

**AUDIT COMMITTEE**  
Wednesday, 28 October 2020

**PRESENT** – Councillors Lee (Chair), Durham, Baldwin, Crudass and McEwan

**APOLOGIES** – Councillor Paley

**ALSO IN ATTENDANCE** – Helen Henshaw (Ernst and Young LLP) and Michael Mason (Ernst and Young LLP)

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

**A15    DECLARATIONS OF INTEREST**

There were no declarations of interested reported at this meeting.

**A16    MINUTES**

Submitted – The Minutes (previously circulated) of the meeting of this Audit Committee held on 16 September 2020.

**RESOLVED** – That the Minutes of the Audit Committee held on 16 September 2020 be approved as a correct record.

**A17    AUDIT OF ACCOUNTS 2019/20 AND ANNUAL GOVERNANCE STATEMENT**

The Finance Manager gave a verbal update to Members to inform them that the Audit of Accounts 2019/20 and Annual Governance Statement were not able to be signed off by the external auditors.

He advised Members that the Accounts and Audit Regulations 2015 require local authorities to prepare, approve and publish, each year, an Annual Governance Statement (AGS). These regulations also determine the timetable for approval and publication. As a result of the Coronavirus pandemic the Regulations were amended requiring local authorities to sign off their draft accounts and publish their draft AGS by 31 August, instead of 31 May. The date for final publication of the accounts and AGS was also extended to 30 November, from 31 July.

**RESOLVED** – That a Special Audit Committee meeting be held on 18 November 2020 to approve the Audit of Accounts for 2019/20 and the Annual Governance Statement.

## **A18 ICT STRATEGY - IMPLEMENTATION PROGRESS**

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

**RESOLVED** – That the implementation of the ICT Strategy be noted.

## **A19 ANNUAL GRANT CERTIFICATION REPORT 2018/19**

The Managing Director submitted a report (previously circulated) together with a report (also previously circulated) produced by Ernst and Young (EY), which summarised the high level results of its grants certification testing.

Helen Henshaw and Michael Mason, EY, attended the meeting and reported that the external audit work undertaken had identified that the claim certified, worth a net total of £33,395,659, required a qualification letter, although no amendment was made to the claim.

In addition, it was reported that Ernst and Young had also audited three claims that fell outside of the Public Sector Audit Appointments arrangements, in relation to Teachers' Pension, the Housing Pooling return and the 2018-19 Homes England Compliance Audit Checklist, and that no significant issues from those claims had been identified.

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

## **A20 ANTI-FRAUD AND CORRUPTION STRATEGY 2020/21**

The Audit and Risk Manager submitted a report (previously circulated) advising Members of the Council's anti-fraud and corruption arrangements for the period 2020/21.

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 Assistant Director Resources as the responsible finance officer and the Chair of this Committee.

It was reported that a number of actions were identified in the 2018/19 strategy and a position statement was provided in the 2019/20 update.

Members discussed how the risk of fraud is assessed and questioned if there was any evidence of emerging patterns of fraud across the neighbouring authorities as a result of Covid-19 and were advised that a report from CIPFA was expected to outline the national picture, however currently the authority were not see any specific areas

of concern. Members also referred to the risk of fraud in relation to grants to businesses and other causes and Members requested sight of the monthly returns for fraudulent attempts.

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

## **A21 INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT**

The Managing Director submitted a six monthly report (previously circulated) on the progress and planned developments of the information governance programme.

It was reported that information governance programme has provided the assurance required to reduce the information risks to an acceptable level.

The submitted report outlined the most recent work undertaken, together with those areas of highest priority within the programme, with particular reference made to the preparing for data protection after the EU Exit transition period ends.

Members made particular reference to the Social Media Training Module, as a result of the Social Media policy which was launched in April 2020 and where targets were not being met.

**RESOLVED** – That the progress on the implementation of the Information Governance Programme be noted.

## **A22 MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2020/21**

The Managing Director submitted a report (previously circulated) to seek Members approval of the revised Treasury Management Strategy, Prudential Indicators and provide Members with a half-yearly review of the Council's borrowing and investment activities.

It was reported that the mandatory Prudential Code, which governs Council's borrowing, required Council approval of controls, called Prudential Indicators, which related to capital spending and borrowing. The indicators were set out in three statutory annual reports and the key objectives of those reports were set out in the submitted report, together with the key proposed revisions to the prudential indicators which related to a reduction in the Operational Boundary to £188.018m and the Authorised Limit reduction to £229.233m to allow for any additional cashflow requirement.

With regard to Capital Expenditure, the submitted report highlighted the original elements of the capital programme and the expected financing arrangements of this capital expenditure; and the reduction in Borrowing Need due to the Housing programme being delayed due to Covid 19 and it was proposed to set an actual borrowing figure of £177.660m to accommodate the additional borrowing need and any debt requirements for cash flow purposes.

Reference was also made to investments were to include £30m in property funds

which were expected to increase the net return on investments by approximately £0.500m in future years; and the Treasury Management Budget which was forecast to underspend by £0.110m in 2020/21.

The submitted report also highlighted that the authority had received a request from Darlington College to utilise the 'Loans to External Bodies or Organisations; facility within the Council's Capital Strategy.

**RESOLVED** – That the submitted report be referred to Cabinet and that it be advised that this Audit Committee approves the revised prudential indicators and limits and notes the potential of Darlington College accessing the Council's loan facility in accordance with the Capital Strategy; and notes the underspend in the revised Treasury Management Budget (Financing Costs).

## **A23 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 provided a detailed feedback on the performance of the service and the position in relation to the completion of audit work.

It was also reported that COVID-19 had brought challenges to the Authority and it continues to be the focus for a number of service areas; audit advice had been provided as required and time had been spent transitioning to new ways of working; and testing had been undertaken and good progress had been made to date.

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