

Audit Committee

Wednesday, 23 March 2022

Present: K Robinson (Chair)
M Wilkinson
Councillors M Wilkinson, D Cox, L Arkley, G Bell, L Bell
and J O'Shea

AC/32/21 Apologies for Absence

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

AC/33/21 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

AC/34/21 Minutes

Resolved that the minutes of the meeting held on 17 November 2021 be confirmed as a correct record and signed by the Chair.

AC/35/21 Audit Planning Report 2021/22

The Committee was presented with the provisional Audit Planning Report for the year ending 31 March 2021. The report set out how the external auditor intended to carry out the audit of the Authority. It was explained that the plan summarised the initial assessment of the key risks that would drive the development of an effective audit of the Authority and set out the planned strategies in response to those risks. The report also covered a number of other aspects of the audit which included the arrangements for ensuring value for money, the various levels of materiality in the audit and the group audit of the trading companies.

Reference was made to the work undertaken in relation to the identification of fraud in respect of grant funding. It was explained that the Authority has processes and systems in place to deal with potential fraudulent activity. Reference was made to the work undertaken with the internal audit section in relation to the checks and balances in place for the issue of the grant funding. It was also explained that there had been significant pre and post assurance checks carried out.

Reference was made to the new risk identified in relation to the financial statement close process and the delay in the completion of the last year's audit. It was explained that discussions had taken place with management as items posted outside of the ledgers caused additional work and therefore incurred additional costs. It was also explained that there had been delays in completing audits nationally and it was not specifically an issue in North Tyneside.

Resolved that the report be noted

AC/36/21 Auditor's Annual Report for the year ended 31 March 2021

The Committee was presented with the External Auditor's annual report for the year ended 31 March 2021 which set out that the Authority's financial statements gave a true and fair view of the financial position of the Council as at 31 March 2021. It was also explained that the auditor had not yet issued a certificate that the audit had been completed in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice as the procedures required by the National Audit Office on the Whole of Government Accounts submission had not yet been performed and guidance for 2020/21 had been delayed.

Resolved that the report be noted

AC/37/21 Accounting Policies to be used in the compilation of the 2021/22 Annual Statement of Accounts

Consideration was given to a report which set out the proposed Accounting Policies to be used in the completion of the 2021/22 Annual Statement of Accounts. It was explained that the purpose of the Accounting Policies was to set out the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of the Authority.

Resolved that the Accounting Policies be endorsed and adopted by the Authority to be used for the compilation of the Authority's Annual Statement of Accounts for the financial year 1 April 2021 to 31 March 2022.

AC/38/21 Annual Statement of Accounts 2021/22

Consideration was given to a report which provided an update on the closure of the 2021/22 accounts. It was explained that the Authority's Chief Finance Officer was required to sign and certify that the Statement of Accounts presented a true and fair view of the Authority's financial position for the year ended 31 March 2022 no later than the 31 July 2022 and for the audited set of accounts to be approved and published no later than 30 November 2022.

Details of the work which had been undertaken to ensure that the Authority was in a position to meet the above deadlines was outlined. It was explained that it was intended to be able to publish a draft Statement Accounts by 31 May 2022 subject to there being no unforeseen events occurring which impacted on this.

It was noted that group accounts would continue to be required for 2021/22 as the anticipated balance sheet value of the North Tyneside Trading Company would be material to the Authority's statutory accounts due to the Authority being the main equity holder in the company.

Resolved that the work outlined in respect of the closure of the 2021/22 Accounts be noted.

AC/39/21 Review of Audit Committee Effectiveness

Consideration was given to a report which presented a self-assessment of the Audit Committee arrangements.

The self-assessment undertaken in March 2022 had built on the assessment carried out in 2020/21 and demonstrated that the Audit Committee arrangements reflected the good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

It was noted that the areas for development previously identified had been implemented during the current financial year.

