

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE**

At a meeting of the **Audit Committee** held at County Hall, Morpeth on Wednesday,
22 May 2019 at 10.15 a.m.

PRESENT

G Hill (Chair)

COUNCILLORS

G Castle
L Grimshaw
M Purvis

M Swinburn
I C F Swithenbank

CO-OPTED MEMBERS

ALSO PRESENT

Councillor N Oliver, Portfolio Holder for
Corporate Services & Cabinet
Secretary

OFFICERS IN ATTENDANCE

A Hartwell	Senior Manager - Safeguarding and Education Performance
K McDonald	Group Assurance Manager
B McKie	Group Assurance Manager
C Mellons	Ernst & Young, External Auditor
A Mitchell	Chief Internal Auditor
K Norris	Democratic Services Officer
S Reid	Ernst & Young, External Auditor
A Scholes	Executive Director of Finance (Section 151 Officer)

01. MEMBERSHIP AND TERMS OF REFERENCE

The Membership and Terms of Reference for the Audit Committee, as agreed by Council
on 1 May 2019, were reported for information.

Ch.'s Initials.....

The Chair welcomed Councillor Swithenbank as a new member of the committee.

RESOLVED that the information be noted.

02. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor L Rickerby, Councillor D Towns, Mr A Hall and Mr A N Haywood-Smith (Co-opted Members).

03. MINUTES

RESOLVED that the minutes of the following meetings of the Audit Committee, as circulated, be confirmed as a true record and signed by the Chair:

(a) 22 March 2019

(b) 27 March 2019

04. REPORT OF THE EXECUTIVE DIRECTOR OF ADULT SOCIAL CARE AND CHILDREN'S SERVICES

Review of External Inspection Reports - Adults and Children's Services

The Chair stated that, with the agreement of members, the agenda had been reordered to discuss the above report as the next item, due to the Senior Manager - Safeguarding and Education Performance having to attend an event in County Hall.

The Senior Manager introduced the report which informed members of the findings from external inspections that had taken place in the last 6 months (1st October 2018 to 31st March 2019) pertaining to Adults and Children's Services, and to provide assurance that the resulting reports were receiving due scrutiny. (A copy of the report is enclosed with the signed Minutes as Appendix E.)

A summary of the report was provided, key issues being around adult social care, residential homes for children and young people, school inspections, a special education needs and disabilities (SEND) inspection and early years provision.

It was noted that:

- All previous inspected residential services for Adults and Children had been judged as Good or Outstanding. Barndale and Thorndale had again been judged as Outstanding across the board and all Council run open children's residential homes were judged to have Outstanding leadership, which was an excellent outcome.
- There were 165 schools for Ofsted to inspect. In terms of the primary sector, all were judged to be Good which brought Northumberland closer to the national average.

Ch.'s Initials.....

Audit Committee, 22 May 2019

- With regard to secondary schools, which included middle as well as high schools, results were below the national average (as detailed in the report). Based upon Ofsted inspection schedules, the task of turning these judgements around could take at least 3 years.
- With reference to the local SEND inspection which took place in the first week of October, this was about health provision as well education and social care, and Northumberland was required to produce a Written Statement of Action (WSOA) as a result. Encouragingly feedback on the WSOA stated it was fit for purpose with well thought through actions and no further work was required. This was a good result as some WSOAs were challenged in other areas. Northumberland would be monitored with the first monitoring meeting due to take place on 10 June.
- In terms of Early Years settings, the report made reference to 75% of children being 'school ready' in 2018 which was above the national average and Northumberland's good track record in achieving Ofsted judgements of Good or Outstanding.
- There had been no Safeguarding inspections within the period but a self assessment, as part of the Annual Engagement process with Ofsted, had been carried out and a copy of the resulting letter was attached as an appendix to the report.
- It was anticipated there would be a Focused Visit of the social work service this year.

In response to questions the following information was provided:

- If, on a school inspection, it was found there was a safeguarding issue, this would be looked into.
- Pupil Referral Units (PRUs) were inspected by Ofsted.
- There was a WSOA in place to address special educational needs and the report gave details of specific actions required.
- It was acknowledged that Northumberland needed to improve its service for Special educational needs and one issue challenged by Ofsted related to wider outcomes. It was not just about education and as a result individual education health care plans were being looked at in the context of what was important to children and families.
- In response to comments about effective leadership being crucial, it was confirmed that analysis had been carried out on senior managers of schools regarding management of staff. Work had been carried out on more effective recruitment and with academy trusts in other regions to see what was working well in other areas. Another element was analysis on training of Heads of Governors which now had a higher profile than in previous years. Leadership had been identified as a key driver to change.
- There was an opportunity through the North of Tyne partnership to bid for funding through the Education Challenge.
- Although the Council had no control over academies it did have an influence. The Council could work with the Regional Schools' Inspector to ensure that academies were held to account if they were seriously underperforming.
- Most of the operators of academies in Northumberland were not in the private sector and were not operating for profit. It was the same funding formula for all schools and this was very challenging for all.
- The Chair said she would contact the Portfolio Holder for Children's Services to see what stage the Family and Children's Overview and Scrutiny Committee were at with regard to academisation.

