

## **Audit Committee**

**Wednesday, 20 November 2019**

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

### **AC16/19 Apologies for Absence**

An apology for absence was submitted on behalf of Councillor J Mole.

### **AC17/19 Declarations of Interest and Dispensations**

There were no declarations of interest reported.

### **AC18/19 Minutes**

**Resolved** that subject to the following amendment in respect of minute AC14/19 the minutes of the meeting held on the 24 July 2019 be confirmed as a correct record and be signed by the Chair:

AC14/19 - 2018/19 Annual Financial Report – it be recorded that Councillor Wallace voted against the recommendations contained in the report.

### **AC19/19 Annual Audit Letter**

The Committee was presented with the Annual Audit Letter which had been prepared by the Authority's external auditors for the year ending 31 March 2019 and which had been presented to the Council in September 2019.

**Resolved** that the report be noted.

### **AC20/19 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 29 May 2019 (minute AC4/19 refers) 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. Details of the controls in place were also outlined.

The Committee was also presented with details of the proposed method for compiling the evidence for, and preparing, the 2019/20 Annual Governance Statement. It was explained that this was similar to the process which had been used to complete the previous year's AGS. The completed AGS would be submitted to the May 2020 meeting of the Committee 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 2018/19 Annual Governance Statement be noted; and  
(2) the proposed method for compiling evidence for the 2019/20 Annual Governance Statement be noted.

### **AC21/19      Annual Statement of Accounts 2019/20**

Consideration was given to a report which set out the process for the closure of the 2019/20 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. An internal review had taken place to address the specific issues which had occurred during the closure of last years accounts. This included a session with the 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 2018/19 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 meetings 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.

It was also noted that an update on progress would be reported to the March 2020 meeting of the Committee. It was suggested that the current timetable that the Authority was working to be brought to this meeting. It was also suggested that members would meet at 5.45pm on the day of the meeting to receive the full accounts. It was also suggested that changing the day of the meeting be considered in consultation with the Head of Resources.

**Resolved** that the work outlined in the plan for the closure of the 2019/20 accounts be noted.

### **AC22/19      Internal Audit Plan 2019/20 Interim Monitoring Statement**

Consideration was given to a report which provided an interim monitoring statement in respect of the Strategic Audit Plan for 2019/20. At the mid-point of the year 25 of the original 39 assignments had either been completed or were in progress. In addition work had been undertaken to finalise three assignments from 2018/19. It was also reported that internal

audit had undertaken special investigations or additional management requests which had not been included within the Audit Plan. 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.

There had been delays in starting some of the planned assignments due to resourcing issues during the year and these would be monitored closely during the remainder of the year to ensure that sufficient audit coverage was delivered. Various options for filling any vacancies within the team were considered.

The Committee was advised that a full outturn on the 2019/20 Annual Audit Plan would be presented to the May 2020 meeting.

**Resolved** that the progress detailed in the report and the levels of coverage achieved by internal audit at this stage of the year be noted.

### **AC23/19      Key Outcomes from Internal Audit Reports issued between May 2019 and October 2019**

Consideration was given to a report which set out the key outcomes of internal audit reports issued between May and October 2019. 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. The report also provided examples of good practice.

Reference was made to the Deprivation of Liberty Safeguards and it was explained that the courts had recently issued clarification of the rules. It was also explained that there had been an increase in applications and this was a national issue rather than specific to North Tyneside.

Clarification was sought in relation to the debts in respect of school meals. It was explained that the Authority was looking at the introduction of a new school meals system to address the issue.

It was also suggested that the report could be amended to make it clearer to identify recommendations in relation to specific items in the body of the appendix and to include the date when a recommendation was made. It was also explained that it was intended to review the definitions used.

Clarification was also sought on the processes in place for those departments which missed the deadlines set out in the reports. It was explained that reports were agreed with management and the audit section followed up on the implementation of the recommendations and if appropriate they would agree an amended target. Audit would then follow up on the amended target. It was explained that the Authority operated 3 lines of defence. The first being that managers of the services managed risks within their own areas, the second that there were management and compliance systems in place within the

Authority to provide a further level of assurance and Internal Audit provided the third line of defence.

Clarification was also sought on the reason that the issues around the lack of a seamless back up of internet connections and whether this could result in a potential loss of data was only classed as a medium risk. It was suggested that managers of the service be invited to the March meeting of the Committee to provide a response to members questions.

**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.

### **AC24/19      Review of Audit Committee Arrangements**

Consideration was given to a report which provided an update on the review of the Audit Committee arrangements which had taken place since the last meeting of the Committee in July 2019 (minute AC15/19 refers). It was noted that the first tranche of the review had been completed and reported to members. The second tranche of the review involved the Chair, along with the Group Assurance Manager, who had met with individual members of the Committee and examined the current arrangements and identified a number of suggestions to develop the Committee including:

- Developing onward reporting arrangements to those charged with governance within the Authority;
- Ensuring that the terms of reference of the Committee reflect the latest CIPFA (Chartered Institute of Public Finance and Accountancy) Position Statement on Audit Committees in Local Government;
- Working with Committee members to assess whether they feel that they have the required knowledge and skills necessary to carry out their role on the Committee and to develop a structured induction and training programme to address those areas where more knowledge was welcomed;
- Assisting the Committee to engage 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 suggested that consultation take place with senior officers and cabinet members to prepare a programme of actions which would be presented to the March 2020 meeting of the Committee.

Reference was also made to the national review of the quality and effectiveness of audit and financial reporting of local authorities in England currently being carried out by Sir Tony Redmond, the former president of the Chartered Institute of Public Finance and Accountancy, which was expected to report in March 2020. It was explained that the outcomes of the report would be monitored and where appropriate any developments reported to a future meeting of the Audit Committee.

**Resolved** that (1) the final tranche of the review be undertaken prior to the March 2020 meeting of the Committee; and

(2) the Head of Resources provide a report to the March 2020 meeting of the Committee on the action which has been implemented to ensure that the Audit Committee arrangements reflect, as far as practicable, CIPFA's good practice guidance.