

Audit Committee

30 November 2016

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

AC17/11/16 Apologies

An apology for absence was received from Councillor J Wallace.

AC18/11/16 Substitutes

Pursuant to the Council's constitution the appointment of the following substitute member was reported:-

Councillor L Miller for Councillor J Wallace

AC19/11/16 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

AC20/11/16 Minutes

Resolved that the minutes of the meeting held on the 21 September 2016 be confirmed as a correct record and signed by the Chair.

AC21/11/16 Internal Audit and Risk Management – Shared Service Update

Consideration was given to a presentation which provided an update on the assurance services provided for Northumberland County and North Tyneside Councils. It was explained that the two authorities had a combined budget in excess of £1bn. In addition to the provision of the service to the two authorities the section also provided audit services to a number of services delivered in partnership with Engie, Capita and Kier in North Tyneside and the Arch Group of companies in Northumberland. The service also provided discrete services to a number of other audit committees and boards and worked with two different external auditors.

It was explained that the audit service had undergone major change over the years and it was acknowledged that there was more still to do. By the end of 2015/16 the service had delivered £1.571m savings to the two authorities with around £0.5m of the savings being applicable to North Tyneside.

Reference was also made to the key achievements of the service which included an increase in the amount of productive time, improvement in customer satisfaction levels, the

development of audit specialisms, agile working and the establishment of self funded counter fraud services.

It was also explained that there still remained further areas for challenge, monitoring and development which included ensuring that there was a fair allocation of resources across the two authorities and the standardisation, development and automation of ICT Systems

Resolved that the presentation be noted

AC22/11/16 External Audit: Annual Audit Letter 2015/16

The committee received the Annual Audit Letter 2015/16 presented by Gareth Davies from Mazars, the Council's external auditors. The Letter summarised many of the points raised in the Audit Completion Report 2015/16 which had been presented to the committee at its meeting on the 21 September 2016 and to Council on the 22 September 2016.

The Letter covered the overall conclusion in respect of the Authority's financial statements which included the Annual Governance Statement, and the assessment of the arrangements to achieve value for money in the Authority's use of resources.

Members were informed that, overall, the External Auditor had been satisfied with the quality of the Authority's financial statements and had therefore issued an unqualified opinion on the Authority's statement of accounts for 2015/16. In relation to value for money the External Auditor had concluded that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and had therefore issued an unqualified Value for Money conclusion.

The Chair thanked Mazars for their report.

Resolved that the Annual Audit Letter 2015/16 be noted.

AC23/11/16 External Audit: Audit Progress Report November 2016

The committee received a progress report presented by Diane Harold from Mazars, the Council's external auditors, in respect of the 2016/17 audit year.

It was explained that the planning stage of the 2016/17 audit would commence in the coming quarter to agree the scope and timing of the works together with an identification of the significant risks in respect of the financial statements and value for money conclusions. The works would also include a high level assessment of the control and fraud environment in the authority and an assessment of the Authority's Information Technology environment. In addition the works would include a review of the previous year to consider any areas of improvement and walkthroughs of the key financial systems.

The report also outlined a number of publications and updates relevant to the Committee and Authority. It was noted that Public Sector Audit Appointments Limited had carried out a review of the performance of audit firms to provide assurance that auditors were providing high quality audits for their clients. Mazars had been given a top rating as a result of this review.

The Chair thanked Mazars for their report.

Resolved that the audit progress report be noted.

AC24/11/16 Annual Governance Statement

The committee was advised of the outcome of a mid year review of the Annual Governance Statement (AGS) action plan. The AGS explained how the Council delivered good governance and how it reviewed the effectiveness of its arrangements.

At its meeting held on 25 May 2016 the committee had noted that no significant governance issues had been identified and that the arrangements in place were considered to be adequate by the Senior Leadership Team. Whilst there were no specific recommendations made, a range of issues had been highlighted which required continuous monitoring to ensure that they did not become significant governance issues in the future.

The committee was also presented with details of the proposed method for compiling evidence for, and preparing, the 2016/17 AGS. The completed AGS would be submitted to the committee in May 2017 for its consideration and approval.

Members sought clarification in relation to the following:

- The involvement of audit in discussions regarding devolution. It was noted that whilst the audit section had not been directly involved in discussions it had already identified the potential risks associated with a combined authority which could be the subject of a review at a future point.
- The impact of changes to information governance due to the new General Data Protection Regulation. It was explained that this would feed into the Authority's general risk assessment.
- The changes to the Education Excellence Everywhere White Paper and the ongoing discussions with local schools. It was noted that further clarification was needed on the progress of the White Paper and that a watching brief would be maintained.