Ch.'s Initials.....

Audit Committee, 22 May 2019

- It was confirmed that an analysis was being carried out to obtain data on an area breakdown of children who had an education health and care plan and those with special educational needs. It was agreed that this could be shared with Audit Committee members once it had been presented to the Health and Wellbeing Board.
- It was confirmed that the performance of governing bodies was part of Ofsted inspections.

RESOLVED that

- (i) the findings set out in the report be noted;
- (ii) an area breakdown of children who had an education health care plan and those with special educational needs be provided to members of the Audit Committee after it had been to the Health and Wellbeing Board;
- (iii) Members' thanks be conveyed to the staff in Children's Services for their hard work.

05. REPORT OF THE EXTERNAL AUDITOR

Quarterly Sector Briefing

Mrs C Mellons, External Auditor EY, introduced the above report (a copy of which is attached to the signed Minutes as Appendix A). The report was not specific to Northumberland County Council, it was for information and brought together technical issues relevant to the Local Government Sector and wider matters of potential interest to the Audit Committee.

Questions were invited from members.

A member expressed concerns about increasing levels of homelessness and asked how that could be addressed. In response the Portfolio Holder for Corporate Services said, unlike Newcastle, Northumberland did not have a particularly high level of homelessness, it was more likely to be issues of mental health or evictions from private sector landlords that created problems. The Council had recently prosecuted a private landlord for an illegal eviction and he was confident that safeguards and mechanisms were in place to ensure support was available for people who found themselves homeless.

On a point of clarity it was pointed out that rough sleeping and homelessness were two different issues. Homelessness referred to people without a home of their own and included adult children living with their parents. It was acknowledged that there was not enough affordable housing in some parts of the county and there was a need to build more.

Following further discussion and reports of people sleeping rough in particular parts of Northumberland, members were urged to report details of who and where to the homelessness team so that they could be offered help.

Ch.'s Initials.....

Audit Committee, 22 May 2019

The Vice Chair referred to Council Tax increases for 2019/20 on page 7 of the report and queried if any authority had increased the amount by more than 2.99% and had triggered a local referendum. In response the External Auditor said she did not have that information to hand and the Executive Director of Finance (Section 151 Officer) agreed to follow this up.

RESOLVED that the report be received and noted.

06. REPORTS OF THE CHIEF INTERNAL AUDITOR

(a) 2018/19 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

The above report (copy attached to the signed Minutes as Appendix B) provided members with the annual opinion from the Chief Internal Auditor on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control, taking into account the expectations of the Council’s Leadership Team, Audit Committee and key stakeholders.

The Chief Internal Auditor said it must be an evidence based opinion based on the outcomes of work done by the Internal Audit team. Only one of two opinions could be provided, ‘satisfactory’ or ‘not satisfactory’. During 2018/19, the opinion of the Council’s internal systems of governance, risk management and control were judged to be satisfactory overall so this was a positive opinion. Last year there had been issues with the group of companies owned by the Arch Corporate Holdings Ltd and opinion had to be qualified but this year Arch, as an entity, had been wound up and a new company, Advance Northumberland Ltd, had been created. As with any new company there was an element of risk and the impact on the County Council’s framework of governance, risk management and control would be a continuing area of focus for the Council when reviewing its internal control arrangements.

Attention was drawn to paragraph 2.1 on page 4 of Appendix 1 which outlined management’s responsibility for the effectiveness of the internal control system being clearly set out in the Council’s Finance and Contract Rules.

Reference was made to the eight main types of internal controls set out in paragraph 2.4 and the framework of opinion classifications used in Internal Audit reports set out in the table in paragraph 4.3. With regard to overall opinion given on audit assignments, the Chief Internal Auditor said she had never issued a 1* priority and the table in paragraph 4.6 set out recommendations made.

The Chief Internal Auditor said the most important part of the report was the section which set out details of work done throughout the year. A lot of work had been carried out on Information Technology (IT) arrangements as, given the reliance on IT in any organisation, this would continue to have a high degree of prominence. In the past, an audit had been carried out after a system had been implemented and, whilst there would always be a need to reflect, advice was being sought when a new system was introduced. This had

Ch.’s Initials.....

been done for a number of systems including the Digital Northumberland Board and the Oracle Cloud project.

On behalf of the Section 151 Officer Internal Audit had co-ordinated, received and reviewed Schools' Financial Value Standard (SFVS) for the Council's grant-maintained schools.

A number of funding organisations required an Internal Audit review prior to final grant claim submission and this activity was shown at Annex A. Internal Audit had signed off £33.2 million checking that it complied with grant conditions. It was noted that all required outcomes had been achieved.

