

## **Audit Committee**

**23 May 2018**

Present: Mr K Robinson (Chair)  
Mr M Wilkinson  
Councillors D Cox, N Craven, S Graham, J Harrison,  
A McMullen, J Mole and J Wallace.

### **AC01/05/18 Apologies**

There were no apologies for absence submitted.

### **AC02/05/18 Substitute Members**

There were no substitute members reported.

### **AC03/05/18 Declarations of Interest and Dispensations**

There were no declarations of interest or dispensations reported.

### **AC04/05/18 Minutes**

**Resolved** that the minutes of the meeting held on the 28 March 2018 be confirmed as a correct record and signed by the Chair.

### **AC05/05/18 Annual Governance Statement - Update**

The Committee was 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 which had been 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 2017/18 were adequate. It was noted that an additional section had been included in the AGS covering devolution. 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 had identified a number of key transformational areas which included closing the financial gap. It was noted that the financial gap could be as large as £641M across the area by 2021 which could adversely impact on the Authority's budget, particularly in respect of adult social services, children's services and public health. A watching brief would be kept on the implications of the Care and Support for Older People green paper which was to be published in the Summer 2018;
- 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 implementation of ICT Tolling, including Sharepoint in the Summer of 2018 would introduce a robust Records Management System;
- 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;
- The decision to leave the European Union had 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; and

- The risk that the Authority might not be able to maximise the opportunities of the devolution deal for the North of Tyne. It was explained that a North Tyneside Working Group had been established and there was North Tyneside representation on the North of Tyne Steering Group which ensured that there was involvement by Elected Members and Officers of the Authority.

Members sought clarification on when the 7 Core Principles had last been reviewed. It was explained that the Core Principles were reviewed on an annual basis as part of the review of the Annual Governance Statement. It was also explained that the terminology used in the document followed CIPFA guidance

**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 2017/18; and

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

### **AC06/05/18 2017/18 Annual Financial Report**

Consideration was given to a presentation which provided a draft set of accounts for consideration by the Audit Committee. It was noted that the draft accounts were still under review and undergoing a quality assurance process but they would be published in accordance with the 31 May 2018 statutory deadline. It was explained that although there had been some slippage against the original timetable the efforts of members of staff had enabled the report to be presented to the Committee.

**Resolved** that the presentation be noted

### **AC07/05/18 2017/18 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 2017/18, 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.

Clarification was sought on the reference to non-audit work contained within the report and it was explained that a senior auditor had carried out a piece of work on procurement which had been designed to improve overall performance.

Reference was also made to the audit work carried out in relation to ICT in schools and clarification sought as to whether schools had fully prepared for the introduction of the General Data Protection Regulations. It was explained that the authority had provided a dedicated resource, a Data Protection Officer, which a significant number of schools had bought into. It was accepted that there was a lot of work still to be done to ensure full compliance with the regulations.

It was noted that the opinion also covered the Authority's interaction with its partners. Reference was made to the framework of checks and balances in place which were monitored by officers. In addition appropriate checks were carried out prior to the Cabinet awarding any contracts. It was also explained that each of the strategic partners had their own partnership boards to provide oversight.

Reference was made to the mapping process. It was explained that more and more audit processes were automated with software designed to carry out audit processes. The mapping was carried out at the beginning of the year to determine what needed to be checked so that this could be incorporated into the service's work programme. An explanation of the governance of risk three lines of defence was given.

Members also sought assurances in relation to the number of planned productive days which had been lost over the year. It was explained that it had been the result of a number of exceptional factors which had occurred at the same time. Although there had been a reduction in productive days there had been 31 of the 47 planned assignments completed, 6 assignments were underway and a risk assessment of the of the remaining 10 assignments had been undertaken which had resulted in 4 assignments being carried forward to the 2018/19 financial year and the other 6 changed as a result of an assurance mapping exercise.

**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 2017/18 is satisfactory be noted.

### **AC08/05/18 Strategic Audit Plan 2017/18 – Final Monitoring Statement**

Consideration was given to a report which presented the final monitoring statement in respect of the Strategic Audit Plan for 2017/18. The original plan had been presented to the Audit Committee in March 2017.

It was reported that 79% of the audit assignments programmed during 2017/18 had been either completed or were significantly underway. A small number of audits which had been planned to be carried out in 2017/18 had been reallocated to 2018/19. 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 58% of the planned productive days had been achieved and this had been due to a number of factors including delays in making appointments to fill vacancies within the team.

**Resolved** that the Strategic Audit Plan 2017/18 monitoring statement be noted

**AC09/05/18 Key Outcomes from Internal Audit Reports issued between April 2017 and March 2018**

Consideration was given to a report which set out the key outcomes of internal audit reports issued between April 2017 and March 2018. 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.

For each of the reports issued the main points of concern were outlined together with the progress made or action taken to address those concerns. In addition the report also outlined examples of good practice.

Reference was made to the increasing debt levels in relation to Housing Benefit. It was noted that there had been a lack of resources provided for recovery of Housing Benefit overpayments and there was a lack of a Key Performance Indicator included in the contract to allow the Authority to influence performance in this area.

Reference was also made to the continued use of E-forms on systems, such as Oracle, which were currently unsupported. It was explained that steps were being taken to either delete systems no longer required or migrate those which were still required to supported platforms by August 2018.

Clarification was sought in relation to the Public Services Network Code of Connection Submission and the update requested on the decommissioning of Windows 2003 Servers within the authority. It was explained that the number of Windows 2003 servers had reduced to 5 and they would be segregated from the corporate network and in relation to schools systems a firewall between the two systems would be installed.

**Resolved** that (1) the opinion of the Chief Internal Auditor, that the framework of governance, risk management and control was satisfactory overall, be noted; and (2) The key findings, good practice identified and the management action taken in response to Internal Audit Reports be noted.

**AC10/05/18 Audit Committee – Meeting Start Time**

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

**Resolved** that future meetings of the Audit Committee commence at 6.00pm.

**AC11/05/18 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.

## **AC12/05/18 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 of 27 March 2018. 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.