

**AUDIT COMMITTEE**  
Wednesday, 27 January 2021

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

**APOLOGIES** – Councillor Paley

**ABSENT** – Councillor McEwan

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

**OFFICERS IN ATTENDANCE** – Peter Carrick (Finance Manager Central/Treasury Management), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council) and Allison Hill (Democratic Officer)

**A27 DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

**A28 MINUTES**

Submitted – The Minutes (previously circulated) of the meetings of this Audit Committee held on 28 October and 18 November 2020.

**RESOLVED** – That the Minutes of the Audit Committee held on 28 October and 18 November be approved as a correct record.

**A29 ANNUAL AUDIT LETTER 2019/20**

The Managing Director submitted a report (previously circulated) together with a copy of the Annual Audit Letter for 2019/20.

It was reported that the Letter provided a high level summary of the results from the 2019/20 audit work undertaken by Ernst and Young LLP (EY), the Council's external auditors, for the benefit of Members and other interested parties and confirmed that the Council's accounts gave a true and fair view for the year ending 31 March, 2020 and that the Council had put in place proper arrangements to secure value for money in its use of resources.

**RESOLVED** – That the Annual Audit letter 2019/20 be noted

**A30 ACCOUNTING POLICIES TO BE APPLIED TO THE 2020/21 FINANCIAL STATEMENTS**

The Managing Director submitted a report (previously circulated) to update Members on the accounting policies to be applied in the preparation of the 2020/21 Statement of Accounts.

It was reported that the Accounting Policies, appended to the submitted report, are

defined in the CIPFA Code of Practice for Local Authority Accounting in the UK 2020/21 as the 'specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'.

The submitted report confirmed that the majority of the Accounting Policies used in the preparation of the 2019/20 Statement of Accounts remain appropriate.

**RESOLVED** – That the Accounting Policies be approved for their use in the preparation of the 2020/21 financial statements.

### **A31 FINAL ACCOUNTS TIMETABLE FOR THE YEAR ENDED 31 MARCH 2021**

The Managing Director submitted a report (previously circulated) updating Members on the Final Accounts Closedown Timetable for 2020/21.

It was reported that the timetable detailed target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines and highlighted that the timetable served as a tool for monitoring progress against the target dates to ensure compliance with the statutory deadlines.

It was also reported that the Audit Committee were responsible for approving the audited set of accounts on or before 31 July 2021; and due to a potential change in the regulations brought about by recommendations in the 'Redmond Review' (also appended to the submitted report); it was likely that the statutory deadlines would change to 31 July 2021 for the unaudited Statement of Accounts and 30 September 2021 for the full approval.

The Finance Manager closely monitors the achievement of the dates in the timetable throughout the final accounts period, following up delays and missed deadlines to ensure the overall timetable is achieved.

**RESOLVED** – That the key dates in the Final Accounts Timetable for 2020/21, as appended to the submitted report, be noted.

### **A32 INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING**

The Managing Director submitted a report (previously circulated) to update Members on the outcome of the Independent Review into the Oversight of Local audit and the Transparency of Local Authority Financial Reporting.

It was reported that in June 2019 the Secretary of State for the Ministry of Housing, Communities and Local Government invited Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local audit and Accountability Act 2014.

The submitted report summarised the findings and recommendations of the review and the subsequent Government response.

Members discussed additional training for Members of Audit Committee and the recommendation to appoint an Independent Person on the Audit Committee.

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

### **A33 MID YEAR RISK MANAGEMENT UPDATE 2020/21**

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 Risk Management was an essential part of effective and efficient management and planning and it strengthened the ability of the Council to achieve its objectives and enhance the value of the services provided.

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

The submitted report outlined these risks which are plotted on to a standard likelihood and impact matrix with reference to the management controls in place and working; and detailed progress made on improvement actions for those risks that had been identified as above the 'risk appetite line'.

Particular reference was made to the operational risk outcomes highlighted in the submitted report and in particular the risks associated with COVID-19 and services had reviewed their risk assessments to ensure Government guidance was being followed in relation to COVID-19 and identified any new hazards and risks that may be present due to changes in work activities.

**RESOLVED** – That the Mid Year Risk Management report be noted.

### **A34 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2021/22**

The Managing Director submitted a report (previously circulated) for Members of this Audit Committee to review and scrutinise the Prudential Indicators and Limits for 2021/22 to 2023/24 relating to capital expenditure and Treasury Management activity; a policy statement relating to the Minimum Revenue Provision; and the Treasury Management Strategy 2021/22, which includes the Annual Investment Strategy for 2021/22, prior to approval and adoption by Cabinet and Council.

The submitted report outlined the Council's Prudential Indicators for 2021/22-2023/24 and set out the expected treasury operations for this period and it was reported that the Council's expenditure plans, Treasury Management and Prudential Borrowing activities indicated that they were within the statutory framework and consistent with the relevant codes of practice; prudent, affordable and sustainable; and were an integral part of the Council's Revenue and Capital Medium Term Financial Plans.

The Council's Minimum Revenue Provision Policy sets out how the Council will pay

for capital assets through revenue each year and details of the policy statement for 2021/22 were included in the submitted report.

The submitted report also included a Treasury Management Strategy for 2021/22, which sets out how the Council's treasury service will support capital decisions taken, the day to day treasury management and the limitations on activity through treasury prudential indicators.

It was reported that the Strategy for 2021/22 will cover two main areas, Capital Issues and Treasury Management Issues and a summary of the key prudential indicators and limits were also contained within the submitted report; and these elements covered the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

It was also highlighted that the CIPFA Prudential code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management and training is arranged as required.

**RESOLVED** – That this Audit Committee is satisfied with the Prudential Indicators and Treasury Management Strategy for 2021/22 to 2023/24, the Minimum Revenue Provision statement, the Treasury Management Strategy 2021/22 to 2023/24 and the Annual Investment Strategy 2021/22, as presented in the submitted report, and that the report be forwarded to Cabinet for its onward referral to Council for consideration.

## **A35 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; provided feedback on the management of the risks on the corporate risk register; provided a breakdown of audit results against a set of key governance processes; provided a breakdown of audit work by functional service area within the Council; and highlighted progress against the balanced scorecard.

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