

AUDIT COMMITTEE

26th July, 2018

PRESENT - Councillor Baldwin (in the Chair); Councillors Crudass and McEwan. (3)

APOLOGIES –

OFFICERS – Suzanne Joyner, Director of Children and Adult Services, Elizabeth Davison, Assistant Director Resources, Peter Carrick, Finance Manager Central/Treasury Management, Elaine Hufford, Treasury/Insurance, Lee Downey, Complaints and Information Governance Manager and Andrew Barber, Audit and Risk Manager, Stockton Borough Council.

ALSO IN ATTENDANCE – Nicola Wright and Ryan, Ernst Young LLP

A1. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A2. MINUTES - Submitted – The Minutes (previously circulated) of a meeting of this Audit Committee held on 28th March, 2018

RESOLVED – That the Minutes be approved as a correct record.

A3. UPDATE ON CHILDREN'S SERVICES IMPROVEMENTS AND OUTCOMES OF SINGLE INSPECTION FRAMEWORK RE-INSPECTION – The Director of Children and Adults Services submitted a report (previously circulated) updating Members on the outcome of the Single Inspection Framework (SIF) Re-inspection conducted during February and March 2018.

The submitted report set out the inspection findings, published on 21 May 2018, which had cited considerable improvements and concluded that, overall, Children's Services in Darlington had improved considerably from a position of inadequate in 2015 to now requiring improvement to be good.

It was reported that the progress was a considerable achievement, pivotal to which was dynamic leadership, effective political and corporate support and significant resourcing of the improvement journey.

Discussion ensued on Ofsted's framework for its new inspection regime which was rolled out in January 2018 and which involved more frequent contact with authorities to identify what was working well and catching authorities before they fell and it was suggested that training be given to Members on this new framework.

RESOLVED – (a) That the findings of the SIF re-inspection of Children's Services be noted and the congratulations on this Committee be extended to the Director of Children and Adult Services and her staff on the outcome.

(b) That the revised inspection framework that the Council is now subject to be noted.

(c) That it be noted that an Improvement Plan will be developed in response to the recommendations.

A4. ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2017/18 – The Managing Director submitted a report (previously circulated) presenting the outcome of the annual review of significant partnerships to enable this Committee to consider the partnerships that the Council was involved with and to ensure that they had adequate governance arrangements in place.

It was reported that, through the principles of the partnership toolkit, the Council had an established approach to monitoring the significant partnerships it was involved with and, as a result, there were good governance arrangements in place for these partnerships and that they were delivering well against their objectives.

It was also reported that the toolkit had been effective in identifying high level concerns of the significant partnerships, the most common of which were levels of resourcing, uncertainty as a result of the emerging policy and fundamental changes in operating landscape.

RESOLVED – That the review of significant partnerships be endorsed and the actions being taken to address outstanding issues be noted.

A5. AUDIT OF ACCOUNTS 2017/18 - The Managing Director submitted a report (previously circulated) providing Members with information on the outcomes of the audit of the Council's 2017/18 accounts and seeking approval to conclude the accounts based on Officers recommendations, with regard to key issues arising from the audit.

The submitted report referred to one unadjusted misstatement in the accounts and the reason for that misstatement and it was reported that, following discussion with Ernst Young (EY), the Council's external auditors, it was considered that the item was not material in the context of the Statement of Accounts as a whole, and it was not proposed to adjust it in the accounts.

It was reported that, in accordance with statutory requirements, EY had audited the accounts and a copy of the report which outlined the results of their audit and the Value for Money conclusions was appended to the submitted report. Nicola Wright from EY advised Members that the audit work on the accounts had been completed and that an unqualified opinion on the Council's 2017/18 accounts would be issued; that they were expected to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources; and that no areas of concern had been found on whether the Council's Annual Governance Statement complied with guidance and whether it might be misleading or inconsistent with other information known to them.

RESOLVED - (a) That the Auditors ISA 260 report on the Council's 2017/18 financial statements be noted.

(b) That the accounts be not adjusted in respect of those items as identified in the submitted report.

(c) That the IFRS compliant Statement of Accounts for the 2017/18 financial year be approved.

