

**AUDIT COMMITTEE**  
Wednesday, 28 July 2021

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

**APOLOGIES** – Councillor Paley

**OFFICERS IN ATTENDANCE** – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Seth Pearson (Partnership Director), Andrew Barber (Audit and Risk Manager, Stockton Borough Council) and Allison Hill (Democratic Officer)

**A1 APPOINTMENT OF CHAIR FOR THE MUNICIPAL YEAR 2021/22**

**RESOLVED** – That Councillor Lee be appointed Chair of this Audit Committee for the Municipal Year 2021/22.

**A2 APPOINTMENT OF VICE CHAIR FOR THE MUNICIPAL YEAR 2021/22**

**RESOLVED** – That Councillor Crudass be appointed Vice Chair of this Audit Committee for the Municipal Year 2021/22.

**A3 DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

**A4 TO CONSIDER TIMES OF MEETINGS OF THIS COMMITTEE FOR THE MUNICIPAL YEAR 2021/22 ON THE DATES AGREED IN THE CALENDAR BY CABINET AT MINUTE C97/FEB/21**

**RESOLVED** – That meetings of this Audit Committee be held at 10.00 a.m. for the remainder of the Municipal Year 2021/22.

**A5 MINUTES**

Submitted – The Minutes (previously circulated) of the meetings of this Audit Committee held on 21 April 2021.

**RESOLVED** – That the Minutes of the Audit Committee held on 21 April 2021 be approved as a correct record.

**A6 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2020/21**

The Chief Executive 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 and the pandemic introduced urgent priorities for a number of the Partnership which in the case of the 11 to 19 partnership needed to take precedence over attending to governance actions. However, lead officers had not reported any divergence from established governance procedures.

The Chair confirmed that it was the role of the Audit Committee to monitor the work of the partnership.

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

#### **A7 ANNUAL RISK MANAGEMENT REPORT 2020/21**

The Chief Executive submitted a report (previously circulated) to update Members on the approach to and outcomes from the Council's Risk Management processes.

It was noted 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.

Particularly discussion ensued on the risks identified as above the risk appetite line in Corporate Risk in relation to Covid-19; Children and Adults Services; and Economic Growth and Neighbourhood Services

It was also reported that in relation to Operational Risk Outcomes the Insurance Group continues to meet representatives of the Council's insurers to examine insurance claims who are able to provide the group with an update in relation to trends and operational risks to enable continuous improvement to the health and safety culture within the organisation.

The Chair requested more information on a new risk identified in relation to additional funding provided by MHCLG for homelessness services and questioned if this had been received, how much and if this was sufficient for the authority's needs.

The Chair also raised a question on an area highlighted to watch in the coming year of Musculoskeletal absence from employees working from home and asked what was available for Members who were also spending more time using IT equipment.

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

#### **A8 MANAGERS' ASSURANCE STATEMENTS**

The Group Director of Operations submitted a report (previously circulated) advising Members of the outcome of the 2020/21 Managers' Assurance Statements (MAS).

It was reported that the MAS was a key element of the Council's corporate governance

arrangements and, based on the 2020/21 returns, had identified an overall positive position.

It was also reported that although no common improvement themes had been highlighted in the 2020/21 returns a number of improvements to process /controls were identified and these matters will be progressed by Assistant Directors during 2021/22.

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

#### **A9 FINAL ACCOUNTS UPDATE FOR THE YEAR ENDED 31 MARCH 2021**

The Group Director of Operations submitted a report (previously circulated) to provide Members with an update on the situation with regards to the Council's Annual Statement of Accounts (SoA) and Annual Governance Statement (AGS) for 2020/21.

It was reported that due to the ongoing Covid 19 pandemic the Accounts and Audit (Amendment) Regulations 2021 had been issued to update the statutory deadlines for publication of annual accounts. Whereas the original date for publication (and approval) was 31 July 2021 this had now been amended to 30 September 2021 as was mentioned in a report on the Redmond review to this Committee on 27 January 2021.

It was further reported that the unaudited SoA and AGS will be on the website by 31 July 2021, the external auditors Ernst and Young (EY) had informed the authority that they will not be in a position to deliver the audit by 30 September 2021 and will look to perform the audit throughout October and early November. An open letter to Chief Finance Officers and Audit Committee Chairs setting out the national stance of EY and the circumstances and background behind the position taken was also submitted with the report.

Members agreed to arrange a meeting with EY in September to provide an opportunity to raise any questions Members may have on the Audit.

**RESOLVED** – (a) That the position be noted.

(b) That, with the approval of the Chair, a special meeting of this Audit Committee be arranged in December 2021 to ensure the SoA and AGS is approved as quickly as possible.

#### **A10 EXTERNAL AUDIT PLAN 2020/21**

The Group Director of Operations submitted a report (previously circulated) together with a copy of the 2020/21 External Audit Planning Report (also previously circulated) which had been prepared by the Council's appointed external auditors, Ernst and Young (EY).

**RESOLVED** – That the External Audit Plan for 2020/21 be noted.

#### **A11 INTERNAL AUDIT ACTIVITY 2020/21**

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.

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

## **A12 INTERNAL AUDIT ANNUAL REPORT AND OPINION**

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with the annual report of the testing undertaken in the previous 12 months in accordance with Audit Services' role and terms of reference.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and performance indicators; and in relation to Audit Services' and highlighted that all agreed work had been completed.

It was reported that the shared service was a new service beginning 1 April 2017 and brought together two teams from different organisations as well as a new approach to delivering the audit opinion.

It was also 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 of the results of testing during the previous 12 months and the overall opinion statement be noted.

## **A13 TREASURY MANAGEMENT OUTTURN AND PRUDENTIAL INDICATORS 2020/21**

The Group Director of Operations submitted a report (previously circulated) to provide important information regarding the regulation and management of the Council's borrowing, investments and cash-flow, as a requirement of the Council's reporting procedures and outlined treasury activity for 2020/21.

The report also sought Members approval of the Prudential Indicators for 2020/21 in accordance with the Prudential Code.

It was reported that the financial year 2020/21 was an unprecedented year with regard to treasury management due to the ongoing Covid-19 pandemic. Cost of borrowing remained low throughout 2020/21 and due to the Covid-19 pandemic the cost of shorter term borrowing was anticipated to remain low for a number of years in the future. However, as Members are aware due to the recent low returns for cash investments new ways to improve investment returns are continually being sought.

The submitted report summarised the capital expenditure and financing for 2020/21; the Council's underlying borrowing need; the Treasury position as at 31 March 2021; prudential indicators and compliance issues; the economic background for 2020/21; a summary of the Treasury Management Strategy agreed for 2020/21; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2020/21 had been carried out in accordance with the Council policy and within legal limits; financing costs had been reduced during the year and a saving of £0.265m had been achieved from the original Medium-Term Financial Plan.

**RESOLVED** – (a) That the outturn 2020/21 Prudential Indicators within the submitted report and those in Appendix 1 be noted.

(b) That the Treasury Management Annual Report for 2020/21 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2020/21 Prudential Indicators to be noted.