

**AUDIT AND GOVERNANCE COMMITTEE
HELD ON 9 JANUARY 2023
(FROM 5.30 PM – 5.50 PM)**

PRESENT: Councillor Steven Jackson in the Chair. Councillors Hannah Gostlow and Matthew Webber.

Late Arrivals: None

Early Departures: None

21/22 – APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES:
An apology for absence had been received from Councillor Alex Raubitschek.

(5.30 pm)

22/22 – DECLARATIONS OF INTEREST: No declarations of interest were made at the meeting.

(5.30 pm)

23/22 – MINUTES: The Minutes of the meeting of the Committee held on 13 October 2022 were unanimously approved as a correct record.

(5.31 pm)

24/22 – EXEMPT INFORMATION: The item considered at 28/22 and Appendix B of the item considered at Minute 32/22 were considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 as they contained information relating to the financial or business affairs of any particular person (including the authority holding that information). It was not necessary to discuss the exempt information and the items were considered in open session.

(5.31 pm)

25/22 – PUBLIC ARRANGMENTS - QUESTIONS: There were no public questions to consider under Standing Order 27.

(5.31 pm)

MATTERS DEALT WITH UNDER DELEGATED POWERS

26/22 – EXTERNAL AUDIT PROGRESS REPORT: The Chair welcomed Diane Harold, Senior Manager and James Collins, Director of Mazars LLP, the Council's external auditor, to present the External Audit Progress Report for 2021/22. The report provided a progress update on the testing strategy for 2021/22, as well as updated planning in respect of group accounts. Ms Harold confirmed that the Council now produced group accounts for one consolidated component, Brimhams Active (BA). This work was reported to be relatively straightforward as the main material balance was pensions. It was noted that BA fell below the threshold for an external

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audit therefore additional work would have to be carried out by Mazars at the group level to obtain sufficient, appropriate assurance. A significant risk for the group audit was pensions liabilities and a further risk had been identified which was associated with leisure staff transferring to BA from the Council. Ms Harold explained that when the group accounts were produced, the figures connected to the Council and BA were combined to calculate the overall net pensions liability. It was reported that the Council had assessed it did not need to consolidate its other subsidiary, Bracewell Homes, on the grounds of materiality.

The report sought to update members on group materiality and the various associated thresholds. It was highlighted that at the time of issuing the report, the group accounts had not yet been received. Ms Harold therefore provided members with a verbal update on group materiality. The overall headline materiality for the group accounts was £2,570k which compared to the Council's headline materiality which was reported to be £2,470k. The group performance materiality was set at £1,928k in comparison to the Council's £1,852k and the 'trivial' threshold was reported to be £77k for the group accounts compared to £74k for the Council.

Ms Harold explained that the group accounts were being worked through with officers and that the intention was to provide a progress update at the following Committee meeting on 20 March 2023. The remainder of the external audit work was well underway with the aim being to bring the progress report and audit completion report to the following meeting although it was highlighted that this would be a challenging deadline to meet, particularly due to pressures on staff as a result of the upcoming Local Government Reorganisation (LGR).

A further section of the report set out the national publications, one of which was issued by the Financial Reporting Council, which published its annual report on the quality of local audit work. The headlines of the publication were detailed at page 13 of the report which were predominantly positive but also highlighted were areas for improvement.

RESOLVED (UNANIMOUSLY):

That the Committee note the content of the report.

(5.32 pm – 5.38 pm)

(D)

27/22 – AUDIT SERVICES DECEMBER MONITORING REPORT 2022/23: The Chair welcomed Mr Ian Morton, Assistant Director, Audit Assurance of Veritau to present the Audit Services December Monitoring Report which provided a summary of internal audit activity for the period from 1 April 2022 to 19 December 2022 and sought to highlight any incidence of significant control failings or weaknesses. Paragraphs 5.2 and 5.3 of the report gave a breakdown of the current position.

Mr Morton informed Members that the majority of internal audit work had been completed, and that several developments had occurred since the time of issuing the report. It was reported that the housing benefit final report was ready to be issued,

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whilst the debtors report was currently being reviewed by Veritau and the final report would be distributed shortly. A final report for council tax and NDR which was currently in progress would be completed in the next few weeks.

RESOLVED (UNANIMOUSLY):

That the Committee note the content of the report.

(5.38 pm – 5.41 pm)

(D)

28/22 – **INTERNAL AUDIT SPECIAL INVESTIGATION INTO FUEL:** The Assistant Director, Audit Assurance of Veritau presented the Internal Audit Special Investigation into Fuel which reported the findings relating to audit work recently undertaken within the Council in relation to fuel. Exempt Appendix A outlined the detailed findings and action plan.

