

**AUDIT COMMITTEE**  
Wednesday, 19 June 2019

**PRESENT** – Councillors Crudass, Durham, Howell, McEwan and Paley

**APOLOGIES** – Councillors Baldwin

**OFFICERS IN ATTENDANCE** – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Chris Oates (ICT Strategy and Operations Manager), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Allison Hill (Democratic Officer) and Mark Outterside (Ernst Young LLP)

**A1 APPOINTMENT OF CHAIR AND VICE-CHAIR FOR THE MUNICIPAL YEAR 2019/20.**

**RESOLVED** – (a) That Councillor Durham be appointed Chair of this Audit Committee for the Municipal Year 2019/20.

(b) That Councillor Baldwin be appointed Vice-Chair of this Audit Committee for the Municipal Year 2019/20.

**A2 DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

**A3 TO CONSIDER THE TIMES OF MEETINGS OF THIS COMMITTEE FOR THE MUNICIPAL YEAR 2019/20**

**RESOLVED** - That meetings of this Audit Committee be held at 9.30 a.m. for the remainder of the Municipal Year 2019/20.

**A4 MINUTES**

Submitted – The minutes (previously circulated) of a meeting of this Audit Committee held on 30 January, 2019.

**RESOLVED** – That the Minutes be approved as a correct record.

**A5 ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT**

The Assistant Director Xentrall Shared Services submitted a report (previously circulated) on the progress in relation to the implementation of the ICT Strategy.

The submitted report stated that the ICT Strategy focussed on three strategic priorities of ICT Governance and Service Development, ICT Strategic Architecture and Council Service Development and Transformation.

Details of the progress against each of the strategic priorities was included within the submitted report.

Members' questions on the submitted report were in relation to an expected time for the development of a new voice and data network; horizon scanning and thinking for future technology regionally and nationally; the continued development of Microsoft 365 and cyber security; and expanding the use of Modern Gov to Council Members.

**RESOLVED** – That the progress on the implementation of the ICT Strategy be noted.

## **A6 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT**

The Managing Director submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance.

The submitted report updated Members on recent work undertaken by the Committee on Standards in Public Life (CSPL). The recommendations made by the CSPL following the completion of the 'Review of Local Government Ethical Standards' were set out. Details of the response of the Government to the CSPL report on 'Intimidation in Public Life' were also included.

The submitted report also set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council and it was reported that, by reviewing these indicators, it was anticipated that any unusual or significant trends or changes in the volume of data recorded for the period concerned would alert the Authority to any deterioration in its ethical health and enable any necessary action to be taken at an early stage.

It was reported that there were no particular areas of concern that had been identified from reviewing the data.

Members questions related to whistleblowing and if there was any correlation to disciplinary action relating to fraud and the potential reasons for the upturn of Freedom of Information requests.

**RESOLVED** – That the report and statistical information contained therein be noted.

## **A7 INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT**

The Managing Director submitted a report (previously circulated) on the progress and planned developments of the information governance programme.

It was reported that information governance remains an 'above the line' risk on the Corporate Risk Register, however delivery of the programme would provide the assurance required and would reduce the information risks to an acceptable level.

The submitted report outlined the most recent work undertaken, together with those areas of highest priority within the programme, with particular reference made to the delivery of the compliance programme for General Data Protection Regulations (GDPR).

General discussion ensued on the on-line mandatory information governance training and whether this should also be mandatory for Council Members.

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

**A8 EXTERNAL AUDIT PLAN 2018/19**

The Managing Director submitted a report (previously circulated) together with a copy of the 2018/19 External Audit Planning Report (also previously circulated) which had been prepared by the Council's appointed external auditors, Ernst and Young (EY).

Mark Outterside, a representative of EY attended the meeting to present the report and to answer Members questions thereon.

**RESOLVED** – That the External Audit Plan for 2018/19 be noted.

**A9 ANNUAL GRANTS CERTIFICATION REPORT 2017/18**

The Managing Director submitted a report (previously circulated) together with a report (also previously circulated) produced by Ernst and Young (EY), which summarised the high level results of its grants certification testing.

It was reported that the external audit work undertaken had identified that the claim certified, worth a net total of £36,173,967, required a qualification letter, although no amendment was made to the claim.