(d) That the thanks of this Committee be extended to the Finance Officers and the Council's external auditors on the work undertaken to achieve faster closure of the 2017/18 Accounts.

A6. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2017/18 – The Managing Director submitted a report (previously circulated) providing Members with information regarding the regulation and management of the Council's borrowing, investments and cash-flow and seeking approval of the Prudential Indicators for 2017/18 in accordance with the Prudential Code.

It was reported that the financial year 2017/18 presented similar circumstances to 2016/17 with regard to treasury management and the main implications of this for the Council were included in the submitted report.

The submitted report summarised the capital expenditure and financing for 2017/18; the Council's underlying borrowing need; the Treasury position as at 31st March, 2018; prudential indicators and compliance issues; the economic background for 2017/18; treasury management activity during 2017/18; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2017/18 had been carried out in accordance with Council policy and legal limits, financing costs had been reduced during the year and a saving of £0.600 million had been achieved from the original Medium-Term Financial Plan due to the inclusion and purchase of property fund units in the investment portfolio, with the interest received reduced due to additional interest payments on debt and additional brokerage fees.

RESOLVED – (a) That the outturn 2017/18 Prudential Indicators within the submitted report and those in Appendix 1 be noted.

(b) That the Treasury Management Annual Report for 2017/18 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2017/18 Prudential Indicators to be noted.

(d) That the thanks and best wishes of this Committee be extended to the Finance Manager Treasury/Insurance.

A7. MANAGERS' ASSURANCE STATEMENTS – The Managing Director submitted a report (previously circulated) advising Members of the outcome of the 2017/18 Managers' Assurance Statements (MAS).

It was reported that the MAS were a key element of the Council's corporate governance arrangements and, based on the 2017/18 returns, had identified an overall positive position. The common improvement theme highlighted was the need to review and test Business Continuity Plans for identified priority services and this matter was to be progressed by Assistant Directors during 2018/19.

RESOLVED – That the report be noted.

A8. ANNUAL RISK MANAGEMENT UPDATE REPORT 2018/19 – The Managing Director submitted a report (previously circulated) updating Members on the approach to and outcomes from the Council’s Risk Management processes.

It was reported that positive progress continued to be made within the Authority regarding the management of key strategic risks and with the work undertaken by Officers to manage operational risk.

RESOLVED – That the submitted report be noted.

A9. AUDIT SERVICES ANNUAL AUDIT PLAN 2017/18 – The Audit and Risk Manager submitted a report (previously circulated) together with the Audit Services’ Audit Report for 2017/18.

It was reported that the Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council’s internal control environment and the Internal Audit service provided.

RESOLVED – That the annual report against the 2017/18 Annual Audit Plan be noted.

A10. AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 –PROGRESS REPORT – The Audit and Risk Manager submitted a report (previously circulated) providing Members with a progress report against the 2018/19 Annual Audit Plan, in accordance with the Audit Services’ role and terms of reference.

The submitted report outlined the progress to date on audit assignment work, consultancy/contingency activity and performance indicators and it was reported that good progress was being made across the shared service.

RESOLVED – That the progress made against the 2018/19 Annual Audit Plan be noted.

A11. ANNUAL GOVERNANCE STATEMENT – The Managing Director submitted a report (previously circulated) seeking approval of the Council’s Annual Governance Statement (also previously circulated), a key corporate document which involved a variety of people charged with delivering governance within the Authority and which was required to be published each year, to accompany the Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015.

It was reported that the Annual Governance Statement, outlined the Council’s responsibilities; explained the purpose of the governance framework, set out 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 Managing Director to ensure the continuous improvement of the system in place.

RESOLVED – That the draft Annual Governance Statement, as appended to the submitted report, be approved.

A12. ANNUAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS – The Audit and Risk Manager submitted a report (previously circulated) providing Members with the results of the external assessment of the Internal Audit service.

It was reported that an external peer review of the internal audit system was a requirement of the Public Sector Internal Audit Standards and must be performed at least once every four years and that, following that review, it had been concluded that the service complied with the Public Sector Internal Audit Standards.

RESOLVED – That the results of the external review be noted.