

## **AUDIT COMMITTEE**

Wednesday, 13 April 2022

**PRESENT** – Councillors Baldwin, Bartch, Crudass, McEwan and Paley

**APOLOGIES** – Councillor Lee

**ALSO IN ATTENDANCE** –Caroline Mulley (Ernst and Young LLP)

**OFFICERS IN ATTENDANCE** – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Ian Miles (Assistant Director Xentrall Shared Services) and Hannah Miller (Democratic Officer)

### **A31 DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

### **A32 TO APPROVE THE MINUTES OF THE LAST MEETING OF THIS AUDIT COMMITTEE HELD ON 26 JANUARY 2022**

Submitted – The Minutes (previously circulated) of the Audit Committee held on 26 January 2022.

**RESOLVED** – That the Minutes of the Audit Committee held on 26 January 2022 be approved as a correct record.

### **A33 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT**

The Assistant Director Law and Governance and Monitoring Officer submitted a report (previously circulated) to update Members on issues relevant to Member standards and ethical governance since the last report to this Audit Committee in September 2021.

The submitted report set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council and by reviewing these indicators it is hoped to be able to identify any unusual or significant trends or changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.

The submitted report also included commentary for some data sets to give analysis and explanation for some of the more notable variations and it was reported that there were no particular issues of concern that had been identified from reviewing the data.

Discussion ensued regarding complaints against Non-Executive and Executive Borough Councillors.

**RESOLVED** – That the report be noted.

#### **A34 ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT**

The Assistant Director Xentrall Shared Services submitted a report (previously circulated) to provide a six-monthly report to the Audit Committee on progress in relation to the implementation of the ICT Strategy.

It was reported that the current ICT Strategy focused on three strategic priorities, namely ICT Governance and Service Development; ICT Strategic Architecture; and Council Service Development and Transformation.

This submitted report summarised progress on the main activities within each of these priorities.

**RESOLVED** – That the report be noted.

#### **A35 INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT**

The Group Director of Operations submitted a report (previously circulated) to provide a six monthly update to the Audit Committee as required by The Systems and Information Governance Group (SIGG) and to outline planned developments of the information governance programme.

It was reported that the ongoing delivery of the information governance programme continued to provide the assurance required to reduce the information risks to an acceptable level and outlined the ongoing works.

It was also reported that the area of highest priority in the information governance programme was the Microsoft Office 365 Programme.

Members acknowledged the improvements to completion rates for mandatory training, recognised that further work was required and requested that this Committee continued to have sight of completion rates.

**RESOLVED** – That the report be noted.

#### **A36 AUDIT SERVICES ACTIVITY REPORT**

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report of activity and proposed activity for the next period.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and highlighted the change in approach from traditional audit assignments to individual control testing and reporting and the different approach in terms of reporting on activity to be developed further in the coming months; and the move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.

Also previously circulated was detailed feedback on the performance of the service and the

position in relation to completion of audit work.

Following a question, the Audit and Risk Manager provided further information to Members in relation to the risk shown at 50 per cent assurance relating to corporate premises risks.

**RESOLVED** – That the activity and results be noted.

### **A37     AUDIT SERVICES - AUDIT CHARTER**

The Audit and Risk Manager submitted a report (previously circulated) to present the Audit Services' Audit Charter for 2022-23.

It was reported that it was a requirement for the Council to have an internal audit function is outlined in Section 151 of the Local Government Act 1972; more specific requirements are detailed in the Accounts and Audit (England & Wales) Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

On the 1 April 2017 a shared service was established to deliver the Internal Audit function to Darlington Borough Council and Stockton-on-Tees Borough Council and the charter was developed to outline how the service will meet these requirements and detailed specifically how the Audit Plan will be developed and it was highlighted that it was felt that no changes were needed for 2022/23.

**RESOLVED** – That this Audit Committee approves the Internal Audit Charter and the rights of access conferred within.

### **A38     ANNUAL GOVERNANCE STATEMENT**

The Chief Executive submitted a report (previously circulated) seeking approval of the Council's draft Annual Governance Statement (AGS) (also previously circulated).

It was reported that the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 require local authorities to prepare, approve and publish, each year an AGS. These regulations also determine the timetable for approval and publication and the Council must publish its draft AGS no later than 31 July and its final audited version no later than 30 September of the financial year immediately following the end of the financial year to which the statement relates.

It was also reported that although the Council did publish its draft AGS before 31 July 2021, delays in the external audit process have meant the Council has been unable to publish its final AGS in accordance with the timetable set in the Regulations.

The Annual Governance Statement for 2020/21 outlined the Council's responsibilities, explained the purpose of the governance framework; set out the key elements; detailed the review of its effectiveness; highlighted any significant governance issues; and included a commitment by the Leader of the Council and the Chief Executive to ensure the continuous improvement of the system in place.

**RESOLVED** – That the draft Annual Governance Statement for 2020/21, as appended to the submitted report, be approved.

**A39     AUDIT OF ACCOUNTS 2020/21**

The Group Director of Operations submitted a report (previously circulated) to present a report by the Council’s external auditors, Ernst and Young LLP (EYP) on the audit for the year ended 31 March 2021.

It was reported that In accordance with the Accounts and Audit (Amendment) Regulations 2021, all Local Authorities were required to produce the draft annual Statement of Accounts by 31 July 2021 and an audited set published by 30 September 2021. These regulations had temporarily relaxed the previous deadlines for producing the draft accounts and completion of final audited accounts.

Caroline Mulley, EYP, advised Members that the audit work on the accounts had been substantially completed and that an unqualified opinion on the Council’s 2020/21 accounts would be issued; concluded that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness of its use of resources; and confirmed that the Council’s Annual Governance Statement was not misleading or inconsistent with other information known to them.

Members also gave specific consideration to items that were classified as unadjusted audit differences in relation to the Private Finance Initiative and Income to Services.

**RESOLVED** - (a) That the Auditors Audit Results Report on the Council’s 2020/21 financial statements be noted.

(b) That Members note the Letter of Representation in Appendix B of the Audit Results Report.

(c) That the Audit Committee agree not to amend the unadjusted audit differences as they were not material.

(d) That the Audit Committee approve the IFRS complaint Statement of Accounts for the 2020/21 financial year.