In addition, it was reported that Ernst and Young had also audited two claims that fell outside of the Public Sector Audit Appointments arrangements, in relation to Teachers' Pension and the Housing Pooling return, and that no significant issues from either of those claims had been identified.

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

**A10 AUDIT SERVICES - AUDIT CHARTER, ANNUAL AUDIT PLAN 2019-20 AND QUALITY ASSURANCE AND IMPROVEMENT PROCESS**

The Audit and Risk Manager submitted a report (previously circulated) presenting the Audit Services' Audit Plan for 2019/20, associated performance indicators and Audit Charter (also previously circulated).

It was reported that a Charter had been developed which outlined how the service would meet the statutory requirements and how the Audit Plan would be developed and that a Strategic Plan and a Quality Assurance and Improvement Plan (QAIP) had also been developed.

The submitted report also highlighted that an internal audit service would no longer be provided to the Tees Valley Combined Authority.

Members discussed the strategic plan that had been developed and the risk rating element and how this was determined; allocation of the service between Darlington Borough Council and Stockton on Tees Borough Council; and the resources available to cover both authorities sufficiently.

**RESOLVED** – (a) That the Internal Audit Charter, as appended to the submitted report, and the rights of access therein, be approved.

(b) That the proposed Audit Plan for 2019/20, as appended to the submitted report, be approved.

(c) That the indicative strategic Audit Plan for 2019/2023 and the estimated resources available to deliver that Plan be noted;

(d) That the Quality, Assurance and Improvement Programme (QAIP), as appended to the submitted report, which will be used to monitor the service throughout the year, be noted.

#### **A11 AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 - PROGRESS REPORT**

The Audit and Risk Manager submitted a report (previously circulated) updating Members on the progress against the 2018/19 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

The submitted report outlined the progress to date on audit assignment work, consultancy/contingency activity and performance indicators and it was reported that there was good progress to date.

It was reported that out of the planned audits, 62 had been completed as of 1 May 2019; six were still in progress and 8 under review.

**RESOLVED** – That the progress report against the 2018/19 Annual Audit Plan be noted.

#### **A12 ANTI-FRAUD AND CORRUPTION STRATEGY 2019/20**

The Audit and Risk Manager submitted a report (previously circulated) advising Members of the Council's anti-fraud and corruption arrangements for the period 2019/20.

It was reported that the Anti-Fraud and Corruption Strategy which had been developed in line with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and addressed the five key themes within that Code, had been endorsed by senior management with a foreword provided by the Assistant Director Resources as the responsible finance officer and the Chair of this Committee.

**RESOLVED** – That the Anti-Fraud and Corruption Strategy, as appended to the submitted report, be approved.

#### **A13 ACCOUNTING POLICIES TO BE APPLIED TO THE 2018/19 FINANCIAL STATEMENTS**

The Managing Director submitted a report (previously circulated) updating Members on the accounting policies to be applied in the preparation of the 2018/19 Statement of Accounts (SoA).

It was reported that the proposed accounting policies, defined within the Code of Practice, were in line with those used in the preparation of the 2017/18 accounts, with the exception of Accruals of Income and Expenditure and Financial Instruments which had been updated.

Reference was also made to the role of this Committee in specifically considering whether the accounting policies had been followed.

The submitted report highlighted the requirement of the Council to produce Group Accounts which was due to increased activity in the Joint Venture market, and that the SoA would be required to reflect the Council's share of joint ventures in the financial statements.

**RESOLVED** – That the accounting policies be noted and approved for use in the preparation of the 2018/19 financial statements.

#### **A14 FINAL ACCOUNTS TIMETABLE FOR THE YEAR ENDED 31 MARCH 2019**

The Managing Director submitted a report (previously circulated) updating Members on the Final Accounts Closedown Timetable for 2018/19.

It was reported that the timetable detailed target dates for key actions in order to complete the Statement of Accounts (SoA) in line with statutory deadlines and the timetable served as a tool for monitoring progress against the target dates, ensuring compliance with the statutory deadlines.

**RESOLVED** – That the key dates in the Final Accounts Timetable for 2018/19, as appended to the submitted report, be noted.