

Audit Committee

24 May 2017

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

AC1/05/17 Apologies

There were no apologies for absence received.

AC2/05/17 Substitutes

There were no substitute members reported.

AC3/05/17 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

AC4/05/17 Minutes

Resolved that subject to the following amendments the minutes of the meeting held on the 29 March 2017 be confirmed as a correct record and signed by the Chair:

- Minute AC34/03/17 – resolution (2) be amended to read “An appropriate officer shall attend to further explain the quality assurance processes in place in relation to housing benefit subsidy”.
- Minute AC36/03/17 – resolution (2) be amended to read “a report on the issue of the Adult Social Care Material Information System be presented to the next meeting”.

AC5/05/17 Quality Assurance – Housing Benefit Subsidy (Minute AC34/03/17 refers)

Consideration was given to a verbal report from the Client Manager, Revenues, Benefits and Customer Services and the Senior Development and Support Officer which explained the processes in place to ensure the accuracy of all claims. It was explained that a percentage of claims were checked on a weekly basis by team leaders. If any errors were identified additional training and support was provided to the staff involved. In addition samples of work were checked on an annual basis by both internal and external audit.

It was explained that the team dealt with around 11,000 new claims each year and processed around 137,000 individual changes in circumstances. Two minor errors which amounted to £78.00 had been identified out of a total subsidy figure of £74.5M. As a result managers had emphasised the need for accuracy in processing claims.

It was also explained that almost 70% of local authorities in England and Wales had errors in their submissions.

The Chair thanked the officers for their update.

Resolved that the report be noted.

AC6/05/17 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 carried out works in relation to the Authority's IT arrangements and works were due to commence on the audit of the financial statements. Reference was also made to the works being undertaken with the finance section to bring forward the certification of the draft accounts. 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.

Reference was made to the issues previously reported in relation to the Adult Social Care material information system. It was explained that no further errors had been identified and the auditor was satisfied with the action taken and the systems put in place to prevent any re-occurrence.

The report also drew the Committee's attention to a range of national publications and other updates. Particular reference was made to the Public Accounts Committee report on integrating health and social care and the Better Care Fund. It was noted that the Adult Social Care, Health and Wellbeing Sub Committee would be monitoring the local Sustainability and Transformation Partnership.

Reference was also made to the planning for the local retention of business rates and the challenges in relation to the financial sustainability of schools, particular secondary schools, which had been undertaken

The Chair thanked Mazars for their report.

Resolved that the report be noted.

AC7/05/17 Annual Governance Statement 2016/17

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 the Annual Governance Statement with the evidence supporting how the principles had been 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 2016/17 were adequate. A

number of areas had been identified which required 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 impact of the Northumberland, Tyne and Wear and North Durham Sustainability and Transformation Plan on the Authority. The Plan identified a number of key transformational areas including closing the financial gap. It was noted that this gap could be as large as £641M across the area by 2021 and which could adversely impact the Authority's budget, particularly in respect of adult social services, children's services and public health;
- Changes to the business rates scheme which allowed 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. The roll out of the General Data Protection Regulations in May 2018 would also place a greater emphasis on accountability and require the Authority to inform residents on how their data would be used;
- A need to ensure that governance arrangements for the partnerships were in place to ensure that services were delivered to a satisfactory level whilst delivering value for money and taking account of changes to staffing in both the partners and the Authority;
- The potential for the national policy direction to disrupt the partnership between schools and the Authority. The new funding formula together with changes to legislation could result in schools which were considered to be inadequate or coasting being converted to academy status. It was noted that this would continue to be monitored; and
- The decision to leave the European Union has resulted in a number of uncertainties for the Authority and businesses in both financial and economic growth terms. The full extent of the impact would not be clear until the precise trade terms were known. A watching brief would be kept to ensure that any changes could be identified and acted upon.

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 to accompany the Statement of Accounts for 2016/17; and

(3) the actions proposed in the Annual Governance Statement be noted.

AC8/05/17 2016/17 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 2016/17, 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, for those areas which required improvement.

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.

Reference was made to the internal control systems in place and it was suggested that it might be useful for the committee to do some work on the various types of control systems. It was also suggested that a report on Single Person Occupancy Fraud be presented to a future meeting.

Resolved that the Chief Internal Auditor's opinion, that the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control in 2016/17 is satisfactory be noted.

AC9/05/17 Strategic Audit Plan 2016/17 – Final Monitoring Statement

Consideration was given to a report which presented the final monitoring statement in respect of the Strategic Audit Plan for 2016/17. The original plan had been presented to the Audit Committee in March 2016.

It was reported that 77% of the audit assignments programmed during 2016/17 had been either completed or were significantly underway. A number of audits which had been planned to be carried out in 2016/17 had been reallocated to 2017/18 or had been superseded by the implementation of a new corporate IT desktop strategy and corporate tooling solution. It was explained that this was normal practice to ensure that resources were directed at areas which provided the maximum benefit to the Authority.

