

AUDIT COMMITTEE

28th March, 2018

PRESENT - Councillor Baldwin (in the Chair); Councillors Crudass and McEwan. (3)

OFFICERS – Elizabeth Davison, Assistant Director, Finance, Human Resources and Systems, Ian Miles, Assistant Director Xentrall Shared Services, Luke Swinhoe, Assistant Director, Law and Governance, Jane Kochanowski, Assistant Director, Children’s Services, Peter Carrick, Central Finance Manager, Anthony Sandys, Head of Housing and Revenues, Lee Downey, Complaints and Information Governance Manager and Andrew Barber, Audit and Risk Manager, Stockton Borough Council.

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

A28. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A29. MINUTES - Submitted – The Minutes (previously circulated) of meetings of this Audit Committee held on 20th December, 2017 and 31st January, 2018

RESOLVED – That the Minutes be approved as correct records.

A30. OFSTED INSPECTION OF CHILDREN’S SERVICES – The Assistant Director, Children’s Services gave a verbal update on the recent Ofsted inspection of Children’s Services which had taken place between 26th February and 22nd March, 2018.

It was reported that although the final report of the Inspector’s would not be published until 21st May, 2018, there had been some strong positive messages highlighted during the course of the Inspection.

There were also a number of areas highlighted where improvement was still required, however, these were areas which Management were aware of and would continue to be focussed on, together with the need to sustain the good practice which had been achieved.

RESOLVED – That the report be received and that this Audit Committee is reassured by the initial positive messages which had been highlighted.

A31. ICT STRATEGY – IMPLEMENTATION PROGRESS – 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 three strategic priorities which included ICT Governance and Service Development, ICT Strategic Architecture and Council Service Development and Transformation and details of the progress against the key activities within each of the priorities were included in the submitted report.

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

A32. INFORMATION GOVERNANCE WORK 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 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 delivery of the compliance programme for the General Data Protection Regulations (GDPR) and connection to the Health and Social Care Network (HSCN).

Particular reference was made to the position, as at mid-February 2018 in relation to the completion of the mandatory on-line information governance courses, and Members expressed some concern about the percentage completion of those courses across some service areas.

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

(b) That the Assistant Director, Finance, Human Resources and Systems, be requested to highlight the concern of Members at the completion rates of the on-line mandatory training courses with all other Assistant Directors with a view to the completion rate being increased.

A33. REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT 2017/18

– 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 2017/18.

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 2017/18.

RESOLVED – That the Revenues and Benefits Counter Fraud Activity Report for 2017/18 be noted.

A34. ETHICAL GOVERNANCE AND MEMBER STANDARDS – UPDATE

– The Director of Neighbourhood Services and Resources submitted a report (previously

circulated) updating Members on the 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.

The Assistant Director, Law and Governance also sought Members' views on a proposed amendment to the Code of Conduct for Members, which would involve a requirement for them to notify the Monitoring Officer of gift and hospitality received, with an estimated value of £25 or more, were sought prior to a decision thereon by full Council. If approved, this amendment would bring the Members' Code in line with the Employees' Code.

The submitted report also outlined a number of recommendations following a review by the Committee on Standards in Public Life in relation to intimidation of Parliamentary candidates, some of which related to local elections and candidates and to a current consultation which was being undertaken into local government ethical standards which was due to close on 18 May, 2018.

RESOLVED – (a) That the report be noted and that Council be advised that this Committee supports the proposed amendment to the Code of Conduct for Members, as outlined in the submitted report.

A35. ANNUAL GRANTS CERTIFICATION REPORT 2016/17 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a report (also previously circulated) produced by Ernst and Young, which summarised the high level results of its grant certification testing.

It was reported that the external audit work undertaken had identified that the claim certified, worth a net total of £37,687,645, required a qualification letter, although no amendment was made to the claim.

In addition, it was reported that Ernst Young had also audited two claims which fell outside of the Public Sector Audit Appointments arrangements, in relation to the Teacher' Pension and the Housing Pooling return, and that no significant issues from either of those claims had been identified.

RESOLVED – That the report be noted.

