

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Thursday 20 July 2023.

PRESENT: Councillors J Ewan (Chair), J Kabuye (Vice-Chair), I Blades, D Coupe, S Platt, M Storey and J Platt (as substitute for Councillor B Hubbard)

ALSO IN ATTENDANCE: P Jeffrey (Internal Auditor) (Veritau) and M Thomas (Internal Auditor) (Veritau)

OFFICERS: S Lightwing, A Johnstone and J Weston

APOLOGIES FOR ABSENCE: were submitted on behalf Councillor B Hubbard

23/8 WELCOME AND EVACUATION PROCEDURE

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

23/9 DECLARATIONS OF INTEREST

There were no declarations of interest received at this point in the meeting.

23/10 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 29 JUNE 2023

The minutes of the Corporate Affairs meeting held on 29 June 2023 were submitted and approved as a correct record.

23/11 HEAD OF INTERNAL AUDIT ANNUAL REPORT

A report of the Head of Internal Audit was presented to provide Members with a summary of internal audit work undertaken in 2022/2023 and to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control and to provide a summary of counter fraud activity during the year.

A copy of the Annual Internal Audit Report was attached at Appendix 1 to the submitted report. It included a summary of the work completed during the year, findings from recently issued audit reports, and the annual internal audit opinion. The draft report on Children's Commissioning and Contract Management had been finalised since the submitted report was written.

Appendix D to the submitted report listed Priority 1 and 2 actions that had remained outstanding for more than six months.

The report also included details of Veritau's Quality Assurance and Improvement Programme (QAIP). This outlined Veritau's ongoing quality assurance arrangements and activities, and provided evidence to demonstrate that internal audit work had been carried out the expected professional standards.

The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council was that it provided Limited Assurance. No reliance was placed on the work of other assurance providers in reaching this opinion.

The Committee's attention was drawn to the significant control weaknesses which were considered relevant to the preparation of the 2022/23 Annual Governance Statement.

Veritau also provided a counter fraud service to the Council. An annual report setting out counter fraud activity and performance was attached at Appendix 2 to the submitted report. A refreshed strategy action plan would be presented to the Committee later this year.

In response to a query regarding the internal audit report on the Middlesbrough Development Company (MDC), the final draft had been issued and it was anticipated that the report would

be finalised within the next week and would be shared with the Committee. The decision to wind up the MDC was taken by Officers and a number of factors had been taken into account. However, the decision was not made directly as a result of the internal audit work undertaken. Veritau conducted a review against CIPFA's framework and did not offer an opinion on whether or not the company should be wound up.

Concern was raised in relation to the Committee noting the report without seeing Veritau's judgement and the background to the MDC report. The Internal Auditor commented that even without the MDC report Veritau would give an opinion of limited assurance. This was the Veritau's view of the framework last year and nothing would change that opinion. Veritau had not seen the improvements in a number of areas that would enable them to change that opinion. The opinion would also feed into the Annual Governance Statement which was being prepared and had not yet been signed off and therefore there was still time to understand and reflect on the MDC report.

The delay between the issuing of draft internal audit reports and agreement and sign off by Officers was raised. It was confirmed that a summary of the priorities and the status of work being undertaken was contained in Veritau's regular progress reports and the Chair requested an update for the next meeting. The Internal Auditor commented that significant delays were escalated to the Monitoring Officer and the Section 151 Officer and the Corporate Affairs and Audit Committee when necessary.

AGREED as follows:

1. that the Committee noted the:

- results of internal audit work and counter fraud work undertaken.
- opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- significant control issues identified by internal audit which were considered relevant to the preparation of the Council's Annual Governance Statement.
- outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards.

2. Internal Audit would provide an update on the status of internal audits at the next Committee meeting.

23/12

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

None.