

AUDIT COMMITTEE

Monday, 4 November 2024

PRESENT – Councillors , Baker, Garner, Henderson, Keir, McGill and Porter

ABSENT – Councillors Durham

ALSO IN ATTENDANCE – Councillor Porter

OFFICERS IN ATTENDANCE – Luke Swinhoe (Assistant Director Law and Governance), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Andy Evans (Head of ICT Services - Xentrall Shared Services), Brett Nielsen (Assistant Director Resources), Judith Murray (Finance Manager), Olivia Hugill (Democratic Officer) Gavin Barker (Forvis Mazars) and Campbell Deardren (Forvis Mazars)

A14 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A15 TO APPROVE THE MINUTES OF THIS AUDIT COMMITTEE HELD ON 22 JULY 2024

Submitted – The Minutes (previously circulated) of the Audit Committee held on 22 July 2024.

RESOLVED – That the Minutes of the Audit Committee held on 22 July 2024 be approved as a correct record.

A16 COUNCIL CONSTITUTION UPDATE

The Assistant Director Law and Governance submitted a report (previously circulated) for Members to consider the Constitution update in relation to the Audit Committee.

The report included the proposal about the terms of reference of the Audit Committee. The report explained that the rationale for the change was to make the terms of reference easier to read and align with the formats used for other committees.

The report explained that the amended text was based on the terms of reference that were used by Stockton on Tees Council but with some minor amendments. Other changes the report included was the proposals concerning the Budget and Policy Framework, Whistleblowing Policy, Etc.

Members discussed how Audit Committee Terms of Reference did not include procedures, but all other Committees did. Officers advised that Audit Committee has never held procedures, however if this was something that Members would like it could be considered.

Members discussed the CIPFA (Chartered Institute of Public Finance and Accountancy) guidance for Audit Committee and if this could be referred into the Constitution update.

Conversation ensued around the distribution and allocation of government grant funding, Members wanted to understand at what amount of funding are other Members and Portfolio Holders notified.

RESOLVED – That Members noted the report.

A17 REVIEW OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS

The Audit and Risk Manager submitted a report (previously circulated) to advise Members of the Anti-Fraud and Corruption Arrangements for the period 2024/25.

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

Guidance and advice to authorities on managing its fraud risk was provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) which also co-ordinated an annual survey of fraudulent activity detected across local government and which had published a Code of Practice on Managing the Risk of Fraud and Corruption in October 2014.

It was reported that the Council's 2024/25 Strategy (also previously circulated) had been developed in line with CIPFA's code of practice and that the format of the strategy had been redefined from previous versions to improve its visual appeal and make it more effective.

The submitted report also gave an update on the progress against the actions identified in the 2023/24 Strategy.

RESOLVED – That the 2024/25 Anti-Fraud and Corruption Strategy be noted.

A18 ANNUAL STATEMENT OF ACCOUNTS 2022/23

The Finance Manager gave a verbal update to the Committee regarding the Annual Statement of Accounts 2022/23.

It was explained the upcoming Special Meeting of the Audit Committee on the 25th of November 2024, will give the report of the Annual Statement of Accounts 2022/23 from the External Auditors Ernst and Young (EY) and that officers had been advised that this is on track.

A19 INFORMATION GOVERNANCE WORK PROGRAMME - PROGRESS REPORT (SIX MONTHLY)

The Executive Director of Resources and Governance submitted a report (previously circulated) providing 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, of the ongoing work, the area of highest priority was the Microsoft Office 365 Programme which was being rolled out across the Council, with a number of services now being fully operational through a Microsoft teams interface having had all files migrated into a Microsoft Teams structure

Discussion ensued around the backup of systems, what would happen if there would be a cyber attack on Microsoft 365.

Conversation ensued around Artificial Intelligence, officers are aware of the potential benefits but until there is a better understanding, AI has been blocked on Council software.

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

A20 ICT STRATEGY - IMPLEMENTATION PROGRESS - SIX MONTHLY

The Head of ICT Services – 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 three strategic themes of the Strategy.

RESOLVED – That the report be noted.

A21 MID-YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT 2024/25

The Executive Director of Resources and Governance 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 this Committee were requested to forward the revised Strategy and indicators to Cabinet and Council for their approval and to note the changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

It was reported that the mandatory Prudential Code, which governed 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 2024 of the 2024/25 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 £179.323 million and the Authorised Limit to £259.628 million to allow for any additional cashflow requirement.

Officers presented update information at the meeting and answered a number of technical questions from Members in relation to the report.

RESOLVED – That the submitted report 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.

A22 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT (6 MONTHLY)

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 2024 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.

Discussion ensued around the code of conduct, Members wanted to know if there was any training available regarding when the code of conduct does or does not apply. Conversation carried out with regards to complaints and whether the complaint form included the code of conduct.

Members discussed the number of complaints with regards to Housing and whether the reasoning for this was due to COVID and how there is a bag log with repairs.

RESOLVED – That the report be noted.

A23 INTERNAL AUDIT 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.

A24 AUDIT PROGRESS REPORT - MAZARS

The Audit Director from Forvis Mazars gave an update regarding the audit planning and risk assessment for the 2023/24 value for money work.

The report from Mazars explained that following the consultation initiated in February, the Government published its proposals to address the significant backlog in local government annual accounts audits.

The report detailed the impacts on the 2023/24 audit of Darlington Council, The value for money arrangements, the identified risks of significant weakness in arrangements and the National Publications.

It was also reported that a Special Meeting of this Committee should be arranged to sign of the 2023/24 accounts in February as the deadline for the accounts to be approved is the 28th of February.

Members wanted to understand whether the narrative will be written until the financial settlement had been received.

Members questioned whether any other local authorities were in a similar position with the backlog, and if there was any room for negotiations if the rates are rising.