

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on 3 December 2015.

PRESENT: Councillors P Purvis, (Chair), C Hobson, Hubbard, Lawton and Taylor

ALSO IN ATTENDANCE: D Houghton and N Wright, EY
H Fowler, Tees Valley Audit and Assurance Service (TVAAS)

OFFICERS: S Lightwing and John Shiel

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Biswas and J A Walker.

DECLARATIONS OF INTERESTS

There were no Declarations of Interest at this point in the meeting.

1 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 24 SEPTEMBER 2015

The minutes of the meeting of the Corporate Affairs and Audit Committee held on 24 September 2015 were taken as read and approved as a true record.

2 CORPORATE AFFAIRS AND AUDIT COMMITTEE BRIEFING: EXTERNAL AUDIT TRANSITION

Nicola Wright, Executive Director, and Daniel Houghton, Manager, EY, introduced themselves to the Committee as the new external auditors for the Council following the tendering of the former Audit Commission contracts. EY were auditors to 7 local authorities, 3 pension funds and 5 clinical commissioning groups in the north east from 2015/2016.

The new EY Audit Team consisted of members of the specialist Government and Public Sector assurance team based in the North East and would be led by Nicola and Daniel, and a summary of their experience was contained within the submitted report.

In preparation for a smooth transition from the former auditors, Deloitte, the Executive Director and Manager, EY, had reviewed the Council's Statement of Accounts 2014/2015, the financial strategy and other information on the Council's website. The external auditors had also met with the previous auditors from Deloitte and accessed their working papers and copies of key documents including the audit plan and annual audit letter. Meetings had also taken place with Council Officers, Tees Valley Audit and Assurance Services, the Chair of Corporate Affairs and Audit Committee and the Executive Member, Finance and Governance.

EY would produce a quarterly progress report on the external audit for the Committee as well as those reports required in line with auditing standards and the NAO Code of Practice. EY would also share any other relevant information with the Committee as appropriate and would be happy to provide training on any topic requested.

EY had been appointed by PSAA (Public Sector Audit Appointments Ltd) as Middlesbrough Council's external auditors for a three year period, following which the Council would be able to select a new external auditor via a tendering process. It was anticipated that information regarding the tendering process would be issued by the DCLG (Department for Communities and Local Government) in due course.

AGREED that the information provided was received and noted.

3 INTERNAL AUDIT - PROGRESS REPORT

The Audit and Assurance Manager presented a report to update Members on the main findings arising from internal audit work carried out since the annual report was submitted to Members. In addition, the report briefed Members on the performance of the Council's internal audit service, Tees Valley Audit and Assurance Services (TVAAS).

A brief summary of all internal audit reports issued in final, since the last update to the Corporate Affairs and Audit Committee, was provided at Appendix 1 to the submitted report. Reports issued in final included four schools, the Youth Offending Service and the Registrar's Service. Two Priority 1 recommendations were still outstanding from previous periods and the latest update to Members was also provided at Appendix 1. One further Priority 1 recommendation had been made this year.

In addition to the final audit reports issued in Appendix 1, TVAAS staff had been involved in a number of other areas of work that did not result in the issue of a formal report. Those areas were included at paragraph 6 of the submitted report.

It was highlighted that the internal audit report on Project Governance and Property Disposals referred to in previous external audit reports was currently in draft and awaiting agreement with management. The overall opinion of this report currently provided an overall assurance opinion of a Cause for Concern and would include one Priority 1 recommendation. Overall, the final report would identify that improvements were required to the Council's project governance and property disposal processes in order to ensure that the control environment is effective going forward. The Audit and Assurance Manager noted that the Council was already taking steps, via its Governance Improvement Plan, to address the project management issues identified in this and the recent Project Management audit report.

The Project Management audit was one of the contributory factors in the External Auditor's qualification for Value for Money in the Statement of Accounts. The Audit and Assurance Manager confirmed that whilst she was satisfied with progress to date, there would be continuous monitoring until all the actions were fully implemented.

Appendix 2 to the submitted report detailed TVAAS' Performance Target Position for 2015/2016. Currently the percentage completion of the agreed Annual Audit Plan was 31%. The Manager clarified that the average customer satisfaction survey score, at 3.73, was determined from feedback from a survey issued with each audit. The highest possible score was 4.

A Member queried the timescale for the current P1s to be addressed. The Audit and Assurance Manager clarified that P1 recommendations were made where there was a significant risk that the Council needed to address and this would not be a quick fix. The main issue with the Council's Project Management was that there was no Corporate Framework for all managers to comply with. A detailed timetable for implementing the required actions had been issued with the Annual Governance Statement and provided at the last meeting.

A request was made that copies of all future audit reports containing P1 recommendations should be issued to Members of the Corporate Affairs and Audit Committee.

Another issue raised by Members was the monitoring of projects and examples were given of projects that had over-run and incurred additional expenditure. The Deputy Chief Finance Officer confirmed that the aim of the new project management process was to make sure such issues were picked up sooner and flagged up with senior officers as early as possible, in order to minimise the risk of projects going off target and protect the Council from any financial penalties.

In response to a query regarding Purchasing Cards and the controls in place to ensure they were used appropriately, the Deputy Chief Finance Officer informed Members that the Council had agreed a strategy of using Purchasing Cards due to cost effectiveness. The Audit and Assurance Manager added that an audit of Purchasing Cards had been undertaken and reasonable controls were in place.

AGREED as follows that:

1. the information provided was received and noted.
2. all future Internal Audit Reports containing P1 recommendations would be circulated to Members of the Corporate Affairs and Audit Committee.

3. Details of the number of Purchasing Cards currently in use would be provided to the Committee.

4 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

A Member requested that a letter of thanks be sent to the previous External Auditor, Deloitte LLP. The Chair confirmed that this had been done.

NOTED