Reference was made to the small number of items in the self-assessment which had been marked as only partially met and Members queried what needed to be done to enable them to be recorded as fully met. It was explained that in relation to requirement for the Committee to report directly to Full Council that the Audit Committee Annual Report had been presented to Cabinet and that arrangements were in place for this to continue. It was acknowledged that whilst the role and purpose of the Audit Committee was clearly understood by the Members of the Committee this was not always the case across the Authority and the presentation of the Annual Report had gone some way towards rectifying the situation. It was also reported that further work would be undertaken with the Senior Leadership Team. The Chair also had regular meetings with the Chief Executive and other Senior Officers.

Reference was also made to the core knowledge and skills framework of the Members of the Committee. It was noted that the framework had been discussed with the Members of the Committee as part of the review undertaken in 2019/20 and that no issues had been identified.

Resolved that (1) the self-assessment of the Audit Committee arrangements be endorsed; (2) the actions taken since the previous review be noted; (3) the updated self-assessment form the basis of the Annual Report of the Committee to Cabinet.

AC/40/21 Proposed Audit Committee Work Programme 2022/23

Consideration was given to a report which presented a proposed programme of core business to be considered by the Committee during 2022/23 in line with the Committee's terms of reference. It was suggested that the proposed work programme, set out below, would allow the Committee to discharge its duties effectively and contribute to the Authority's governance arrangements. It was noted that the work programme could be subject to change to take account of issues which may affect the governance of the Authority or matters which arose during the course of the year.

May 2022

- Annual report from Chief Internal Auditor and opinion on the Framework of Governance, Risk Management and Control;

- Final Outturn Report;
- Key Outcomes from Internal Audit Reports;
- Risk Management update
- Counter Fraud Annual Report
- Draft Statement of Accounts 202/22
- Draft Annual Governance Statement
- External Audit Progress Report

July 2022

- CIPFA Financial Management Code

November 2022

- Interim Outturn Report
- Key Outcomes from Internal Audit Reports
- Risk Management Update
- Final Statement of Accounts
- Annual Governance Statement
- External Audit Results Report

March 2023

- Strategic Audit Plan
- Annual Audit Committee Work Programme
- Annual Review of Audit Committee Effectiveness
- Report on the Accounting Policies to be used in the compilation of the Annual Statement of Accounts
- Report on the preparation of the Annual Statement of Accounts 2022/23
- External Audit Planning Report 2022/23
- External Audit Annual Report 2021/22

Resolved that (1) the proposed core business work programme be agreed;
(2) the need to change or adapt the reports to be considered to ensure optimum timing for governance issues or to respond to emerging trends be noted; and
(3) it be noted that additional Ad-hoc reports may be presented to the Committee.

AC/41/21 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.

AC/42/21 Strategic Audit Plan 2022/23

Consideration was given to a report which set out the Strategic Audit Plan for 2022/23. It was explained that the Plan helped to ensure that Internal Audit was able to provide an independent and objective opinion on the framework of governance, risk management and control. The plan also set out Internal Audit's medium term objectives and had been developed in consultation with the Chief Executive and Directors of the Authority.

Officers responded to a series of Members' questions on the contents of the report.

Resolved that (1) the Strategic Audit Plan and the proposed internal audit coverage be approved; and
(2) it be noted that the prevailing risks and the impact on assurance needed would continue to be kept under review.

AC/43/21 Corporate Risk Management Summary Report

The Chair had agreed that this item could be included on the agenda for this meeting as a matter of urgency as the contents of the report formed the basis on which the internal audit plan had been developed and it was appropriate that the Committee had knowledge of the contents of the report to enable it to approve the Strategic Audit Plan 2022/23 elsewhere on the agenda.

Consideration was given to a report which outlined the corporate risks that had been identified for monitoring and management by the Authority's Senior Leadership Team as of 13 October 2021. 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 together with the controls in place to address those risks.

Clarification was sought in relation to one of the risks identified and it was suggested that the risk owner be requested to provide an update to be circulated to Members of the Committee so that they could better understand the risk.

Resolved that the review of the key corporate risks undertaken by the Senior Leadership Team and endorsed by Cabinet as part of the Authority's risk management arrangements be noted.