

**AUDIT COMMITTEE**  
Wednesday, 19 July 2023

**PRESENT** – Councillors Durham, Garner, Henderson and McGill

**APOLOGIES** – Councillors Baker and Keir

**ABSENT** –

**ALSO IN ATTENDANCE** –

**OFFICERS IN ATTENDANCE** – Seth Pearson (Partnership Director), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Shirley Wright (Democratic Manager), Brett Nielsen (Assistant Director Resources) and Judith Murray (Finance Manager)

**A1 CHAIR**

**RESOLVED** – That Councillor Henderson be appointed Chair of this Committee for the Municipal Year 2023/24.

**A2 VICE-CHAIR**

**RESOLVED** – That Councillor Garner be appointed Vice-Chair of this Committee for the Municipal Year 2023/24.

**A3 TIME OF MEETINGS**

**A4 DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

**A5 MINUTES**

Submitted – The Minutes (previously circulated) of the Audit Committee held on 26 April 2023

**RESOLVED** – That the Minutes of the Audit Committee held on 26 April 2023 be approved as a correct record.

**A6 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIP 2022/23**

The Partnerships Director submitted a report (previously circulated) advising Members of the outcome of the annual review of significant partnerships.

It was reported that the Partnership toolkit had been adopted by Cabinet in March 2007 and provided a means to record that the performance of each partnership was monitored and

that good governance arrangements were in place.

The submitted report outlined the criteria for a partnership to be classed as significant, together with those partnerships in Darlington which were currently classed as significant and the process involved in assessing their achievements against their objectives and in identifying any areas for improvement or risk. A brief overview of each of the background to each of the partnerships and their roles was given at the meeting.

The Partnership Director assured the Committee that all of the significant partnerships in Darlington had provided evidence that they were performing well in pursuit of their objectives and that adequate governance arrangements were in place.

Discussion on the Joint Venue (JV's) arrangements which the Council were involved with and whether the criteria in relation to the annual expenditure for a partnership to be classed as significant should be reviewed. It was reported that JV's did not fall within the criteria of the significant partnerships and were covered by other Governance arrangements within the Council and that, in relation to the financing element of the criteria, it was reported that it was a higher priority to ensure that those partnerships which were classed a major contributor towards achieving the Council's objectives were included in the criteria for monitoring rather than its expenditure.

Particular reference was made to the Community Safety Partnership which, the submitted report highlighted, that, as part of the assessment, had quoted a range of threats and risks which it was monitoring carefully and, following questions by Members, it was confirmed that those threats and risks were not related to the actual work of the Partnership, they related to anti-social behaviour within the town, and that the highlighted risk to the Partnership was to ensure that any plans and operations were robust enough to deal with those issues.

Discussion also ensued on the varying ways in which the expenditure of the partnerships was recorded within the toolkit and the current position in relation to meetings of Creative Darlington.

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

## **A7 ANNUAL RISK MANAGEMENT UPDATE REPORT 2022/23**

The Chief Executive submitted a report (previously circulated) advising Members on the approach to and the outcomes of the Council's Risk Management process.

It was reported that Risk Management was an essential part of the effective and efficient management and planning which strengthened the ability of the Council to achieve its objective and enhance the value of services provided and that positive progress continued to be made within the Authority regarding the management of the key strategic risks and with the work undertaken by Officers to manage operational risk.

Members raised specific questions in relation to those risks contained within the submitted

report which had been identified as above the risk appetite line and Officers responded appropriately, specifically in relation to SR21 – Increased Demand for Children’s services impacts negatively on budget, SR8 - investment in regeneration projects not delivered and SR15 – Inability to cope with significant increase in homelessness cases following the impact of COVID. It was also reported that where a risk had been identified, a narrative would always be included against that in the submitted report.

