

**AUDIT AND GOVERNANCE COMMITTEE
HELD ON 20 JUNE 2022
(FROM 5.30 PM – 6.04 PM)**

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

Late Arrivals: None

Early Departures: None

01/22 – APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES:

An apology for absence had been received from Councillor Alex Raubitschek.

(5.30 pm)

02/22 – DECLARATIONS OF INTEREST: No declarations of interest were made at the meeting.

(5.30 pm)

03/22 – MINUTES: The Minutes of the meeting of the Committee held on 21 March 2022 were approved as a correct record.

(Three Members voted for the motion and there was one abstention.)

(5.31 pm)

04/22 – EXEMPT INFORMATION: Appendices 1, 1b and 2 of the item considered at Minute 07/22 and Appendix B of the item considered at Minute 09/22 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)

05/22 – PUBLIC ARRANGMENTS - QUESTIONS: There were no public questions to consider under Standing Order 27.

(5.31 pm)

MATTERS DEALT WITH UNDER DELEGATED POWERS

06/22 – EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21: The Chair welcomed Diane Harold, the Senior Manager of Mazars LLP, the Council's external auditor, to present the Auditor's Annual Report (AAR) for the year ended 31 March 2021. The report summarised audit work for the 2020/21 financial year and was published on the Council's website. Ms Harold set out the results of the audit opinion on the

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financial statements, which was unqualified. Ms Harold also set out the results of the value for money work. The narrative of this section of the report was split into three criteria which underpinned the work undertaken and outlined how Mazars reached the conclusion that there were no significant weaknesses in arrangements to report. Ms Harold explained that at the time of issuing the AAR, the Whole of Government Accounts work had not been completed as the group audit instructions had not yet been issued by the National Audit Office. The audit certificate, which would formally close the audit for the 2020/21 financial year, could not be issued until this work was complete.

The report also summarised the internal control recommendations that arose from work on the accounts as well as the fees for the work undertaken. Ms Harold explained that the additional fee variations were subject to review and approval by Public Sector Audit Appointments (PSAA), the governing body for all public sector audit contracts. Discussions were held with the Council's S151 Officer regarding the fee variations and the next stage was to submit the fee variation formally on a quarterly basis to PSAA. It was reported that central government had given local authorities additional funding to cover the fee variations as a result of the anticipated fee regulatory requirements.

In response to questions from Members, Ms Harold clarified that Mazars were working alongside the Council to ensure that the work undertaken with regards to the external audit would be completed by the end of the financial year prior to Local Government Reorganisation (LGR) although she advised that the potential risk of slippage could not be removed entirely.

RESOLVED (UNANIMOUSLY):

That the Committee note the content of the report.

(5.31 pm – 5.39 pm)

(D)

07/22 – INTERNAL AUDIT RECOMMENDATION REPORT: The Audit Services and Fraud Manager (ASFM) submitted a written report which provided an update of the current audit recommendation implementation position. Exempt Appendix 1 contained a detailed report of outstanding priority one recommendations and exempt Appendix 1b contained information on aged priority two and three recommendations. Exempt Appendix 2 summarised the internal audit recommendations completed in the period whilst Appendix 3 provided a summary of other outstanding audit recommendations. The ASFM highlighted that a substantial amount of ICT recommendations had been implemented in recent months and that the priority going forward was to focus on closing down as many outstanding aged recommendations as possible prior to LGR.

During questions from Members, Councillor Matthew Webber raised his concerns with regards to the priority one internal audit recommendations which referenced updates dated back to February 2022 and asked for clarification as to why these reports had not been updated more recently. It was subsequently requested that the

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relevant recommendations attached to exempt Appendix 1 be amended and it be noted that the Committee had severe concerns about the items which had not been updated since February 2022. In response, the ASFM advised that some of the recommendations were reliant on ongoing project work and that where the updates were dated February 2022, the projects had not advanced enough to update the recommendations. In response to a further question, it was **agreed** that the ASFM would provide monthly updates to Members outside of the Committee regarding movement within the period of the outstanding priority one internal audit recommendations.

RESOLVED (UNANIMOUSLY):

That the contents of the report and appendices are noted.

Appendix 1 – Outstanding Priority One Internal Audit Recommendations

Appendix 1b – Outstanding Priority Two and Three Audit Recommendations

Appendix 2 – Internal Audit Recommendation Movements in the Period

Appendix 3 – Summary of All Outstanding Internal Audit Recommendations

(5.39 pm – 5.47 pm)

(D)

08/22 – **AUDIT SERVICES JUNE MONITORING REPORT 2021/22:** The Audit Services and Fraud Manager (ASFM) submitted a written report which outlined internal audit activity for the period of 1 April 2021 to 8 June 2022. The report contained details of work undertaken and a summary of all completed reviews along with the overall audit opinion. The breakdown of the current position for the year 2021/22 as of 8 June 2022 was outlined at paragraph 5.3 of the report and the key points to note were summarised at paragraph 5.

