

## **AUDIT COMMITTEE**

Wednesday, 28 September 2022

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

**APOLOGIES** – Councillors Paley and Mrs H Scott,

**OFFICERS IN ATTENDANCE** – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Brett Nielsen (Assistant Director Resources), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Ian Miles (Assistant Director Xentrall Shared Services) and Allison Hill (Democratic Officer)

### **A12 DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

### **A13 TO APPROVE THE MINUTES OF THE AUDIT COMMITTEE HELD ON 20 JULY 2022**

Submitted – The Minutes (previously circulated) of the Audit Committee held on 20 July 2022.

**RESOLVED** – That the Minutes of the Audit Committee held on 20 July 2022 be approved as a correct record.

### **A14 ANNUAL GRANTS CERTIFICATION REPORT 2020/21**

The Group Director of Operations submitted a report (previously circulated) to present the Annual Grants Certification Report and the results of the external audit testing.

It was reported that the Council had engaged its external auditors Ernst and Young (EY) to act as reporting accountants (as per the regulations) in respect of the Housing Subsidy claim, Teachers Pensions and the Housing Pooling return; EY had not identified any significant issues that required being brought to the attention of Members from any of these claims; and the total charge for all of the grants was £21,500.

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

### **A15 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 2022 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 there were no particular issues of concern that had been identified from reviewing the data.

The submitted report also advised Members that the Independent Person, Joanne Kidd had been appointed by Her Majesty the Queen on advice from the Lord Chancellor to become a Circuit Judge and that there was currently a vacancy for this role, which was established by the Localism Act 2011 to appoint at least one Independent Person.

While the member complaints function is the primary role, an addition function was added by subsequent legislation, requiring that they should be consulted if there is a proposal to dismiss one of the council's statutory officers (ie Head of Paid Service, Chief Finance Officer or the Monitoring Officer). In this capacity the Independent Person would sit as a member of the Human Resources Advisory Panel.

It was also reported that in order provide cover in the event non availability or conflicts, to share the workload and to help and to provide greater resilience in the event of a vacancy, it was decided (should there be suitable candidates) to recruit two Independent Persons and the position was advertised on Jobs North East from 21 July 2022 to the closing date of 22 August 2022; and a Recruitment Panel was convened to shortlist and interviews were held on 9 September 2022 and Beverley Boal and Julie Mathieson were recommended to Council to approve appointment at its meeting on 29 September 2022.

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

(b) That the Audit Committee congratulate Joanne Kidd on her appointment and wish her well in her new role.

#### **A16 EXTERNAL AUDIT PLAN 2021/22**

The Group Director of Operations submitted a report (previously circulated) to present the External Audit Planning Report for 2021-22 prepared by the Council's appointed external auditors, Ernst & Young (EY).

A representative of Ernst and Young had intended to attend the meeting to present the report and answered Members questions thereon however apologies were submitted.

Members agreed that this was disappointing and requested that Members be given an opportunity meet with EY to discuss the External Audit Plan.

**RESOLVED** – That the External Audit Plan for 2021-22 be noted.

#### **A17 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.

Discussion ensued on digital exclusion and the Assistant Director Xentrall Shared Services advised Members that this had been recognised by the Council and that he would provide a further report to Members on digital divide.

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

#### **A18 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 was the Microsoft Office 365 Programme.

**RESOLVED** – That the report and progress on the implementation of the Information Governance Programme be noted.

#### **A19 MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2022/23**

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 2022 of the 2022/23 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 £156.699m and the Authorised Limit to £239.879m 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 revised estimates for 2022/23; and the reduction in Borrowing Need which was around £25.1m due to slippage in the Housing Programme and the Railway Heritage Quarter which was predominately grant funded.

Reference was also made to investments to include £30m in property funds which was expected to increase the net return on investments by around £0.340m in future years; and the Treasury Management Budget which was forecast to Outturn on budget in 2022/23, this will be reflected in the current MTFP projections.

Members discussed Table 7 of the submitted report and the recent increase in the interest rates and agreed that the report be updated prior to submission to Cabinet to reflect the current position regarding the interest rates.

**RESOLVED** – That the submitted report, with an update on the current position of interest rates, be referred to Council via Cabinet and that it be advised that this Audit Committee approves the revised prudential indicators and limits; and notes the Treasury Management Budget (Financing Costs) projected outturn.

## **A20 ANTI FRAUD AND CORRUPTION STRATEGY 2022/23**

The Audit and Risk Manager submitted a report (previously circulated) to advise Members of the Anti-Fraud and Corruption Arrangements for the period 2022/23.

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 Councils 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 containing five distinctive strands.

It was also reported that the 2022/23 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 2021/22 Strategy.

**RESOLVED** – That the 2022/23 Anti-Fraud and Corruption Strategy be noted.

## **A21 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 and results be noted.