The report also referred to the level of internal audit resourcing over the year. It was explained that 64% of the planned productive days had been achieved. This had been due to a number of factors including long term sickness within the team, the re-organisation of the audit team, the deployment of internal audit resources on an urgent one-off piece of work and work undertaken on behalf of Northumberland County Council. Reference was made to the loss of the productive days and clarification was sought that this had not adversely impacted on the provision of the service in North Tyneside. It was explained that all of the compliance work had been covered and the team had concentrated on the work which had added value. It was also explained that some of the lost days had been used by Northumberland Council but that in return the Authority had been able to make use of some

of their specialisms which were not available within the audit team. It was suggested that in the future it would be useful for the Committee to see how the planned hours matched those delivered and how this impacted on the number of audits carried out.

It was suggested that data on how the various departments had responded to the recommendations of audit reports could be included in future reports to the Committee.

Resolved that the report be noted.

AC10/05/17 Briefing on new arrangements for the appointment of the External (Local) Auditor

Consideration was given to a report which provided an update to the Committee on the process of appointing an external (local) auditor. The Local Audit and Accountability Act 2014 required all local authorities to procure and appoint their own external auditor from 2017/18 onwards. The contract with the Authority's current external auditor, Mazars, would end with the completion of the audit of the 2017/18 accounts.

It was explained that Cabinet had agreed to procure the services of an external auditor collaboratively with two adjacent authorities via a tendering process. In addition an Auditor Panel had been set up to provide advice to the authorities on the selection and appointment of a local auditor. The Auditor Panel was also required to advise the authorities on the maintenance of an independent relationship with the local auditor. The Chair of the Committee had been appointed as North Tyneside's representative on the Auditor Panel.

It was explained that the Auditor Panel would consider and evaluate the bids and identify a recommended provider. A report would then be taken to the Council of each of the authorities with a recommended choice of provider.

Resolved that the report be noted

AC11/05/17 Follow up of the Review of the Audit Committee Arrangements (minute AC41/03/16 refers)

Consideration was given to a report which provided an update on the implementation of the recommendations made by the Chair of the Audit Committee following his review of the Audit Committee arrangements in 2015/16. These recommendations had been presented to the Audit Committee in March 2016, and to the Senior Leadership Team (SLT) in the same month.

The recommendations, which were aimed at strengthening audit arrangements included:

- Greater interaction between the Chair, the Committee and the Senior Leadership Team;
- Greater interaction between the Committee and Cabinet and the development of an annual report from the Committee to the Cabinet;
- Consideration of a development programme for Audit Committee Members, and non Members, to raise awareness of the Committee's role and remit;
- Greater involvement of Committee Members in agreeing the work programme for the Committee

- Attendance by the appropriate SLT members and Cabinet Members at the Committee when key risk issues are discussed; and
- Changes to the remit of the Committee to better fit with CIPFA's Audit Committee position statement.

The recommendations had been agreed by the Senior Leadership Team in March 2016. It was explained that whilst there had been good progress in implementing some of the recommendations the pace of change in relation to some of the recommendations had not been as hoped. Reassurances had been provided that the outstanding recommendations would be progressed.

It was reported that the Chair of the Committee now had regular quarterly meetings with the Chief Executive and the Senior Leadership Team. The Committee would also provide an annual report to the Cabinet. It was explained that a draft of the report would be circulated to Members of the Committee prior to its submission to the Cabinet.

Members were invited to contact the Chair if they had any suggestions for improving the Committee or for the contents of the annual report.

Resolved that (1) the report be noted; and
(2) any further suggestions on improvements to the effectiveness of the Audit Committee be passed to the Chair at any stage during the municipal year; and
(3) Members advise the Chair of any suggestions for the content of the Annual Report.

AC12/05/17 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.

AC13/05/17 Key Outcomes from Internal Audit Reports issued between October 2016 and March 2017

Consideration was given to a report which set out the key outcomes of internal audit reports issued between October 2016 and March 2017. 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 which were responded to appropriately.

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

AC14/05/17 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 2017. 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.

AC15/05/17 Internal Audit Review of Perimeter Security

Consideration was given to a report which provided an example of an internal audit report which was presented to the client, generally a head of service, following the completion of a piece of work by Internal Audit. The report concerned an audit of perimeter security which had been undertaken as part of the agreed 2016/17 Strategic Audit Plan.

Details of the process followed were outlined and these included the works undertaken prior to the commencement of the audit, the actual works undertaken during the course of the audit and the systems in place for the outcome of the audit works to be reported to the client. In addition procedures were in place to monitor the implementation of the recommendations made as a result of the audit works.

Resolved that the report be noted