Particular reference was also made to a number of new risks which had been identified which demonstrated that the risk management process was effective in identifying new and emerging risks, specifically in relation to the increase in the number of asylum seekers in Darlington, changes to the Deprivation of Liberty Safeguards threshold and the risk of enforcement action from the Information Commissioners Officer in relation to subject access requests

**RESOLVED** – That the Annual Risk Management report for 2022/23 be noted.

## **A8 MANAGERS' ASSURANCE STATEMENT**

The Group Director of Operations submitted a report (previously circulated) advising Members of the outcome of the 2022/23 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 2022/23 returns, had identified an overall positive position.

It was also reported that although no common improvement themes had been highlighted in the 2022/23 returns a number of improvements to process /controls were identified and these matters will be progressed by Assistant Directors during 2023/24.

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

## **A9 AUDIT SERVICES AUDIT WORK 2022/23 - ANNUAL REPORT**

The Assurance Manager submitted a report (previously circulated) to present 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 gave details of Audit Services’ all agreed work that had been completed.

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.

The Assurance Manager reported that the work of internal audit was agreed on a quarterly basis and that best practice required that audit resources should target those areas that

represented the greatest risk to the Council and, to support this principle, more frequent testing was undertaken on the areas which had the greatest impact in terms of managing those risks.

**RESOLVED** – That the annual report of the results of testing during the previous 12 months and the overall opinion statement be noted.

#### **A10 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.

It was reported that, in relation to the management of risks on the corporate risk register, the overall position was that the majority of risks had assurance of over 75 per cent with two emerging issues in relation to the control around the procurement of Deprivation of Liberty Assessors and compliance with the General Data Protections Requirements.

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

#### **A11 TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2022/23**

##### **TREASURY MANAGEMENT ANNUAL AND OUTTURN PRUDENTIAL INDICATORS 2022/23**

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 by regulations issued under the Local Government Act 2003 to produce an annual treasury management review and outlined treasury activity for 2022/23.

The report also sought Members approval of the Prudential Indicators results for 2022/23 in accordance with the Prudential Code.

It was reported that the financial year 2022/23 was another unprecedented year with regard to treasury management. With the invasion of Ukraine, the cost of living increases and inflation rising to over ten per cent, the cost of borrowing had risen steadily throughout 2022/23, starting the year at 0.75 per cent and finishing at 4.25 per cent. It was expected that the challenges would continue into 2023/24 with the cost of borrowing continuing to rise and, although the returns for cash investments have also increased due to higher interest rates they still remain below the cost of borrowing.

The submitted report summarised the capital expenditure and financing for 2022/23; the Council's overall borrowing need; the Treasury position as at 31 March 2023; prudential indicators and compliance issues; the economic background for 2022/23; a summary of the

Treasury Management Strategy agreed for 2022/23; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2022/23 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 £0.194m had been achieved from the original Medium-Term Financial Plan.

**RESOLVED** – (a) That the outturn 2022/23 Prudential Indicators within the submitted report and those in Appendix 1 be noted.

(b) That the Treasury Management Annual Report for 2022/23 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2022/23 Prudential Indicators to be noted.

## **A12 AUDIT OF ACCOUNTS 2020-21**

The Group Director of Operations submitted a paper (previously circulated) to present a report by the Council's external auditor's Ernst and Young LLP (EY) on the audit for the year ended 31<sup>st</sup> March 2021.

A representative from EY attended the committee and informed members that the 2020/21 is now completed subject to completion of their final audit procedures.

Members gave consideration to items that were classed as unadjusted audit differences in relation to the PFI liability and 2019/20 income recorded in 2020/21.

The Statement of Accounts 2020/21 and Letter of representation were signed off by the Chair of the Committee.

**RESOLVED** – (a) That the Auditors Audit results Report on the Councils 2020/21 financial statements be noted.

(b) That the Members note the Letter of representation in Appendix E of the Audit Results Report.

(c) That the Audit Committee is requested to approve the attached IFRS compliant Statement of Accounts at Annexe 2 for the 2020/21 financial year.