

**AUDIT COMMITTEE**  
Wednesday, 26 January 2022

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

**APOLOGIES** – Councillors Bartch and McEwan

**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) and Allison Hill (Democratic Officer)

**A23     DECLARATIONS OF INTEREST**

Councillor Baldwin advised the meeting that in respect of Item 4 that he was a member of the Teachers Pensions Scheme (the interest was insufficiently directly related to the item to be a disclosable interest but it was noted).

**A24     TO APPROVE THE MINUTES OF THE LAST MEETING OF THIS AUDIT COMMITTEE HELD ON 29 SEPTEMBER 2021**

Submitted – The Minutes (previously circulated) of the Audit Committee held on 29 September 2021.

**RESOLVED** – That the Minutes of the Audit Committee held on 29 September 2021 be approved as a correct record.

**A25     ACCOUNTING POLICIES TO BE APPLIED TO THE 2021/22 FINANCIAL STATEMENTS**

The Group Director of Operations submitted a report (previously circulated) to update Members on the accounting policies to be applied in the preparation of the 2021/22 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 2021/21 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 2020/21 Statement of Accounts remain appropriate.

**RESOLVED** – That the Accounting Policies be approved for their use in the preparation of the 2021/22 financial statements.

**A26     FINAL ACCOUNTS TIMETABLE FOR THE YEAR ENDED 31 MARCH 2022**

The Group Director of Operations submitted a report (previously circulated) to provide

Members with the Final Accounts Closedown Timetable for 2021/22.

It was reported that under the amended regulations it was the responsibility of the Group Director of Operations to sign and certify the unaudited Statement of Accounts (SoA) 2021/22 by no later than 31 July 2022 (was 31 May) and it was also the responsibility of the Audit Committee to approve the audited set of accounts on or before 30 September 2022 (was 31 July).

It was also reported that the timetable details the target dates for key actions in order to complete the Statement of Accounts (SoA) in line with statutory deadlines and serves as a tool for monitoring progress against the target dates to ensure compliance with the statutory deadlines; and confirmed that the enclosed timetable would still aim to comply with the original date of 31 May for the unaudited SoA and therefore less disruption to the normal work schedule of the Council.

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 2021/22, as appended to the submitted report, be noted.

#### **A27 APPOINTMENT OF EXTERNAL AUDITORS 2023/24 - 2027/28**

The Group Director of Operations submitted a report (previously circulated) to provide Members with the opportunity to contribute to the appointment of the External Auditors for the period 2023/24 to 2027/28.

The submitted report outlined that under the Local Government Audit & Accountability Act 2014 (“the Act”), the council is required to appoint an auditor to audit its accounts for each financial year.

It was reported that the council had three options ie. to appoint its own auditor, which required it to follow the procedure set out in the Act; to act jointly with other authorities to procure an auditor following the procedures in the Act; or to opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’ and the body currently designated for this role was the Public Sector Audit Appointments Limited (PSAA). Each of the three options were detailed in the submitted report.

Discussion ensued on the three options and the preferred option of this Audit Committee being to opt into the national scheme.

**RESOLVED** – That Members note the submitted report and options and recommend to full Council that Darlington accepts the PSAA invitation to opt into the national scheme for the appointment of external auditors for the 5 years from 1 April 2023.

#### **A28 MID YEAR RISK MANAGEMENT UPDATE REPORT 2021/22**

The Group Director of Operations 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'. Risk matrices that reflect the updated Council structure agreed by Council on 28 January 2021 were also attached to the submitted report and highlighted the current Council Corporate and Departmental risks.

Particular reference was made to the operational risk outcomes highlighted in the submitted report and in particular the risks associated with COVID-19 which were above the risk appetite line; and the new risks outlined in the submitted report.

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

#### **A29 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.

#### **A30 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY 2022/23**

The Group Director of Operations submitted a report (previously circulated) for Members of this Audit Committee to review and scrutinise the Prudential Indicators and Limits for 2022/23 to 2024/25 relating to capital expenditure and Treasury Management activity; a policy statement relating to the Minimum Revenue Provision; and the Treasury Management Strategy 2022/23, which includes the Annual Investment Strategy for 2022/23, prior to approval and adoption by Cabinet and Council.

The submitted report outlined the Council's Prudential Indicators for 2022/23- 2024/25 and set out the expected treasury operations for this period and it was reported that the Council's capital 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 2022/23 were included in the submitted report.

The submitted report also included a mid-year Treasury Management progress report to update members on the capital position, amending prudential indicators as necessary, and whether the treasury function was meeting the strategy or whether any policies required revision.

It was reported that the Treasury Management Strategy for 2022/23 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 was undertaken by a number of Members during two sessions held in September 2021 and further training will be arranged as required.

**RESOLVED** – That this Audit Committee is satisfied with the Prudential Indicators and Treasury Management Strategy for 2022/23 to 2024/25, the Minimum Revenue Provision statement, the Treasury Management Strategy 2022/23 to 2024/25 and the Annual Investment Strategy 2022/23, as presented in the submitted report, and that the report be forwarded to Cabinet for its onward referral to Council for consideration.