

Audit Committee

21 November 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.

AC18/11/18 Apologies

There were no apologies for absence reported.

AC19/11/18 Substitute Members

There were no substitute members reported.

AC20/11/18 Declarations of Interest and Dispensations

Councillor S Graham declared a non-registerable personal interest in the following items as a family member was an employee of EY:

- Audit Committee Briefing: External Audit Transition November 2018; and
- Local Government Audit Briefing.

AC21/11/18 Minutes

Resolved that the minutes of the meeting held on the 25 July 2018 be confirmed as a correct record and signed by the Chair.

AC22/11/18 Annual Audit letter

The Committee was presented with the Annual Audit Letter which had been prepared by Mazars for the year ending 31 March 2018 and which had been presented to the Council in September 2018.

Resolved that the report be noted.

AC23/11/18 Audit Committee Briefing: External Audit Transition November 2018

Consideration was given to a report which provided an update on the changes made in relation to the provision of an external audit service for the authority. It was explained that, following a tendering exercise, EY had been appointed to provide the authority's external audit service with effect from the financial year ended 31 March 2019. Details of the EY team appointed to carry out the audit were outlined:

- The team would be led by Stephen Reid, a Partner at EY, who would be responsible for ensuring that the authority received a high quality audit;

- Nicola Wright, Associate Partner, would be responsible for ensuring that the audit delivered value for the authority; and
- Stuart Kenny, Senior Manager, would be the main day to day contact with the finance team and would be responsible for ensuring delivery of the audit to timetable.

The report set out the arrangements in place to ensure a smooth transition, which included a review of the 2017/18 Statement of Accounts, the financial plan and budget as well as meeting with the previous external auditors, Mazars, to obtain an understanding of the complex transactions which had taken place in previous years and which would continue to have an impact on the accounts. It was explained that introductory meetings had been held with the finance and audit sections to identify the challenges which would face the authority in the coming financial year.

The report also set out the proposed approach to the effective implementation of the audit, including the planning and identification of risk, the development of strategy and an assessment of the risks identified. EY would then carry out the audit and report to the Head of Finance and the Audit Committee.

Reference was made to the difference in fees to be charged and it was explained that the identified savings would be accrued across the five year contract and would not affect the scope of the work undertaken.

Resolved that the report be noted

AC24/11/18 Local Government Audit Committee Briefing

Consideration was given to a report which provided a briefing on the issues which may have an impact on the authority or on local government generally. The briefing brought together technical issues relevant to the local government sector and matters of potential interest to North Tyneside Council. Reference was made to the Local Government Economic Briefing for the third quarter which covered the impact of the slowdown of the economy on local authorities' medium term financial plans, the impact of the turbulence in the retail sector and the potential impact of Brexit.

Reference was also made to the responses to the CIPFA (Chartered Institute of Public Finance and Accountancy) consultations on the proposed local authority financial resilience index, the implementation of the new adoption of IFRS (International Financial Reporting Standards) 16 in relation to leasing standards and the proposed statutory overrides of IFRS 9 covering financial instruments. The briefing also provided an overview of the lessons learned across the country in relation to the earlier closure of the accounts and also referred to guidance in relation to Local Enterprise Schemes (LEPS).

The briefing also identified a number of key questions for consideration by an audit committee covering such topics as the CIPFA Financial Resilience Index, resilience in relation to Social Care, Social Housing, governance in relation to the transformation process and cyber security strategies. It was explained that EY had significant experience in dealing with the retail sector, along with many other sectors, and would be happy to share any information or insight it had on topics of interest to the authority or the committee.

Resolved that the report be noted

AC25/11/18 Annual Statement of Accounts 2018/19

Consideration was given to a report which set out the process for the closure of the 2018/19 accounts. It was explained that a detailed timetable had been prepared which outlined the key tasks required to be taken to meet the deadline for the closure of the accounts. Progress against each of the tasks was regularly reviewed so that appropriate action could be taken in relation to any slippage. Regular meetings would be held with the new external auditors to ensure that any issues raised could be dealt with quickly and a good working relationship established.

It was explained that the good working practices which had been established for the closedown of the 2017/18 accounts would be continued including regular meetings with Valuation, the involvement of all areas of the authority and the continued improvements made to the working papers to ensure that they were all of an appropriate high standard. Regular meeting would also be held with the Chief Finance Officer to ensure that any issues, risks or concerns were raised and dealt with in a timely manner.

Resolved that the work outlined in the plan for the closure of the 2018/19 accounts be noted.

AC26/11/18 Internal Audit Plan 2018/19 Interim Monitoring Statement

Consideration was given to a report which provided an interim monitoring statement in respect of the Strategic Audit Plan for 2018/19. At the mid-point of the year 24 of the original 42 assignments had either been completed or were in progress. In addition work had been undertaken to finalise seven assignments from 2017/18. It was also reported that internal audit had undertaken special investigations or additional management requests. It was also explained that the Strategic Audit Plan for 2018/19 would be kept under review and progress reported to future meetings of the Audit Committee.

Reassurance was provided that the service was on course to deliver the Strategic Audit Plan 2018/19.

Resolved that the progress, set out in the Strategic Audit Plan Monitoring Statement, and the planned level of coverage achieved by internal audit at this stage of the year be noted.

AC/27/11/18 Key Outcomes from Internal Audit Reports Issued April – October 2018

Consideration was given to a report which set out the key outcomes of internal audit reports issued between April and October 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 any concerns. In addition the report also provided examples of good practice.

Reference was made to the issues identified in relation to the review of the business continuity plans and clarification was sought in relation to the timescale for their review. It was suggested that a rolling program of review would provide an effective level of challenge. It was explained that an audit provided a snapshot of a specific moment in time and that suitable plans were in place to provide an appropriate level of challenge. It was also acknowledged that systems in place could always be improved upon. It was suggested that it might be appropriate for a member of the Emergency Response Leadership Group to attend a future meeting of the Committee. It was also suggested that an update be provided to the next meeting.

Members sought clarification in relation to:

- The checks in place for monitoring use of payment cards and agency payments. It was explained that all of the expenditure had been legitimate but the control systems in place could be strengthened.
- The systems and procedures in place for obtaining, recording, transmitting and retaining cardholder data. It was explained that there were plans in place to mitigate any risk and that the responsibility for the overall governance of payment card industry data security standards had been incorporated in to a specific role in finance.
- The School Website Review. It was noted that schools were aware of the issues and appropriate information from the central team had been disseminated.

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

AC28/11/18 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.

AC29/11/18 Corporate Risk Management Summary

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 5 September 2018. The report provided detailed information on each of the corporate risks including the cause of the risk, the consequences if the risk were 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.