

AUDIT COMMITTEE
Wednesday, 31 July 2019

PRESENT – Councillors Durham (Chair), Baldwin, Crudass, Howell and McEwan

APOLOGIES – Councillor Paley

ALSO IN ATTENDANCE – Nicola Wright and Claire Mellons (Ernst and Young LLP)

OFFICERS IN ATTENDANCE – Peter Carrick (Finance Manager Central/Treasury Management), Andrew Barber (Audit and Risk Manager, Stockton Borough Council) and Allison Hill (Democratic Officer)

A15 DECLARATIONS OF INTEREST

RESOLVED – There were no declarations of interest reported at this meeting.

A16 MINUTES

Submitted – The Minutes (previously circulated) of a meeting of this Committee held on 19 June 2019.

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

A17 TREASURY MANAGEMENT ANNUAL AND OUTTURN PRUDENTIAL INDICATORS 2018/19

The Managing Director 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 outlined treasury activity for 2018/19.

The report also sought Members approval of the Prudential Indicators for 2018/19 in accordance with the Prudential Code.

It was reported that for the financial year 2018/19 presented similar circumstances to 2017/18 with regard to treasury management and the main implications of this for the Council were included in the submitted report.

The submitted report summarised the capital expenditure and financing for 2018/19; the Council's underlying borrowing need; the Treasury position as at 31 March 2019; prudential indicators and compliance issues; the economic background for 2018/19; treasury management activity during 2018/19; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2018/19 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 £0.661m had been achieved from the original Medium-Term Financial Plan.

RESOLVED – (a) That the outturn 2018/19 Prudential Indicators within the submitted report and those in Appendix 1 be noted.

(b) That the Treasury Management Annual Report for 2018/19 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2018/19 Prudential Indicators to be noted.

A18 ANNUAL RISK MANAGEMENT REPORT 2018/19

The Managing Director submitted a report (previously circulated) to update Members on the approach to and outcomes from the Council's Risk Management processes.

It was noted that progress continued to be made within the Authority regarding the management of key strategic risks and with the work undertaken by Officers to manage operational risk.

Particularly discussion ensued on the risks identified as above the risk appetite line in relation to Children and Adults.

RESOLVED – That the submitted report be noted.

A19 MANAGERS' ASSURANCE STATEMENTS

The Managing Director submitted a report (previously circulated) advising Members of the outcome of the 2018/19 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 2018/19 returns, had identified an overall positive position.

It was also reported that although no common improvement themes had been highlighted in the 2018/19 returns, other matters raised included ensuring inventories are up to date, robust information management arrangements to be in place and to ensure that officers are fully aware of risk and financial management processes and the role and responsibility of the Monitoring Officer and Section 151 Officer. These matters to be progressed by the Assistant Directors during 2019/20.

RESOLVED – That the report be noted.

A20 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2018/19

The Managing Director submitted a report (previously circulated) presenting the outcome of the annual review of significant partnerships to enable this Committee to consider the partnerships that the Council was involved with and to ensure that they had adequate governance arrangements in place.

It was reported that, through the principles of the partnership toolkit, the Council had an established approach to monitoring the significant partnerships it was involved with and, as a result, there were good governance arrangements in place for these

partnerships and that they were delivering well against their objectives.

It was also reported that the toolkit had been effective in identifying high level concerns of the significant partnerships, the most common of which were levels of resourcing, uncertainty as a result of the emerging policy and fundamental changes in operating landscape.

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

A21 AUDIT OF ACCOUNTS 2018/19

The Managing Director submitted a report (previously circulated) providing Members with information on the outcomes of the external audit by Ernst and Young LLP (EY), of the Council's accounts for the year ended 31 March 2019.

It was reported that, in accordance with statutory requirements, EY had audited the accounts and a copy of the report which outlined the results of their findings from the audit were outlined in the plan presented to this Committee in March 2019.

Nicola Wright from EY advised Members that the audit work on the accounts had been completed and that an unqualified opinion on the Council's 2018/19 accounts would be issued; concluded that the Council had put in place proper arrangements to secure value for money in its use of resources; and confirmed that the Council's Annual Governance Statement was not misleading or inconsistent with other information known to them.

RESOLVED - (a) That the Auditors ISA 260 report on the Council's 2018/19 financial statements be noted.

(b) That the IFRS compliant Statement of Accounts for the 2018/19 financial year be approved.

A22 AUDIT SERVICES ANNUAL AUDIT PLAN 2019/20 - PROGRESS REPORT

The Audit and Risk Manager submitted a report (previously circulated) providing Members with a progress report against the 2019/20 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 good progress had been made to date.

RESOLVED – That the progress made against the 2019/20 Annual Audit Plan be noted.

A23 AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 - ANNUAL REPORT

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with the annual report against the 2018/19 Annual Audit Plan 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 in relation to Audit Services' and highlighted that all agreed work had been completed.

It was 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.

RESOLVED – That the annual report against the 2018/19 Annual Audit plan be noted.

A24 ANNUAL GOVERNANCE STATEMENT

The Managing Director submitted a report (previously circulated) seeking approval of the Council's draft Annual Governance Statement (also previously circulated), a key corporate document which involved a variety of people charged with delivering governance within the Authority and which was required to be published each year, to accompany the Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015.

It was reported that the Annual Governance Statement outlined the Council's responsibilities; explained the purpose of the governance framework; set out key elements; detailed the review of its effectiveness; and highlighted any significant governance issues; and included a commitment by the Leader of the Council and the Managing Director to ensure the continuous improvement of the system in place.

Members discussed Paragraph 46 of the submitted report in relation to the Local Plan and agreed an amendment to the timetable for the Local Plan to be submitted for inspection.

RESOLVED – That the draft Annual Governance Statement, as appended to the submitted report, be approved with the following amendment to Paragraph 46 of the submitted report as follows :-

'An up to date Plan is essential to meeting the development needs of the Borough and ensuring the Council can shape and are in control of development. The new Local Plan will cover the period 2016 to 2036. The revised timetable is that the Local Plan to be submitted for inspection in 2020 (with adoption likely in 2020). A revised timetable will be considered by Members for approval in due course'.