

Audit Committee

25 May 2016

Present: Mr M Wilkinson (Chair)
Councillors G Bell, L Bell, D Cox, N Craven, A McMullen
and F Weetman.

AC1/05/16 Apologies

Apologies for absence were received from Mr K Robinson and Councillor J Wallace.

AC2/05/16 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

AC3/05/16 Minutes

Resolved that the minutes of the meeting held on the 30 March 2016 be confirmed as a correct record and signed by the Chair.

AC4/05/16 2015/16 Opinion on the Framework of Governance, Risk Management and Control

Consideration was given to a report from the Chief Internal Auditor on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and controls. It was noted that, under the Public Sector Internal Audit Standards, the Chief Internal Auditor was required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

It was reported that overall the internal audit section had found that, in the areas inspected in 2015/16, internal control systems had been effective. In addition a number of areas of good practice had been identified and, where necessary, improvement plans had already been put in place by management, in consultation with internal audit.

It was the opinion of the Chief Internal Auditor that the Authority's internal control systems, in the areas audited, were satisfactory. This was a positive assessment of the Authority's control environment and reflected favourably on the organisation's governance arrangements

Resolved that the opinion of the Chief Internal Auditor, on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control in 2015/16, as satisfactory be noted.

AC5/05/16 Strategic Audit Plan 2015/16 – Final Monitoring Statement (previous minute AC28/11/15 refers)

Consideration was given to a report which presented the final monitoring statement in respect of the Strategic Audit Plan for 2015/16. The original plan had been presented to the Audit Committee in March 2015 and an interim monitoring statement had been presented to the Committee in November 2015.

It was reported that 62% of the audit assignments programmed during 2015/16 had been either completed or were significantly underway and 19 Audits which had been planned to be carried out in 2015/16 had been reallocated to 2016/17. It was explained that this was normal practice to ensure that resources were directed at areas which provided the maximum benefit to the Authority. Some of the variations to the planned work programme had been as a result of:

- Time being required on contingencies and ad-hoc management requests;
- Requests for support from Northumbria Police;
- The complexity of some areas of work under examination which had taken additional time to audit;
- Responding to the Authority's statutory requirements in relation to the National Fraud Initiative; and
- Additional time spent undertaking a project assurance role.

It was explained that the team had achieved 96.13% of the expected productive audit days which had been planned. Additional development time had been required within the team to implement new ways of working within the Authority including the Electronic Document and Records Management System, the Google pilot and the development of systems within the shared audit team and this had impacted on the team's ability to achieve 100%.

Members sought clarification on whether the completion of 62% of audit assignments was normal. It was explained that this figure had been lower than expected in 2015/16 due to the additional work undertaken for the police but it was anticipated that this figure would be higher next year. Reference was also made to the Google pilot and it was explained that both authorities in the shared service, Northumberland and North Tyneside, could work across the same platform which would be more efficient.

Resolved that the report be noted.

AC6/05/16 Key Outcomes from Internal Audit Reports issues between October 2015 and March 2016

Consideration was given to a report which set out the key outcomes of internal audit reports issued between October 2015 and March 2016. It was noted that, based on the outcomes of the audits undertaken, the Authority's framework of governance, risk management and control was considered to be satisfactory overall.

Clarification was sought on a number of topics contained within the report including:

- The medium rating given in respect of resilience issues regarding access to Citrix. It was explained that this rating had been given due to the very low likely occurrence of a failure to the system;
- The Street Lighting Private Finance Initiative. It was explained that the Authority now had the tools to be able to check the information provided by the contractor. Reference was also made to the substantial savings made in relation to energy costs;
- Information Governance. It was noted that a Central Information Team had been established to strengthen the Authority's information governance arrangements and the Electronic Document and Records Management System (EDRMS) would address concerns regarding data protection issues. Reference was also made to the awareness of the need for data security and the prompt deletion of unnecessary data. It was explained that staff were regularly reminded of their responsibilities in relation to data storage and retention;
- Social Services System Review. It was noted that data retention within the Swift data base was an issue which was being addressed;
- Debt and non-cash income management. Reference was made to the need for performance management arrangements for raising invoices. It was suggested that there was a need for a report to be submitted to a future meeting on treasury management.

Reassurance was given to the Chief Internal Auditor that the style of and information contained in reports to the Committee were appropriate and met the Committee's needs.