A36. EXTERNAL AUDIT ANNUAL AUDIT PLAN 2017/18 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a copy of the 2017/18 External Audit Plan (also previously circulated) which had been prepared by the Council' appointed external auditors Ernst and Young (EY).

Nicola Wright from EY advised Members of the content of the Plan and, in doing so, highlighted the audit risks and areas of focus, the levels of materiality and the final accounts early close down process with effect from 2017/18 (Minute A37 below refers).

RESOLVED – That the External Audit Plan for 2017/18 be noted.

A37. FINAL ACCOUNTS EARLY CLOSEDOWN PROCESS 2017/18 – The Director of Neighbourhood Services submitted a report (previously circulated) updating Members on the Final Accounts Closedown timetable for 2017/18 and the accounting policies to be applied in preparation of the Statement of Accounts.

It was reported that the statutory deadlines for local authority accounts had been brought forward from 2017/18 onwards and the submitted report detailed the revised requirements together with the action taken by the Authority to ensure the revised requirement and the timetable would be met.

Reference was also made to the accounting policies, defined within the Code of Practice, which had to be applied by an authority in preparing and presenting final statement and to the role of this Committee in specifically considering whether they had been followed.

RESOLVED – (a) That the progress on the implementation of the Final Accounts early closedown process be noted.

(b) That the accounting policies be noted and approved for use in the preparation of the 2017/18 financial statements.

A38. INTERNAL AUDIT EXTERNAL PEER REVIEW – The Audit and Risk Manager submitted a report (previously circulated) advising Members of the requirement to have an external assessment of the Internal Audit service and outlining proposals for the scope of that review.

It was reported that, as a requirement of the Public Sector Internal Audit Standards, an external peer review of the audit service must be undertaken at least once every five years and, as Darlington's review, along with each of the other Tees Valley authorities was due in 2018, it was proposed to put reciprocal arrangements in place with those other authorities for reviewing each other.

Discussion ensued on the format of the review which, it was proposed would be via self-assessment, with external validation by a peer from another authority.

RESOLVED – That the proposal for the external assessment to be undertaken by a peer from a neighbouring authority, using the application note checklist and in the form of an external self-assessment validation, be approved.

A39. AUDIT SERVICES ANNUAL AUDIT PLAN 2017/18 – The Audit and Risk Manager submitted a report (previously circulated) updating Members on the progress against the 2017/18 Annual Audit Plan in accordance with Audit Services' roles and terms of reference.

The submitted report outlined the progress to date on audit assignment work, consultancy/contingency activity and performance indicators and it was reported that

the first part of the year had been focussed on ensuring the new team and systems were embedded, with audit assignments being undertaken towards the second half of the year.

It was reported that, in view of the reduced staffing levels within the section, a number of audits had been identified as a low risk and were unlikely to be complete.

RESOLVED – That the progress report against the 2017/18 Annual Audit Plan and the proposed changes to the plan be noted.

A40. AUDIT SERVICES – AUDIT CHARTER, ANNUAL AUDIT PLAN 2018/19 AND QUALITY ASSURANCE AND IMPROVEMENT PROCESS – The Audit and Risk Manager submitted a report (previously circulated) presenting the Audit Services' Audit Plan for 2018/19, associated performance indicators and Audit Charter (previously circulated).

It was reported that the 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 Plan (QAIP) (also previously circulated) had also been developed.

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

(b) That the proposed Audit Plan for 2018/19, as appended to the submitted report, be approved.

(c) That the indicative strategic Audit Plan for 2010-2023 and the estimated resources available to deliver that Plan be noted.

(d) 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.

A41. ANTI-FRAUD AND CORRUPTION STRATEGY 2018/19 – The Audit and Risk Manager submitted a report (previously circulated) advising Members of the Council's anti-fraud and corruption arrangements for the period 2018/19.

It was reported that the Anti-Fraud and Corruption Strategy which had been developed in line with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and addressed the five key themes within that Code, had been endorsed by senior management with a foreword provided by the Director of Neighbourhood Services and Resources as the responsible finance officer and the Chair of this Committee.

RESOLVED – That the Anti-Fraud and Corruption Strategy, as appended to the submitted report, be approved.