

North Yorkshire County Council

Audit Committee

Minutes of the remote informal meeting held on Monday, 20th September, 2021 commencing at 1.30 pm.

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

In attendance: County Councillor Carl Les.

Officers present: Gary Fielding, Stuart Carlton, Howard Emmett, Jon Holden, Neil Irving, John Raine, Fiona Sowerby and Ruth Gladstone.

Other Attendees: Nicola Wright and Nick Rayner (Deloitte) and Ian Morton (Veritau).

Copies of all documents considered are in the Minute Book

213 Minutes of the informal meeting of the Committee held on 28 June 2021

Resolved –

That the Minutes of the informal meeting held on 28 June 2021 be agreed as an accurate record.

214 Declarations of Interest

There were no declarations of interest.

215 Public Questions or Statements

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

216 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 that had arisen since the Committee's last meeting.

Gary Fielding (Corporate Director – Strategic Resources) and John Raine (Head of Technical Finance) introduced the report and responded to Members' questions.

Resolved –

That the report be noted.

217 (a) 2020/21 External Audit of the North Yorkshire Pension Fund

Considered –

The report of Deloitte which summarised the key findings arising from the 2020/21 external audit of North Yorkshire Pension Fund.

Nicola Wright (Audit Partner, Deloitte) introduced the report and responded to Members' questions. During debate:-

- It was noted that this audit had not yet been completed. Members agreed to discuss this in further detail during consideration of the next item of business at this meeting.
- Nicola Wright undertook to revise the phrase "the Fund became part of the Border to Coast Pension Partnership ('BCPP') in the prior year", as set out on page 27 of the Deloitte report.
- Nicola Wright undertook to check whether Deloitte's IT staff were aware of the cyber security report issued during the previous few months by NYCC's Technology and Change.

Resolved –

That the report be noted.

217 (b) 2020/21 External Audit of North Yorkshire County Council

Considered –

The report of Deloitte which summarised the key findings arising from the 2020/21 external audit of North Yorkshire County Council.

Nicola Wright (Audit Partner, Deloitte) and Nick Rayner (Senior Manager, Deloitte) introduced the report.

Nicola Wright highlighted that Deloitte were unable yet to sign-off their 2020/21 audit of the County Council. This was because the Financial Reporting Council's (FRC's) Audit Quality Team had carried out an inspection of Deloitte's file for the 2019/20 audit of the County Council and had issued a report on 13 August 2021 which identified key findings in three areas in which FRC's Audit Quality Team felt Deloitte should have done further work, namely:- Other Service Expenditure; Property Valuations; and Pensions. Nicola Wright advised that she and her staff were now remediating the work on the 2019/20 audit and would report to the Committee if any issues arose from that work. However, in the meantime, she was unable to sign-off on the 2020/21 audit because issues might arise from the 2019/20 remediation which might potentially impact on the 2020/21 audit. She was proposing to report to the Committee's meeting on 25 October 2021 and for the 2020/21 accounts to be signed at that time.

Members expressed disappointment to hear that Deloitte were not in a position, at this time, to sign-off their 2020/21 audit of the County Council. Members highlighted that the County Council was missing a deadline for issuing its signed accounts due to an issue which did not concern it. Nicola Wright responded that the quality of audit was paramount and Deloitte had to respond appropriately to the findings of its Regulator.

Members commented that they found it difficult to understand, or accept, that County Council officers had done everything required of them, yet they were going to have to accept the disappointment of councillors and the public at large for not meeting a publication deadline.

During further questioning:-

- Nicola Wright advised that she recognised the Committee's disappointment but highlighted that her plans aimed to cause the least amount of disruption to the County Council's finance staff. She explained that Deloitte's capacity to both remediate and finish the 2020/21 audit was a challenge and they were therefore planning to complete work on the audit to the original timescale of 30 September 2021 and thereafter do the remediation and sign-off.
- Members asked Nicola Wright to confirm that the County Council's 2020/21 accounts would be available for signing by the end of October 2021. Nicola Wright responded that that was her intention, although much depended on the outcome of remediation work and some support might be required from the County Council's finance staff. She acknowledged that she expected the Committee to hold her to account if the work was not finished by the end of October 2021.
- Members highlighted that, given the reorganisation of local government in North Yorkshire currently taking place, the sooner County Council accountancy staff had finished supporting the External Auditor's remediation work, the better it would be for other work currently required of County Council staff.
- Nicola Wright felt it unlikely that the remediation work currently underway would result in any significant change to the County Council's accounts for 2019/20.
- Nicola Wright confirmed that the costs of dealing with the FRC would fall on Deloitte. Gary Fielding added that, as County Council finance staff resource would be needed to assist in the remediation, part of the cost would also be borne by the County Council.
- Members expressed surprise about Deloitte's potential additional fees for 2020/21 in connection with the new Value for Money reporting requirements. Members highlighted that the additional fees for 2020/21 were potentially up to around a third of the fee for auditing the whole Council; that Deloitte had undertaken Value for Money audit work as part of their audits in previous years; Deloitte had already carried out Value for Money work in connection with 2020/21 and that their findings included "we have not identified to date any risks of significant weakness in arrangements for secure economy, efficiency and effectiveness in the use of resources".

Gary Fielding expressed frustration with the review process which the FRC had put in place, which required its Quality Audit Team to go backwards in time, as well as forwards. He felt it would be more sensible only to look forward in making improvements.

The Chairman summarised that Members continued to have confidence in the County Council's accounts and had noted that some enhancements were needed in the External Audit's processes. Members looked forward to hearing more at the Committee's next meeting.

