

## **AUDIT COMMITTEE**

Wednesday, 29 September 2021

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

**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 Allison Hill (Democratic Officer)

### **A14 DECLARATIONS OF INTEREST**

There were no declarations of interested reported at the meeting.

### **A15 TO APPROVE THE MINUTES OF THIS COMMITTEE HELD ON 28 JULY 2021**

Submitted – The Minutes (previously circulated) of the Audit Committee held on 28 July 2021.

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

### **A16 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.

### **A17 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 provision of advice to ensure the Council's CCTV is compliant with the General Data Protection Regulations/Data Protection Act 2018 and the Protection of Freedoms Act 2012.

Members expressed their concern about the poor attendance/compliance in Children's Services noting the 41.38 per cent compliance figure against the 95 per cent target and requested information be provided to Members to give details on the reasons for poor compliance, what plan/intentions were in place to improve; and when compliance will be achieved.

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

**A18 MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2020/21**

The Group Director of Operations submitted a report (previously circulated) to seek Members approval of the revised Treasury Management Strategy, Prudential Indicators and provide Members with a mid-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; and the indicators were set out in three statutory reports namely, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update (which follows Council approval in February 2021 of the 2021/22 Prudential Indicators and Treasury Management Strategy).

The key objectives of the three annual 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 £174.081m and the Authorised Limit reduction to £237.156m 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 for 2021/22 due to schemes that have been estimated to have slipped into future years (around £10.8m) and the Housing programme being delayed due to Covid 19 and it was proposed to set an actual borrowing figure of £164.849m to accommodate the additional borrowing need and any debt requirements for cash flow.

Reference was also made to investments to include £30m in property funds which was expected to increase the net return on investments by approximately £0.700m in future years; and the Treasury Management Budget which was forecast to underspend by £0.243m in 2021/22.

Members discussed the projected base rate increase and how this will impact the authority.

**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

underspend in the revised Treasury Management Budget (Financing Costs).

#### **A19 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.

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

#### **A20 ANTI-FRAUD AND CORRUPTION STRATEGY 2021/22**

The Audit and Risk Manager submitted a report (previously circulated) to advise Members of the Anti-Fraud and Corruption Arrangements for the period 2021/22.

It was reported that estimates suggested that in excess of £300m is lost to fraud in local government and it was imperative to ensure the funds Council's have are not being lost to fraudsters.

The Chartered Institute of Public Finance and Accountancy (CIPFA) take the lead on providing advice and guidance to the sector on managing the fraud risk and also co-ordinate annual surveys of fraudulent activity detected across local government; they also published a Code of Practice on Managing the Risk of Fraud and Corruption in October 2014.

It was also reported that the 2021/22 Strategy (appended to the submitted report) had been developed in line with the code of practice with each of the five themes addressed and the format of the strategy had been redefined from previous versions to improve the visual appeal of the strategy and make it more effective.

The submitted report also gave an update on the actions identified in the 2020/21 Strategy.

Members discussed in particular the participation in the National Fraud Initiative (NFI) exercise and the process carried out every two years which involves data matching to look for anomalies (potential fraud).

Members also requested an update on payroll procurement be included in the next Audit Activity report to this Audit Committee.

**RESOLVED** – That the 2021/22 Anti-Fraud and Corruption Strategy be noted.

## **A21 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT**

The Assistant Director Law and Governance submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance.

The submitted report gave members an update of information about issues relevant to member standards since matters were reported to the Committee in April 2021 and also set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council.

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 and it was reported that, by reviewing these indicators, it was anticipated that any unusual or significant trends or changes in the volume of data recorded for the period concerned would alert the Authority to any deterioration in its ethical health and enable any necessary action to be taken at an early stage.

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.

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

## **A22 THE LOCAL GOVERNMENT ASSOCIATION MODEL CODE OF CONDUCT**

The Assistant Director Law and Governance and Monitoring Officer submitted a report (previously circulated) to give consideration to whether the Council should adopt a revised Code of Conduct based on the Local Government Association Model Councillor Code of Conduct in place of the current Members Code of Conduct

The submitted report set out details of the Local Government Association (LGA) Model Councillor Code of Conduct and provided a comparative analysis about the provisions of the LGA Model Code of Conduct with the Council's own Code of Conduct; and also outlined the reasons in favour of adoption of the LGA Model Code of Conduct and reasons not to adopt. It was proposed to adopt a revised Code of Conduct for this Council based on the LGA Model Councillor Code of Conduct but with some local modifications.

A Consultation Plan was also outlined in the submitted report for Members should they be minded to adopt the LGA Councillor Code of Conduct.

**RESOLVED** – That:

- (a) the LGA Model Code of Conduct be noted;
- (b) the revised Code of Conduct in the form as set out at **Appendix 1**, based on the LGA Model Councillor Code but with some local changes, be agreed in principle

appropriate to adopt and should be subject to further consultation; and

(c) the proposed consultation plan be approved; and

(d) and any changes to the Code of Conduct to be submitted to Council for approval and to agree the proposed consultation prior to the matter being considered by Council.