

AUDIT COMMITTEE
Monday, 22 July 2024

PRESENT – Councillors Baker, Durham, Garner, Henderson, Keir and McGill.

OFFICERS IN ATTENDANCE – Brett Nielsen (Assistant Director Resources), Judith Murray (Finance Manager), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council) and Paul Dalton (Democratic and Elections Officer).

A1 CHAIR

RESOLVED – That Councillor Henderson be appointed as Chair of this Committee for this Municipal Year 2024/25.

A2 VICE-CHAIR

RESOLVED – That Councillor Garner be appointed as Vice-Chair of this Committee for the Municipal Year 2024-25.

A3 TIME OF MEETINGS

RESOLVED – That meetings of this Audit Committee be held at 3.00 p.m. on the dates, as agreed on the calendar of meetings by Cabinet at Minute C106/Feb/24.

A4 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A5 TO APPROVE THE MINUTES OF THE MEETING OF THIS COMMITTEE HELD ON 8 APRIL 2024

Submitted – The Minutes (previously circulated) of the Audit Committee held on 8 April 2024.

RESOLVED – That the Minutes of the Audit Committee held on 8 April 2024, be approved as a correct record.

A6 AUDIT OF ACCOUNTS 2022/23 - AUDIT UPDATE

The Group Director of Operations submitted a report (previously circulated) to present an interim report by the Council's external auditor's Ernst and Young LLP (EY) on the Value for Money arrangements for the audit year 2022/23.

The report explained the work undertaken during the period 1 April 2022 to 31 March 2023. The report noted that following completion of the risk assessment procedures that no significant weaknesses were identified in the Councils VFM arrangements. A final update will be made as part of the Auditors Annual letter later in the year.

RESOLVED – That the Value for Money Interim Report be noted.

A7 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2023/24

The Partnerships Director submitted a report (previously circulated) advising Members of the outcome of the annual review of significant partnerships, and to enable the Committee to ensure that adequate governance arrangements were in place.

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.

Members clarified the roles of the Stronger Communities Board and the Voluntary Community Sector Engagement Group, and determined whether the Partnership toolkit remained fit for purpose

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

A8 ANNUAL RISK MANAGEMENT 2023/24

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.

Discussion ensued on Risk SR50 and the risk associated with not having a full audit undertaken by 30th September and the issue of a modified opinion. Members further entered into discussion on Risk SR12, the delays in the Blue Badge Scheme and the risks associated with that delay.

Members sought clarification around the term 'modified opinion', and the difficult position that Mazars would be in if a fully audited set of accounts were not produced for 22/23, as they would be unable to depend on a brought-forward figure for that financial year, with the likelihood that a disclaimer would be in place for the Council's brought-forward position. Members enquired on whether there was a potential breach of contract, and ascertained whether it would be possible to recover future costs from Ernst and Young LLP. Members also sought clarification in relation to the term 'unqualified'. Further to the backlogs, the Committee was keen to understand how the Council could come to an accepted position,

which there could be confidence in.

Members entered into discussion on the need for regional comparators in terms of sickness data, and the harm from substance misuse.

RESOLVED – That the Risk Management Report be noted.

A9 MANAGERS' ASSURANCE STATEMENTS

The Group Director of Operations submitted a report (previously circulated) advising Members of the outcome of the 2023/24 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 2023/24 returns, had identified an overall positive position. The report stated that the statements had been completed by all Assistant Directors or Heads of Service and endorsed by the appropriate director, which covered their areas of responsibility in 2023/24.

The report highlighted a number of improvements to process/controls and proposed actions were identified throughout the different areas of the Council, and that these matters would be progressed by Assistant Directors during 2024/25.

Members enquired as to what checks were in place to ensure actions were undertaken, and at what point Members maintained oversight. It was noted that Children's Services had fewer identified proposed actions than other service areas.

RESOLVED – That the contents of the report be noted.

A10 AUDIT SERVICES AUDIT WORK 2023/24 - 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.

Members entered into discussion on cash handling, Human Resources management, training and qualifications and Health and Safety.

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

A11 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, and that the planned work be agreed.

A12 TAXATION STRATEGY

The Group Director of Operations submitted a report (previously circulated) to present the proposed Taxation Strategy for the Council.

The report included how the Tax Strategy sets out the overall framework for the Council's management of its tax affairs. The Finance Act 2016 Schedule 19 sets out what should be included in a Tax Strategy, the report explains that the Council is not required to publish a Tax Strategy however it is good practice to do so and demonstrates the Council's commitment.

The report also included the key components of the Tax Strategy these included The Council's approach to risk management and governance arrangements in relation to taxation, The Council's attitude towards tax planning, The level of risk in relation to taxation that the Council is prepared to accept, and the Council's approach towards its dealings with His Majesty's Revenues and Customs (HMRC).

RESOLVED – That the proposed Tax Strategy be noted.

A13 TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2023/24

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 2023/24.

The report also sought Members approval of the Prudential Indicators results for 2023/24 in accordance with the Prudential Code.

It was reported that the financial year 2023/24 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 4.25 per cent and finishing at 5.25 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 2023/24; the Council's overall borrowing need; the Treasury position as at 31 March 2024; prudential indicators and compliance issues; the economic background for 2023/24; a summary of the Treasury Management Strategy agreed for 2023/24; and performance and risk benchmarking.

The report explained that the Council's external debt was £152.878m which is £14.864m more than the previous year, this increase relates to the progression of various capital schemes and the rise in costs of these schemes due to inflationary pressure. Financing costs had been reduced during the year and a saving of £0.735m had been achieved from the original Medium-Term Financial Plan.

Discussion ensued on net borrowing and the monies owed back to the Council from the Tees Valley Combined Authority, the value of the Property Fund, the reason for the higher than approved Capital Financing Requirement outturn, the Treasury position on Property Fund Borrowing, the return on short-term investments, the delay in receiving a revised cashflow for the Joint Venture and the 'cost of carry' which remained during the year on long-term borrowing that was not immediately used to finance capital expenditure.

RESOLVED – (a) That the 2023/24 Prudential Indicators within the submitted report and those in Appendix 1 of the submitted report, be noted.

(b) That the Treasury Management Annual Report for 2023/24 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2023/24 Prudential Indicators to be noted.