

AUDIT COMMITTEE

30 September 2016

PRESENT - Councillor Baldwin (in the Chair); Councillor McEwan and Mr J Morton (3)

APOLOGIES – Councillor Crudass

ABSENT –

OFFICERS – Luke Swinhoe, Assistant Director, Law and Governance, Ian Miles, Assistant Director, Xentrall Shared Services, Brian James, Head of Corporate Assurance, Peter Carrick, Central Finance Manager, Peter McCann, ICT Security Manager and Simon Gallagher, Health and Safety Advisor and Andrew Barber, Audit and Risk Manager, Stockton Borough Council.

ALSO IN ATTENDANCE – Nicola Wright and Stuart Kenny, Ernst and Young LLP

A13. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A14. MINUTES – RESOLVED – That the Minutes (previously circulated) of the meeting of this Committee held on 1st July, 2016 be taken as read and approved as a correct record.

A15. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL'S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2016/17– The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a report (also previously circulated) of the Audit and Risk Manager, Stockton Borough Council, outlining the progress made against the 2016/17 Xentrall Audit Plan.

Details of previously reported audits and those completed in the period, were appended to the submitted report.

RESOLVED - That the progress report be noted.

A16. CORPORATE HEALTH AND SAFETY REPORT – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) updating Members on the Authority's performance in relation to health and safety for the financial year 2015/16, which overall, showed an improvement on the previous year.

It was reported that health and safety continued to be a high priority for the Authority and the main focus for the year had been to continue the development of the health and safety management system and improve health and safety compliance.

Reference was made to the number of recorded near misses, which had increased compared to last year, but which was not at the level that would be expected; the use of

the Employee Protection Register and the appointment of Health and Safety Champions.

RESOLVED – That the report be received.

A17. ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT – The Assistant Director, Xentrall Shared Services submitted a report (previously circulated) on the progress in relation to the implementation of the approved ICT Strategy.

It was reported that the Strategy continued to focus on the five strategic priorities of ICT Service Development, ICT Governance, ICT Strategic Architecture, Business Development and ICT Competent Workforce.

Details of the progress against each of the strategic priorities was included in the submitted report.

RESOLVED – That the progress on the implementation of the ICT Strategy be noted.

A18. INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) on the progress in relation to the implementation of the Information Governance Programme.

It was reported that information governance remained an ‘above the line’ risk on the corporate register, however delivery of the Programme would provide the assurance required and would reduce the information risks to an acceptable level.

The areas of highest priority within the programme were the completion of information risk assessments and the timely delivery of the associated improvement actions plans and the completion of the mandatory on-line awareness courses by all staff with access to the Council’s network.

Members expressed concern in relation to the number of staff who had still to complete the mandatory on-line awareness courses on Information Security, Social Media and Data Protection and it was requested that the Directors of Children and Adult Services, Economic Growth and Neighbourhood Services and Resources be advised of the concern of this Committee and that they ensure that all staff who have access to the system complete the courses as a matter of urgency.

RESOLVED – (a) That the progress on the Information Governance Programme be noted.

(b) That the Chair write to Ada Burns, Chief Executive, outlining the concerns of this Audit Committee at the number of staff who still have to complete the mandatory on-line awareness courses and that she be requested to ensure that all Directors ensure that their staff who have access to the system, complete the courses as a matter of urgency.

(c) That an update on the completion rates be presented to the December 2016 meeting of this Committee.

A19. ETHICAL GOVERNANCE AND MEMBER STANDARDS - The Director of Neighbourhood Services and Resources submitted a report (previously circulated)

updating Members on issues relevant to Member standards and ethical governance.

The submitted report set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Authority and it was reported that, by reviewing and monitoring the indicators, it was anticipated that any unusual or significant changes in the volume of data recorded for the period concerned would alert the Authority to any deterioration in its ethical health and enable any necessary action to be taken at an early stage.

RESOLVED – That the report and the statistical information contained therein be noted.