Mr Morton reported that at the time of the review, Audit Services could only provide partial assurance that adequate controls were in place. One of the main findings identified concerned shared fuel fobs in certain service areas which created difficulties in identifying which individuals had been issued with fuel within a service. It was reported that this would no longer be a cause for concern as a new programme was well underway to issue individuals with their own fobs.

The Chairman thanked Councillor Victoria Oldham for bringing the matter to the attention of the Audit and Governance Committee.

RESOLVED (UNANIMOUSLY):

That the Committee note the content of the report.

(5.41 pm – 5.42 pm)

(D)

29/22 – **INTERNAL AUDIT REPORT ON TRAINING:** The Assistant Director, Audit Assurance of Veritau presented the Internal Audit Report on Training which informed Members of the work undertaken by Audit Services with regards to the audit opinion on the controls in place to mitigate the risks associated with training. Appendix A to the report outlined the findings in further detail.

Mr Morton explained that based on the report's findings, Audit Services had given a partial level of assurance on the internal control framework within the function relating to officers and a separate significant level of assurance relating to Members. It was noted that there were currently no consequences for non-completion of mandatory officer training which had caused particular difficulty in achieving timely completion of the data protection training. Mr Morton emphasised that following LGR new mandatory training courses would be county wide and it was therefore

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anticipated that there would be less action required to chase up training that had not been undertaken by new employees or those due to undertake refresher training.

RESOLVED (UNANIMOUSLY):

That the Committee note the content of the report.

(5.42 pm – 5.44 pm)

(D)

30/22 – DRAFT UNAUDITED STATEMENT OF ACCOUNTS 2021/22: The Financial Services Manager (FSM) submitted a written report which presented the Council's draft Unaudited Statement of Accounts for the year ended 31 March 2022, as attached at Appendix 1 to the report.

The deadline for signing off the audit of these accounts was 30 September 2022, which had not been met. The FSM explained that further to Minute 26/22, the accounts were currently subject to audit by Mazars LLP and that the final audited version of the accounts was anticipated to be completed by March 2023, although this would be a challenging deadline to meet due to an increase in work involved in preparing for the formation of North Yorkshire Council. The accounts were reported to be in the same format as the accounts for 2020/21, with the group accounts element being incorporated as part of the audit process.

RESOLVED (UNANIMOUSLY):

That the statutory draft unaudited Statement of Accounts at Appendix 1 is noted.

(5.44 pm – 5.45 pm)

(D)

31/22 – DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22: The Scrutiny, Governance and Risk Manager (SGRM) submitted a written report which set out the detail supporting the Council's Annual Governance Statement (AGS) for 2021/22. The draft statement was attached as an appendix to the report for the Committee to approve in principle and the final version would be presented to the Committee in March alongside the Final Accounts.

The SGRM explained that the purpose of the AGS was to set out how the Council had complied with the Code of Corporate Governance. The significant issues that were brought forward from the previous AGS in 2020/21 were summarised in terms of progress that had been made against them together with the significant governance issues identified for 2021/22 which were outlined in paragraph 5.10 of the report. It was confirmed that the final AGS for 2021/22 would be brought to the following Committee meeting in March alongside the draft AGS for 2022/23 which would be signed off prior to the transition to the new North Yorkshire Council on 1 April 2023.

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In response to a question from Councillor Hannah Gostlow, the SGRM confirmed that the Council compared its data in areas such as disciplinary policy and procedure to that of other similar sized local authorities in order to ascertain if a particular data set looked unusual in any way. If any figures looked out of place, they could be classified as either a significant improvement issue or a significant governance issue which would be reported on and monitored in the following year's AGS.

RESOLVED (UNANIMOUSLY):

That the Audit and Governance Committee review the Draft Annual Governance Statement 2021/22 and agree that it is properly supported by evidence and fairly reflects the Council's corporate governance arrangements.

(5.45 pm – 5.48 pm)

(D)

32/22 – **STRATEGIC RISK REGISTER 2022/23:** The Scrutiny, Governance and Risk Manager (SGRR) submitted a written report which presented the Strategic Risk Register (SRR) 2022/23 for consideration. The SRR reflected the most significant risks to the Council, its corporate objectives and services. A summary of the draft strategic risks was outlined in paragraph 5.2 of the report and were detailed in full in Appendix A. A separate confidential risk register for those risks that were considered commercially sensitive was outlined in exempt Appendix B.

The SGRM explained that the strategic risks had been reported on as part of the new LGR transitional arrangements to ensure that a consolidated risk register could be agreed and implemented by the new authority.

RESOLVED (UNANIMOUSLY):

That (1) the register reflects the current strategic risks facing the council;

(2) the risk assessments reflect the current level of risk; and

(3) the internal controls in place are adequate to manage each risk.

(5.48 pm – 5.50 pm)

(D)