The Chair thanked officers for the report.

Resolved that (1) the outcome of the mid-year review of the Authority's action plan agreed as part of the 2015/16 Annual Governance Statement be noted; and (2) the proposed method for compiling evidence for the 2016/17 Annual Governance Statement be noted.

AC25/11/16 Annual Statement of Accounts

Consideration was given to a report which outlined the process in place to ensure that the statutory deadline for the publication of the Annual Statement of Accounts for 2016/17 was met. The report also set out the actions which had been taken to ensure that the amended deadline for the 2017/18 closure of the accounts was also met.

It was explained that the 2015/16 accounts had been prepared and handed over to the Chief Financial Officer for final quality assurance on the 15 June 2016. The authority had set itself a target of providing the 2016/17 accounts to the Chief Financial Officer by the 31 May 2017 so that the authority could be confident in meeting the revised statutory publication date for the 2017/18 accounts.

A review of the 2015/16 closedown process had been carried out to identify areas where lessons could be learned and improvements made and an amended timetable had been produced. It had been acknowledged that some working practices within the authority needed to be changed to meet the revised timetable.

In addition a number of changes to the Code of Practice on Local Authority Accounting in the United Kingdom were outlined for members' information.

The Chair thanked officers for the report.

Resolved that the progress made in working towards the preparation of the 2016/17 accounts and the work being undertaken in respect of future years' closedown be noted.

AC26/11/16 Strategic Audit Plan 2016/17 Interim Monitoring Statement

The Chief Internal Auditor presented an interim monitoring statement which outlined progress against the Strategic Audit Plan 2016/17.

The report showed that by the end of September 2016 the internal audit service had achieved 89.98% of the planned productive days although some of the areas of audit had changed to respond to emerging risk areas. 20 of the 21 audits originally planned had either been completed or were significantly underway and the remaining audit had been reprogrammed to be completed later in the year. It was explained that reprogramming audits was a normal part of the planning and performance management process and ensured that audit resources were directed to those area which would provide maximum benefit to the Authority.

The committee was presented with detailed schedules showing each audit programmed to be undertaken in the first two quarters of 2016/17, together with an indicative outturn as at the end of September 2016; and also the audits originally scheduled for the third and fourth quarters and the revised schedule.

Members noted that the Annual Audit Plan would continue to be kept under review and progress reported to a future meeting of the committee.

Reference was made to the value for money reviews planned to be carried out in the 4th quarter and it was explained that broad ideas to be covered had been identified but that the specific areas would be confirmed prior to the work commencing to ensure that the work was still relevant.

The Chair thanked officers for the report.

Resolved that the Strategic Audit Plan 2016/17 Interim Monitoring Statement and the level of planned coverage achieved by Internal Audit at this stage in the year be noted.

AC27/11/16 Key Outcomes from Internal Audit Reports Issued During April to September 2016

The committee received a report on the key outcomes from Internal Audit reports issued during the period April to September 2016.

The report included a summary of the key findings from the planned internal audit reports, including good practice identified and action taken to date by management in response to each audit. Members were informed that based on the outcomes from audits issued to date, and management action undertaken in response to these, the Authority's framework of governance, risk management and control is considered to be satisfactory overall at this stage in the year, this is a positive outcome for the Council.

The Chief Internal Auditor informed the committee that at this stage there is nothing which needs to be drawn to the committee's attention and there were no 'critical priority' recommendations made.

The Chair thanked officers for the report.

Resolved that (1) the key findings from, good practice identified in, and management action taken in response to the internal audit reports issued during April – September 2016 be noted; and
(2) the Chief Internal Auditor's opinion that the framework of governance, risk management and control is satisfactory overall at this stage in the year be noted.

AC28/11/16 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 item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

AC29/11/16 Corporate Risk Management Report

The committee received the Corporate Risk Management Summary Report which outlined the corporate risks that had been identified for monitoring and management by the Council's Senior Leadership Team, as at November 2016. The report provided detailed information on each of the corporate risks including the cause of the risk, the consequence if they were to materialise, the existing and new controls in place to address these risks and an assessment of their likelihood and impact.

Resolved that the corporate risks identified for monitoring and management by the Council's Senior Leadership Team and the action being taken be noted.