Annex B provided feedback from clients which was very positive. The highest score possible had been achieved across the board and Internal Audit would strive to maintain that score.

In terms of the Annual Governance Statement, it was suggested that issues set out on page 12 of Appendix 1 be considered for inclusion.

The Chair thanked the Chief Internal Auditor for her report stating that the Audit Team had worked extremely hard and had faced difficult situations.

The Executive Director of Finance (Section 151 Officer) said she was very impressed with feedback received regarding the Schools' Financial Value Standard.

RESOLVED that

- a) The Chief Internal Auditor's 2018/19 'satisfactory' opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, attached as Appendix 1 be noted.
- b) This opinion be considered by the organisation when finalising the Annual Governance Statement for this period; and by the Audit Committee, as a source of assurance at the time it considers the Annual Governance Statement.

(b) Strategic Audit Plan 2018/19 - Final Monitoring Statement

The above report (copy attached to the signed Minutes as Appendix C) provided members with a final monitoring statement in respect of the Strategic Audit Plan for 2018/19.

The Chief Internal Auditor said that Internal Audit could access information and look at any service within the Council and it was important that it was accountable. There were 5 ½ full time equivalent auditors, not including herself or Kevin McDonald. It was noted that 84% of the planned productive days for 2018/19 had been achieved and this was due to a long term sickness absence and a vacant post within the team. The member of staff had now returned to work and a Senior Auditor had been appointed subject to references.

The shared service with North Tyneside covered very specific areas.

Ch.'s Initials.....

Audit Committee, 22 May 2019

Appendix 1 set out details of every Audit plan agreed in March 2018 and showed which were complete, which were on track and which would not take place with a summary of each audit.

The Chair referred to page 5 of Appendix 1 and stated that further reports would be provided in 2019/20 in relation to Arch.

RESOLVED that the information be noted.

(c) Key Outcomes from Internal Audit Reports (Issued November 2018 - April 2019)

The report (attached to the signed Minutes as Appendix D) advised members of key outcomes from Internal Audit reports issued between November 2018 and April 2019. Appendix 1, from page 5 onwards, provided a summary of each report.

The Chief Internal Auditor said it was important that the Audit Committee received regular updates on key outcomes arising from Internal Audit's planned work and to record good practice as part of the process, as risks were the main areas identified.

The report was self explanatory in terms of content.

The Vice Chair expressed concerns about the main issues identified on page 5 of Appendix 1, relating to Stores Partnership, Post Contract implementation. Although the contractor had agreed to provide a rebate of 0.5% on sales for each year of the contract to be used on community projects, this had not been credited to the Authority's bank account for each completed year of the contract and he queried what action would be taken. In response the Chief Internal Auditor said it was her understanding that the situation had now been rectified but she would follow this up with management and report back.

The Vice Chair then referred to identified risks within Information Services, as detailed at the bottom of page 8, Appendix 1. He expressed concerns about this being incomplete as it was a key issue for the Authority. The Chief Internal Auditor agreed and said the service was now under a different directorate and the situation was being actively managed. The Group Assurance Manager added that the situation had been taken very seriously and work had started on this before the audit was even complete.

RESOLVED that the Chief Internal Auditor's opinion that the framework of governance, risk management and control is satisfactory overall at this stage in the year be noted.

07. URGENT BUSINESS

The Chair referred to a query raised by the Vice Chair at a previous meeting regarding whether it would be considered an abuse of a Councillor's access to the electoral register if they were to report a person living in a property which was recorded as having single occupancy. Legal advice had now been received from the Legal Services Manager which referred to issues of data control and advised that the safest way to make such a report

Ch.'s Initials.....

Audit Committee, 22 May 2019

was through the Corporate Fraud team. A copy of the email would be circulated to members for their information.

With regard to the query raised in item 05, Quarterly Sector Briefing, as to whether any authority had increased the amount of council tax by more than 2.99% and had triggered a local referendum, the Executive Director of Finance (Section 151 Officer) reported the following information:

Only one referendum had taken place to date. The Bedfordshire Police and Crime Commissioner had proposed a 15.8% increase in council tax for 2015-16. The poll was held on 7 May 2015 and 91,086 voters (30.5%) supported the proposal, whilst 207,551 (69.5%) opposed it. Surrey County Council proposed to hold a referendum on a 15% increase in council tax for 2017-18, but later dropped the proposal.

The Chair reminded Members that two drop in sessions would take place in June to give them a brief overview of key issues relating to the Draft Statement of Accounts for 2018/19. The sessions would take place on Tuesday 25 June at 10:00 am to 12:30 pm and Thursday, 27 June at 1:30 pm to 4:00 pm. A further reminder and details of the venue would be circulated.

RESOLVED that the information be noted.

CHAIR: _____

DATE: _____