

AUDIT COMMITTEE

24th March, 2017

PRESENT - Councillors Crudass and McEwan and Mr J.Morton. (3)

APOLOGIES – Councillor Baldwin

ABSENT –

OFFICERS – Ian Miles, Assistant Director, Xentrall Shared Services, Brian James, Head of Corporate Assurance, Brian McGuire, Audit Manager, Peter McCann, Information Security Manager and Andrew Barber, Audit and Risk Manager, Stockton Borough Council.

ALSO IN ATTENDANCE – Stuart Kenny and Simon Bartram, Ernst and Young LLP

A37. CHAIR – RESOLVED – That, in the absence of the Chair, Councillor McEwan be appointed as Chair for this meeting only.

A38. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A39. MINUTES – SUBMITTED – The Minutes (previously circulated) of meetings of this Committee held on 16th December 2016 and 27th January, 2017.

RESOLVED – That the Minutes of the meetings be approved as correct records.

A40. 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 the ethical health and enable any necessary action to be taken at an early stage.

It was reported that there were no particular issues of concern that had been identified from reviewing the data.

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

A41. 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 ICT Strategy.

It was reported that the Strategy focussed on five strategic priorities which included ICT Service Development, ICT Governance; ICT Strategic Architecture; Business Development and ICT Competent Workforce and details of the progress against the key activities within each of the priorities were included in the submitted report.

The Assistant Director, Xentrall Shared Services reported that the current Strategy was coming to the end of its three-year period and a revised Strategy, which continued to build upon the current strategy, was being developed.

Particular reference was made to the completion of the Council's annual PSN (Public Services Network) submission which had been assessed as fully compliant and the need to ensure that residents who were unable to complete e-forms as part of the on-line service option, were aware of the other available options.

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

A42. INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) on the progress and planned developments of the Information Governance Programme.

The submitted report stated that information governance was an 'above the line' risk on the corporate risk register and outlined progress on the implementation of the information governance programme, which would provide the assurance required and reduce the Council's information risks to an acceptable level.

It was reported that the areas of highest priority for the information governance programme was the completion of the information risk assessments and the timely delivery of the associated improvement action plans; effectively communicating and embedding the revised incident management process across all services; and the completion of the mandatory on-line awareness courses by all staff with access to the Council's network.

Following discussion by Members, in relation to the current position in Children's Services with regard to the percentage completion of the Data Protection on-line course, it was reported that proactive work was currently being undertaken to ensure compliance with the target.

RESOLVED – That the progress on the implementation of the Information Governance Programme be noted.

A43. AUDIT SERVICES' ANNUAL REPORT 2016/17 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services' Audit Report for 2016/17.

It was reported that the Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.

The Head of Corporate Assurance also reported that the outcomes from the audit assignments undertaken, together with the positive responses from management to accept and implement required improvements to control systems, complemented by

consultancy work carried out to advise and assist management to establish appropriate controls at source, demonstrated that the Council continued to operate within a control environment which was generally sound.

RESOLVED – That the Audit Services' Annual Report for 2016/17, as appended to the submitted report, be noted.

A44. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL'S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR THE CURRENT YEAR – 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 of Stockton Borough Council outlining the progress made against the 2016/17 Xentrall Audit Plan.

RESOLVED – That the report be noted.

A45 REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT 2016/17 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) informing Members of the work of Revenues and Benefits in respect of counter fraud activity for the financial year 2016/17.

It was reported that although the Department for Works and Pensions had overall responsibility for the scope and structure of the Housing Benefit Scheme, the Council had day-to-day responsibility for its administration. In addition, the Council was also responsible for the Council Tax support, Council Tax and Business Rates discount and exemption counter fraud activities and the submitted report outlined the work undertaken in relation to those areas.

The Revenues and Benefits service continued to maintain its commitment to counter fraud activity across a range of benefits, discounts and exemptions and that this was illustrated by the continued level of successful inspections and reviews undertaken in 2016/17.

Particular reference was made to the Council Tax single occupancy discount review which was undertaken annually and Members suggested that some publicity work around the success of that exercise would be useful.

RESOLVED – That the Revenues and Benefits Counter Fraud Activity Report for 2016/17 be noted.

A46. REVIEW OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) outlining the outcomes from the Council's corporate anti-fraud and corruption arrangements.

The submitted report detailed the positive position with regard to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Local Government Counter Fraud and Corruption Strategy 2016-19 self-assessment checklists and it concluded that the Council's anti-fraud and corruption arrangements remained appropriate and fit for purpose when compared to national good practice guidance.

Again, Members suggested that some publicity work could be undertaken around the success of fraud initiatives.

RESOLVED – That the report be noted.

A47. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL INCORPORATING THE ANNUAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS – The Director of Economic Growth submitted a report (previously circulated) advising Members of a review undertaken on the effectiveness of the system of internal control, incorporating a review of internal audit effectiveness.

The submitted report stated that the Accounts and Audit (England) Regulations 2015 required Council's to review the effectiveness of their system of internal control once a year and for the findings of the review to be considered formally by a Committee of the Council. The Regulations no longer required an annual review of internal audit effectiveness but this was completed in advance of the five-yearly independent external assessment required by the Public Sector Internal Audit Standards and was due for completion by the end of March 2018.

RESOLVED – That the report be noted.

A48. INTERNAL AUDIT SHARED SERVICE – AUDIT CHARTER, ANNUAL AUDIT PLAN 2017/18 AND QUALITY ASSURANCE AND IMPROVEMENT PROCESS – The Audit and Risk Manager, Stockton Borough Council submitted a report (previously circulated) advising Members that, on the 29th September, 2016, this Council had approved the establishment of an Internal Audit Shared Service and had agreed to delegate all necessary powers for the discharge of the Internal Audit function, as outlined in Section 151 of the Local Government Act 1972, and the Accounts and Audit (England and Wales) Regulations 2015, to Stockton-on-Tees Borough Council.

It was reported that a Charter (also previously circulated) had been produced which outlined how the future service would meet the statutory requirements and how the Audit Plan would be developed and that a Strategic Plan and a Quality Assurance and Improvement Programme (QAIP) (also previously circulated) had also been developed.

The Audit and Risk Manager reported that as the service would be operating with reduced resources, consideration had been given as to how the shared service would be delivered and a review of the approach to assessing risk and prioritising the audit work had been undertaken which would allow more frequent monitoring and less time undertaking detailed testing programmes on those areas where there was no evidence to suggest that there had been any changes from the previous audit.

RESOLVED – (a) That the Internal Audit Charter, as appended to the submitted report, and the rights of access conferred therein be approved.

(b) That the proposed Audit Plan for 2017/18, as appended to the submitted report, be approved and that the indicative strategic Audit Plan for 2018-22 and the estimated resources available for delivery be noted.

(c) That the Quality Assurance and Improvement Programme (QAIP), as appended to the submitted report, which will be used to monitor the service throughout the year, be noted.

A49. EXTERNAL AUDIT PLAN 2016/17 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a copy of the 2016/17 External Audit Plan (also previously circulated) which had been prepared by the Council's appointed external auditors Ernst Young (EY).

Stuart Kenny from EY advised Members of the content of the Plan and, in doing so, highlighted the audit work to be undertaken in relation to the financial statement risks facing the Council and the value for money risk, together with the proposed level of uncorrected audit misstatements which would be reported to this Committee.

RESOLVED – (a) That the External Audit Plan for 2016/17 be noted.

(b) That the proposed level of reporting of uncorrected audit misstatements for 2016/17 be noted.