Fiona Sowerby verbally submitted an additional recommendation for the Committee's consideration, namely, to include a new 4.14 stating that the County Council is committed to aspire to being carbon neutral by 2030 and to developing a Carbon Reduction Plan in 2021/22.

Fiona Sowerby responded to Members' questions.

**Resolved –**

That, subject to the addition of a new 4.14 stating that the County Council is committed to aspire to being carbon neutral by 2030 and to developing a Carbon Reduction Plan in 2021/22, the updated Local Code of Corporate Governance, as set out at Appendix A to the report, be recommended for collective formal approval by the Chief Executive, the Leader of the Council, the Executive Member for Central Services, the Corporate Director – Strategic Resources, and the Assistant Chief Executive (Legal and Democratic Services).

**199 Information Governance Annual Report**

Considered –

The report of the Corporate Director – Strategic Resources which provided an update on Information Governance arrangements, details of related performance and compliance with relevant legislation.

Gary Fielding (Corporate Director – Strategic Resources) introduced the report assisted by Max Thomas (Head of Internal Audit) and Fiona Sowerby (Head of Insurance and Risk

Management). Key issues highlighted by officers included the following:- Information Governance was a constant challenge and was a top corporate risk; much legislation had been published; significant progress had been made during the year; a good process was in place to respond to any data breaches; and cyber security was a major concern and exercises were being planned to simulate how the County Council would deal with a cyber security attack and ensure continuity planning.

Gary Fielding advised that the Covid-19 pandemic had increased the need for data sharing and timely access to information to protect individuals. He paid tribute to Veritau and the Data Governance Team within T&C for the way they had quickly got data sharing agreements in place with partners to ensure the County Council was doing the right things to protect individuals whilst complying with legislation.

**Resolved –**

That the progress made in developing the County Council's Information Governance arrangements during the year be noted.

**200 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 – Strategic Resources) highlighted that no training had been identified yet for June, September and October 2021. He suggested, subject to consultation with the Chairman, that:-

- training regarding Treasury Management, possibly involving Link (the County Council's Treasury Management Advisors) and John Raine (Head of Technical Finance), lasting at least an hour, could be held in either June or September; and
- training about the governance of the external companies could be held as a follow-up session and be combined with a more detailed session about commercial investments.

The Chairman expressed support for holding Members' training sessions by Microsoft Teams, even when face-to-face formal meetings of the Committee recommenced. Gary Fielding added that there was no requirement for training sessions to be held on the same day as formal meetings of the Committee.

Max Thomas (Head of Internal Audit) highlighted that the Annual Internal Audit Plan and the Annual Report of the Head of Internal Audit should be coming to the June meeting of the Committee rather than to the September meeting as currently stated in the written programme of work.

**Resolved –**

That the Committee's Programme of Work be agreed, subject to consultation with the Chairman regarding the suggestions put forward regarding training for June, September and October 2021, and the rescheduling of both the Annual Internal Audit Plan and the Annual Report of the Head of Internal Audit to the Committee's meeting to be held on 28 June 2021.

The meeting concluded at 3.00 pm.