

## **Audit Committee**

**22 November 2017**

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

### **AC24/11/17 Apologies**

There were no apologies for absence received.

### **AC25/11/17 Substitutes**

There were no substitutes reported.

### **AC26/11/17 Declarations of Interest and Dispensations**

There were no declarations of interest or dispensations reported.

### **AC27/11/17 Minutes**

**Resolved** that the minutes of the meeting held on the 27 September 2017 be confirmed as a correct record and signed by the Chair.

### **AC28/11/17 2016/17 Annual Audit Letter**

Diane Harold of Mazars, the Authority's External Auditors, presented the Annual Audit Letter 2016/17 which summarised many of the points raised in the Audit Completion Report 2016/17 that had been presented to the Committee on the 27 September 2017 and to Council on the 28 September 2017.

The Letter presented the overall conclusion in respect of the Authority's financial statements which included the Annual Governance Statement and an 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 2016/17. 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.

Members sought clarification in relation to slippage identified in respect of the achievement of planned savings. It was explained that this issue had been raised with the Head of Finance and that such slippage was common to most local authorities. Members were advised that the planned savings were continually refreshed and refined and for example the Investment Board met on a monthly basis to challenge the various programmes.

The Chair thanked Mazars for its report.

**Resolved** that the Annual Audit Letter 2016/17 be noted.

### **AC29/11/17 Audit Progress Report**

The Committee received a progress report from Diane Harold of Mazars in respect of the 2016/17 audit year. It was explained that the audit of the trading companies had been completed and discussions were on-going in relation to the earlier close down of the accounts. Reference was also made to the earlier start on works in respect of the Authority's pension liabilities.

The report also outlined a number of publications and updates relevant to the Committee and Authority including reports issued by the National Audit Office in relation to the Care Quality Commission, a short guide to local authorities and guidance on cyber security and information risk guidance for Audit Committees.

The Chair thanked Mazars for its report.

**Resolved** that the audit progress report be noted.

### **AC30/11/17 Annual Governance Statement - Update**

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 Authority delivered good governance and how it reviewed the effectiveness of its arrangements. At its meeting held on 24 May 2017 the Committee had noted that no significant governance issues had been identified and that the arrangements in place had been considered to be adequate by the Senior Leadership Team. Whilst there had been 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 2017/18 Annual Governance Statement. The completed Annual Governance Statement would be submitted to the Committee in May 2018 for its consideration and approval.

**Resolved** that (1) the outcome of the mid-year review of the Authority's action plan agreed as part of the 2016/17 Annual Governance Statement be noted; and  
(2) the proposed method for compiling evidence for the 2017/18 Annual Governance Statement be noted.

**AC31/11/17 Annual Statement of Accounts 2017/18**

Consideration was given to a report which explained that 2018 was the first year that the Authority's Annual Statement of Accounts had to be completed under the new regulations. It was explained that a review had taken place of the completion of the 2016/17 accounts to identify the key risks associated with meeting the new deadlines and to identify appropriate solutions to those risks. A detailed timetable of the main tasks and actions which needed to be taken had been prepared and progress against those tasks was regularly reviewed. It was also explained that officers were working with colleagues in External Audit to agree a course of action to enable the new deadlines to be met. A number of issues raised by External Audit had been incorporated into the plan.

Members were advised that 24 May 2018 had been set as the deadline for achieving a set of accounts which could be reviewed and quality assured prior to the publication date of 31 May 2018. Details of the progress made and issues identified would be presented to the March 2018 meeting of the Committee.

**Resolved** that the progress made in working towards the preparation for the closure of the 2017/18 accounts be noted.

**AC32/11/17 Strategic Audit Plan 2017/18 – Interim Monitoring Statement**

The Chief Internal Auditor presented an interim monitoring statement which outlined progress made against the Strategic Audit Plan 2017/18. It was explained that vacancies within the audit team had contributed to delays in starting some of the planned assignments. The Committee was advised that appointments had now been made to the majority of the vacant posts and resources would be monitored to ensure that sufficient audit coverage was delivered.

It was noted that the information presented a mid-year review of the Audit Plan and that it was expected that the planned work would be either completed or carried forward to next year. It was also explained that there was a need to get the balance right between delivering extra days to Northumberland, which generated income, and delivering a high level of service to North Tyneside.

**Resolved** that the progress against the Strategic Audit Plan 2017/18 and the plans to manage resourcing and coverage for the remainder of 2017/18 be noted

**AC33/11/17 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.

## **AC34/11/17 Public Sector Internal Audit Standards**

Consideration was given to a report which provided an update on the requirements of the Public Sector Internal Audit Standards (April 2017). It was explained that it was a statutory duty for relevant authorities to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. The Institute of Internal Auditors had published an International Professional Practices Framework which included certain mandatory elements to which all internal audit providers had to comply.

In April 2017 the Public Sector Internal Audit Standards (PSIAS) were updated to take account of the International Professional Practices Framework. The Chartered Institute of Public Finance and Accountancy (CIPFA) had published a Local Government Application Note which accompanied and underpinned the mandatory requirements of the Public Sector Internal Audit Standards.

It was explained that that all internal audit providers were required to comply fully with the PSIAS and it was a requirement that the level of conformance to the Standards was assessed and reported to the Authority's senior management and Audit Committee.

The report presented to the Committee provided:

- A detailed self-assessment of conformance to the Public Sector Internal Audit Standards;
- The evidence to support the judgements reached; and
- Details of the small number of areas in which further development would ensure greater adherence to the required standards.

In addition the PSIAS required that each relevant authority adopted a specific Internal Audit Charter. A copy of the proposed Charter was presented for the Committee's consideration.

The report also explained that the Standards required internal audit to be externally assessed for its conformance at least once every five years. It was suggested that this would be achieved through a tripartite arrangement with Newcastle City Council and South Tyneside Borough Council for the Authority's conformance to be assessed.

The summary of conformance dated November 2017 had demonstrated a high level of conformance with the Standards. For those elements which had not met the conformance standards a further report would be presented to the Committee in March 2018 and this would also be reported to senior management within 6 months.

Reference was made to the need to separate the Audit and Risk Management sections as they could not be under the same management control. Reference was also made to the updating of the Charter. It was explained that the previous internal audit terms of reference had been based on the terms of the previous Charter.

**Resolved** that (1) the requirements to be fulfilled by all Internal Audit service providers in delivering internal audit activity within relevant authorities in England and Wales be noted; (2) the self-assessment of adherence to the Public Sector Internal Audit Standards and the Local Government Application Note and the high level of conformance to the Standards be noted; (3) that appropriate actions to address the small number of areas where further development was required to ensure full conformance with the Standards be noted and reported to a future meeting of the Audit Committee;

- (4) the updated Internal Audit Charter be agreed;
- (5) the proposals that North Tyneside Council's external audit assessment be carried out prior to March 2018 by way of a tripartite arrangement with Newcastle City Council and South Tyneside Borough Council be agreed; and
- (6) the outcomes of the external assessment be reported to a future meeting of the Audit Committee.

### **AC35/11/17 Corporate Risk Management Summary 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 Authority's Senior Leadership Team, as at November 2017. The report provided detailed information on each of the corporate risks including the cause of the risk, the consequence if it 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 report and the action taken be noted.