Resolved that the opinion of the Chief Internal Auditor, that the framework of governance, risk management and control was satisfactory overall, be noted.

AC7/05/16 External Audit Progress Report

Consideration was given to an update provided by Mazars on progress made in meeting its responsibilities as the Authority's external auditor. The Committee was informed that the external auditor had completed its planning work and carried out some interim testing. Based on the work undertaken to date the auditor reported that there were no significant matters arising and no changes to its original assessment of significant risks were made.

The report also drew the Committee's attention to a range of national publications and other updates. Reference was also made to the report by the Department for Communities and Local Government in relation to the local government counter fraud and corruption strategy. The Authority's appointment of a number of fraud officers on a 'work to save' basis was welcomed.

Resolved that the report be noted.

AC8/05/16 Annual Governance Statement 2015/16

The Committee were presented with the Annual Governance Statement (AGS) which contained the outcome of the review of the Authority's systems of internal control and explained how it delivered good governance and reviewed the effectiveness of these

arrangements. The statement complied with the required regulations and was based on the governance framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The Chief Executive, Deputy Chief Executive, Director of Public Health and each Head of Service had been involved in populating this Statement with the evidence supporting how the principles were met within the Authority.

Having reviewed the evidence, the Senior Leadership Team had taken the view that, as a whole, the governance arrangements in operation during 2015/16 were adequate. A number of areas had been identified as requiring continuous monitoring to ensure that they did not become significant governance issues in the future. These included:

- A risk that the Authority would not be able to protect its housing assets and services to tenants as a result of changes to government policy on welfare reform which had resulted in reduced income to the Housing Revenue Account;
- A risk that the Creating a Brighter Future Programme, which had been rolled out across the Authority, would be unable to deliver the improved services and meet the increasing demand for services without proper monitoring and appropriate financial and service area challenges. It was noted that monthly programme board meetings were held and regular updates provided to cabinet members via lead member briefings to ensure appropriate oversight;
- The delivery of the Section 75 agreement with the North Tyneside Clinical Commissioning Group which had forecast a budget deficit of £19M for 2015/16 and which could have adverse implications for the Authority's budget, in particular both adult and children's social care services;
- Proposed changes to the business rates scheme which would allow local authorities to retain 100% of business rates in their area. Whilst this had the potential to give authorities greater ability to plan for the long term with more financial independence there were added risks including a lack of business growth, the closure of a major business and the cost of appeals. It was noted that measures were in place to provide timely support to businesses and to mitigate the risk;
- The risk that should the policies and procedures in place fail to ensure that sensitive data is secure and managed appropriately then the Authority could face fines under the Data Protection Act and also compensation claims. It was noted that the Senior Information Risk Officer had responsibility for managing the Authority's information correctly and there was an Information Governance Improvement Plan in place to ensure that information governance policies and procedures were adequate and implemented;
- A need to ensure that governance arrangements for the partnerships are in place to ensure that services are delivered to a satisfactory level whilst delivering value for money;
- Legislation had been proposed which would allow the Government to force schools to convert to academies if local authorities had consistently poor results or when there were so few schools under local authority control that the schools could no longer be supported. It was noted that this legislation would continue to be monitored.

Resolved that (1) the outcome of the review of the Authority's systems of internal control be noted;

- (2) the Annual Governance Statement be approved for the purpose of accompanying the Statement of Accounts for 2015/16; and
- (3) the proposed actions in the Annual Governance Statement relating to the governance issues identified be noted.

AC9/05/16 Time of Future Meetings

Consideration was given to a report which invited the Committee to give consideration to the date and time of future meetings of the Committee.

It was noted that the Chief Internal Auditor was looking into the development of a programme of training for Members.

Resolved that future meetings of the Audit Committee be held on the following dates:

- 28 September 2016 at 6.00pm
- 30 November 2016 at 6.00pm
- 29 March 2017 at 6.00pm

AC10/05/16 Exclusion Resolution

Resolved that under Section 100A (4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

AC11/05/16 Corporate Risk Management Summary Report

Consideration was given to a report which outlined the corporate risks that had been identified for monitoring and management by the Council's Senior Leadership Team, as at March 2016. The report provided detailed information on each of the corporate risks including the cause of the risk, the consequence if the risk was to materialise, the existing and new controls in place to address the risks and an assessment of their likelihood and potential impact.

Resolved that the report be noted.