The ASFM asked Members to note that following the publication of the report, the number of final reports issued had increased from six to eight, and that the number of draft reports issued had subsequently decreased from four to two, as outlined at paragraph 5.2. It was highlighted that the Internal Audit Annual Report 2021/22 would be brought to a future Committee meeting and the audit plan would be completed by that time. This would enable a more informed audit opinion based on an extra quarter of work.

In response to Members' questions, the ASFM clarified that the audit services plan for the financial year 2022/23 had not yet been verified but that the Council was working alongside Veritau, the internal audit providers for the rest of North Yorkshire, who would become the audit providers for the new authority, to formalise the plan.

RESOLVED (UNANIMOUSLY):

That the contents of the report are noted.

(5.47 pm – 5.53 pm)

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(D)

09/22 – **DRAFT STRATEGIC RISK REGISTER 2022/23:** The Scrutiny, Governance and Risk Manager (SGRM) submitted the Draft Strategic Risk Register (SRR) for 2022/23. The SRR reflected the most significant risks to the Council, its corporate objectives and services and the draft register was attached at Appendix A. It was highlighted that there was an additional confidential risk register for those risks that were considered commercially sensitive, as outlined at exempt Appendix B.

The SGRM explained that there was one potential risk which had not yet been scored or agreed to go on the SRR. The report had previously been considered by Management Board where it was agreed that the War in Ukraine risk would appear as a strategic risk on the SRR. The SGRM confirmed that if agreed this would become the final SRR for 2022/23 that would be reported to the Committee throughout the year. Management Board had agreed that prior to LGR there would be more active monitoring of the SRR on an ongoing basis. The SGRM had subsequently suggested that the SRR appeared on the agenda of each Audit and Governance Committee meeting in the 2022/23 municipal year in order that the risks be monitored and updated prior to LGR.

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.

(5.53 pm – 5.55 pm)

(D)

10/22 – **DRAFT AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT**

2021/22: The Scrutiny, Governance and Risk Manager (SGRM) submitted a written report which presented the work undertaken by the Audit and Governance Committee in the 2021/22 municipal year. Good practice indicated that an annual report should be prepared that included how the Committee met its terms of reference; the main areas that the Committee had reviewed; any particular concerns or issues it had addressed and a review of its effectiveness. The SGRM confirmed that if agreed this would form the final version of the Audit and Governance Committee Annual Report to report to Council.

During questions from Members it was raised that an overview of the Audit and Governance Committee was not currently offered as part of the induction training for newly appointed Committee Members. The SGRM noted this feedback and agreed to look into the matter going forward.

RESOLVED (UNANIMOUSLY):

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That (1) the Audit and Governance Committee Draft Annual Report 2021/22 is received;

(2) the final version of the Audit and Governance Committee Annual Report 2021/22 is referred to Council.

(5.55 pm – 5.58pm)

(D)

11/22 – DRAFT RISK MANAGEMENT FRAMEWORK/STRATEGY/POLICY

UPDATE 2022/24: The Scrutiny, Governance and Risk Manager (SGRM) submitted a written report which presented the Draft Risk Management Framework/Strategy/Policy update 2022/24 for consideration which was appended to the report. The SGRM explained that the current Risk Management Framework was dated 2017/20 and was therefore due to be reviewed in 2020. This was delayed due to the Covid-19 pandemic and impending LGR.

A proportionate review of the existing Risk Management Framework had been undertaken in order to enable a consistent approach across the Council to be implemented and a programme of work and support developed in advance of the transition to North Yorkshire Council. The SGRM explained that the LGR Strategic Risk Management group, which formed part of the Finance Work Stream, were in the process of considering risk management across the neighbouring councils in North Yorkshire to form the Risk Management Framework and initial corporate risk register for the new Council. It was reported that Management Board had endorsed the Draft Risk Management Framework prior to the Committee on 20 June 2022 and agreed that the SGRM would work alongside the Council's Heads of Service to review the existing risk registers and update them accordingly.

In response to questions from Members the SGRM confirmed that the work undertaken by the LGR Strategic Risk Management group would review the strategic risks across all of the neighbouring North Yorkshire councils to enable a corporate risk register for the new authority to be established from day one. From an audit perspective, the ASFM explained that the internal auditors were liaising with Veritau, the audit providers for NYCC, in order to be in a position from 31 March 2022 to hand the audit work over to the new authority. The ASFM reported that the risk management audit which had been deferred to the current financial year of 2022/23 would be presented to the Committee in the six months prior to LGR.

RESOLVED (UNANIMOUSLY):

That (1) The draft Risk Management Framework/Strategy/Policy update 2022/24 is agreed; and

(2) The scope and level of existing risk registers across the Council to enable a programme of work and support to be developed in advance of the transition to North Yorkshire Council.

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(5.58 pm – 6.04 pm)

(D)