A20. AUDIT SERVICES ANNUAL AUDIT PLAN 2016/17 – PROGRESS REPORT –

The Head of Corporate Assurance submitted a report (previously circulated) outlining the progress made during the first five months on the year against the 2016/17 Annual Audit Plan.

It was reported that the Audit Assignment work had resulted in full assurance opinions in respect of three primary schools, Sponsorship, Waste Disposal and Sustainability Elected Members, Lifeline Service, Corporate Income System, including PCI-DSS, Residential Accommodation for children in the Borough and Deprivation of Liberty Safeguards Service. A limited assurance opinion had resulted from a primary school and a nursery school.

In relation to Audit Services' key performance indicators, the position was positive.

RESOLVED – That the progress against the 2016/17 Annual Audit Plan be noted.

A21. AUDIT OF ACCOUNTS 2015/16 – The Director of Neighbourhood Services and Resources submitted an amended report (previously circulated) providing Members with information on the outcomes of the audit of the Council's 2015/16 accounts and seeking approval to conclude the accounts based on Officers recommendations, with regard to key issues arising from the audit.

The submitted report referred to two unadjusted misstatements in the accounts and the reasons for those misstatements and it was reported that, following discussion with Ernst and Young (EY), the Council's external auditors, it was considered that the items were not material either individually or collectively, in the statement of accounts as a whole, and it was not proposed to adjust them in the accounts.

Particular reference was made to the systems of internal financial control and to the responsibility of management to ensure arrangements were in place to monitor their adequacy and effectiveness in practice and it was reported that EY had not raised any significant matters, however, they had noted that enhancements should be made to the review process relating to valuations.

It was reported that, in accordance with statutory requirements, EY, had audited the accounts and a copy of the report which outlined the results of their audit on the accounts and the Value for Money conclusions was appended to the submitted report. Nicola Wright from EY advised Members that the audit work on the accounts had been completed and that an unqualified audit opinion on the Council's 2015/16 accounts would be issued; that they were expected to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources; and that no areas of concern had been found on whether the Council's Annual Governance

Statement complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to them.

RESOLVED – (a) That the Auditors ISA 260 report on the Council's 2015/16 financial statements be noted.

(b) That the accounts be not adjusted in respect of those items as identified in the submitted report

(c) That the IFRS compliant Statement of Accounts for the 2015/16 financial year be approved.

A22. ANNUAL GOVERNANCE STATEMENT – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) seeking approval to the Council's Annual Governance Statement (also previously circulated), a key document which involved a variety of people charged with delivering governance within the Authority and which was required to be published each year, to accompany the Statement of Accounts, in accordance with the Accounts and Audit (England) Regulations 2011.

It was reported that the Annual Governance Statement, outlined the Council's responsibilities; explained the purpose of the governance framework, set out the key elements, detailed the review of its effectiveness; highlighted any significant governance issues; and included a commitment by the Leader of the Council and the Chief Executive to ensure the continuous improvement of the system in place.

RESOLVED – That the draft Annual Governance Statement, as appended to the submitted report, be approved.

A23. APPOINTMENT OF LOCAL EXTERNAL AUDITORS – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) requesting that consideration be given to the options available to the Council for the appointment of its local external auditors under the Local Audit and Accountability Act 2014.

It was reported that the Council's current contract with Ernst and Young ran up to and including the audit of accounts for the financial year 2017/18 and this Council was therefore required to appoint local auditors by 31 December 2017, so that they were in place by 1 April 2018.

The submitted report outlined the two options available to the Council in appointing its auditors, it could either opt into a collective procurement arrangement established by the local government sector or it could undertake its own procurement either independently or jointly with other bodies and it was reported that the preferred option was to opt into a sector led body, which would require the approval of Full Council.

RESOLVED – That this Committee endorses the option that the Council opts into the public sector led body PSAA for the appointment of local external auditors prior to consideration of the matter by full Council.