

## **Audit Committee**

**Wednesday, 24 July 2019**

Present: K Robinson (Chair)  
M Wilkinson  
Councillors D Cox, A McMullen, J Mole, M Rankin,  
P Richardson and J Wallace

### **AC/11/19 Apologies for Absence**

An apology for absence was submitted on behalf of Councillor N Craven.

### **AC/12/19 Declarations of Interest and Dispensations**

There were no declarations of interest reported.

### **AC/13/19 Minutes**

**Resolved** that the minutes of the meeting held on the 29 May 2019 be confirmed as a correct record and be signed by the Chair.

### **AC/14/19 Audit Completion Report**

Consideration was given to a report which detailed the current position in relation to the external audit of the 2018/19 financial statements. It was explained that this was the first year that the audit had been undertaken by Ernst and Young (EY) as the Authority's external auditors.

The report explained that the audit of the 2018/19 accounts had been largely completed and it was anticipated that an unqualified audit opinion would be issued. The Audit Results Report produced by EY showed that no material errors had been identified in the financial statements however the following adjustments to the draft Annual Financial Report had been identified:

- The removal of the trust schools assets from the Authority's balance sheet as a prior period adjustment in 2017/18;
- The revaluation of the IAS19 pension liabilities for the Local Government Pension Scheme as a result of the recent "McCloud" judgment in relation to unlawful age discrimination;
- The revision of the valuation of Newcastle International Airport.

It was also explained that a number of non-material disclosure errors which had been identified during the audit had been corrected and a number of internal control issues had been discussed with the external auditors.

Reference was made to the late circulation of the report and how this had impacted on the ability of the members of the Committee to give proper consideration to the contents. It was explained that due to the tight timetable and the complexity of the organisation it was not possible to get the report produced and circulated to members any earlier than it had been. Clarification was sought on whether it would be possible to circulate an early draft version of the report on the understanding that further amendments would be required and these would be reported to members at the meeting. It was suggested that as the majority of the report would not change this would provide members with more opportunity of considering the main contents of the report. It was explained that due to the need to ensure that the report presented an accurate picture of the financial situation it was not considered possible to get the report presented any earlier. It was suggested that further consideration be given to the timing of the July meeting of the Committee to see if this meeting could be held nearer the deadline for the publication of the statement of accounts which would then allow more time for the report to be circulated in advance of the meeting.

**Resolved** that (1) The matters raised in the Audit Results Report be noted;  
(2) The audit findings set out in the Audit Results Report be noted;  
(3) The internal control recommendations and management responses set out in the Audit Results Report be noted;  
(4) The adjustments set out in the Audit Results Report be noted;  
(5) The Value for Money conclusion set out in the Audit Results Report be noted; and  
(6) The draft Letter of Representation be noted.

#### **AC/15/19      Review of Audit Committee Arrangements**

Consideration was given to a report on the good practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018 which covered the role, functions and operation of Audit Committee's in Local Government. It was explained that an initial assessment of the Audit Committee arrangements in North Tyneside demonstrated that the current arrangements reflected a number of good practice areas as recommended by the CIPFA guidance.

It was also explained that there were a number of areas where further development was required to reflect the CIPFA good practice including:

- Developing arrangements for regular reporting from the Committee to those charged with the Authority's governance;
- Updating the terms of reference for the Audit Committee;
- The development of a structured programme of member training;
- Engaging with a wide range of leaders and managers including the discussion of audit findings, risks and action plans with the responsible officers for the implementation of audit recommendations.

It was explained that the above reflected the findings of the Chair's review of the Audit Committee's arrangements which had previously been reported to the Committee on 30 March 2016 (Minute AC41/03/16 refers).

It was suggested that the Head of Resources and the Chair, supported by the Chief Internal Auditor, develop an action plan, based on the above to be submitted to the November 2019 meeting of the Committee. It was also suggested that the views of the members of the Committee be sought and included in the report.

**Resolved** that (1) The initial self-assessment of the Audit Committee arrangements against the latest CIPFA good practice guidance be endorsed;

(2) It be noted that CIPFA has published a revised position statement on Audit Committees in Local Authorities and that changes are likely to be needed to the current terms of reference of the Audit Committee to ensure that all aspects of CIPFA's good practice can be reflected;

(3) The detailed review undertaken by the Chair of the Audit Committee in 2015/16 and the findings of that review be noted;

(4) The Head of Resources, supported by the Chief Internal Auditor, work with the Chair of the Audit Committee to prepare a 2019/20 plan of action to ensure that the Audit Committee arrangements reflect, as far as practicable, CIPFA's good guidance practice and the relevant findings of the Chair of Audit Committee's 2015/16 review; and

(5) The report and action plan detailed above form the first phase of the 2019/20 review of the effectiveness of the Audit Committee and a further report be brought to the November 2019 meeting of the Committee containing the views of the current members of the Audit Committee.