Resolved –

That the report be noted.

218 Report Following the Detailed Review of the draft Statement of Final Accounts for 2020/21

Considered –

The report of the Members' Working Group concerning issues identified during the detailed review of the draft Statement of Final Accounts (SoFA) and the Annual Governance Statement (AGS) for 2020/21, the actions taken as a result of issues being identified, and offering an opinion on the draft SoFA and draft AGS for 2020/21.

Mr David Portlock introduced the report and highlighted that the Members' Working Group had not had sight of the External Audit report at the time of preparation of their report. Having subsequently seen the External Auditor's report, and noted the discussion during the previous item of business, he stood by the Members' Working Group's recommendation that the SoFA and the AGS for 2020/21 should be approved as he believed nothing had emerged today or through discussions with Deloitte. However, he accepted that the Committee was not at the position, at this meeting, to consider that recommendation.

Mr David Portlock, on behalf of the Members' Working Group, asked that the Minutes record the Group's thanks and appreciation for the professionalism and willingness that officers had demonstrated in responding to the Group's queries. Mr David Marsh expressed thanks to Mr David Portlock for the excellent and in-depth work he undertook on behalf of the Committee. The Chairman supported both comments.

Gary Fielding advised that the officers would keep the Members' Working Group updated with any incremental changes and that the officers found the contributions of the Members' Working Group to be very helpful.

Resolved –

That the recommendations of the Members' Work Group, together with an update from the Group, be submitted to Audit Committee's meeting on 25 October 2021.

219 Statement of Final Accounts for 2020/21 including Letter of Representation

Gary Fielding (Corporate Director – Strategic Resources) recommended verbally that consideration of this item of business should be deferred to the Committee's meeting on 25 October 2021 for the reasons discussed earlier in this meeting.

Resolved –

That consideration of the Statement of Final Accounts for 2020/21, including the Letter of Representation, be deferred until the Committee's meeting on 25 October 2021.

220 Progress on 2021/22 Internal Audit Plan

Considered –

The report of the Head of Internal Audit which advised of progress made in delivering the 2021/22 Internal Audit programme of work and the other services delivered to the County Council by Veritau, and highlighted any issues likely to impact on the programme of work throughout the remainder of the year.

Ian Morton (Assistant Director – Audit Assurance, Veritau) introduced the report and responded to Members' questions.

During discussion, a Member asked whether, by marking audits as “Do Later”, which might mean such audits slipped into the following year, there was a danger that Veritau might complete insufficient work in order for the Head of Internal Audit to give an annual audit opinion. Ian Morton responded that the Head of Internal Audit was aware of this and would take measures to ensure that that did not occur.

Resolved –

That the progress made in delivering the 2021/22 Internal Audit programme of work, and other assurance related services provided by Veritau, be noted.

221 (a) Children and Young People's Services Directorate - Internal Audit Work

Considered –

The report of the Head of Internal Audit which advised of the internal audit work performed during the period 1 November 2020 to 31 August 2021 for the Children and Young People's Services Directorate.

Ian Morton (Assistant Director – Audit Assurance, Veritau) introduced the report and responded to Members' questions.

Resolved –

That it be noted that the Committee, having considered the report of the Head of Internal Audit, is satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.

221 (b) Children and Young People's Services Directorate - Internal Control Matters

Considered –

The report of the Corporate Director – Children and Young People's Services which outlined some of the key service risks and governance related issues within the Directorate and provided details of the Directorate's updated Risk Register.

Stuart Carlton (Corporate Director – Children and Young People's Services) and Howard Emmett (Assistant Director – Strategic Resources) introduced the report and responded to Members' questions.

Resolved –

That the report, including the updated Risk Register of the Children and Young People's Services Directorate, be noted.

222 Annual Report on Partnership Governance 2020/21

Considered –

The report of the Assistant Director Policy, Partnerships and Communities concerning the governance of partnerships involving the County Council during the financial year 2020/21.

Neil Irving (Assistant Director Policy, Partnerships and Communities) introduced the report and responded to Members' questions.

Resolved –

- (a) That the annual report on partnership governance be noted.
- (b) That the arrangements in place to ensure good governance and reporting of partnership activity be noted.
- (c) That the contents of the schedule of partnerships that were within the scope of the report as at 31 March 2021, as set out at Appendix 1 to the report, be noted.

223 Property Procedure Rules

Considered –

The report of the Corporate Director – Strategic Resources which informed Members of the outcome of a review of the Property Procedure Rules and presented proposed changes.

Jon Holden (Head of Property Service) presented the report. Jon Holden and Gary Fielding responded to Members' questions and provided confirmation that the County Council's Property Procedure Rules related only to the County Council for the period ending 31 March 2023.

Resolved –

That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers:–

That the following recommendation be submitted to the Executive, and ultimately full Council at its meeting on 19 November 2021 for approval – That the suggested amendments to the Property Procedure Rules as set out at Appendix 2 to the report, and the suggested consequential amendments to the Executive Members' Delegation Scheme as set out at Appendix 3 to be report, be approved, subject to:-

- (a) the references to compliance with EU law being revised;
- (b) the reference to "2.4" within paragraph 2.2 of Appendix 2 being checked and revised if appropriate; and
- (c) the reference to "9.6" within paragraph 9.6 of Appendix 2 being checked and revised if appropriate.

224 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) introduced the programme of work and responded to Members' questions.

Resolved –

That the Committee's Programme of Work be noted, subject to the inclusion of the draft SoFA for 2020/21 for the Committee's meeting on 25 October 2021.

The meeting concluded at 3.30 pm.