

Audit Committee

A meeting of Audit Committee was held on Monday, 25th February, 2019.

Present: Cllr Barry Woodhouse(Chairman), Cllr Chris Barlow(Vice-Chairman), Cllr Stefan Houghton, Cllr Eileen Johnson, Cllr Ross Paterson, Cllr Paul Rowling, Cllr Mick Stoker,

Officers: Andrew Barber, Andy Bryson, Derek Macdonald, (D of F&BS), Sarah Whaley(DCE)

Also in attendance: Gavin Barker, Gareth Roberts (Mazars)

Apologies: Cllr Mrs Kathryn Nelson, Cllr Laura Tunney

A Evacuation Procedure

37/18

The Evacuation Procedure was noted.

A Declarations of Interest

38/18

There were no declarations of interest.

A Minutes from the Audit Committee meeting which was held on the 26th November 2018.

39/18

Consideration was given to the minutes from the meeting which was held on the 26th January 2019 for approval and signature.

RESOLVED that the minutes be approved and signed as a correct record by the Chairman.

A External Audit Progress Report

40/18

Consideration was given to the External Audit Progress Report, the purpose of which was to provide the Audit Committee with a report on progress in delivering Mazars responsibilities as Stockton Borough Councils external auditors.

Since the Audit Committee last met Mazars had:

- held internal planning meetings as part of Mazars planning process for the 2018/19 audit;

- had update meetings with finance in respect of planning for the 2018/19 interim and final audit visits;

- undertaken planning work to refresh Mazars documentation in respect of the Council's systems (including undertaking walkthrough testing);

- refreshed Mazars understanding of the processes in place at the Council that inform the preparation of the financial statements;

- undertaken Mazars risk assessment as part of planning for their 2018/19 VFM conclusion;

- developed Mazars joint liaison protocol with Internal Audit; and
- prepared Mazars Audit Strategy Memorandum, which was being presented to the Audit Committee as a separate item at the February 2019 meeting.

Mazars work was on track, and there were no significant matters arising from the work that they were required to report to the Audit Committee at this stage.

RESOLVED that the report be noted.

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41/18 **External Audit Certification of Claims and Returns**

Members were presented with a letter detailing the results of certification work 2017-18.

Member's attention was brought to the Housing Benefit Subsidy fee which had been set by the PSAA which was detailed within the report.

Mazars informed the committee that the indicative fee which was set by PSAA could vary from year to year, however there had been no change from the indicative to the final fee.

RESOLVED that the report be noted.

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42/18 **External Audit Strategy Management and Value for Money Report**

Members were presented with The External Audit Strategy Memorandum and Value for Money (VFM) report which set out Mazars audit plan in respect of the audit of Stockton-On-Tees Borough Council for the year ending 31 March 2019.

The purpose of the report was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements, and provide Stockton Borough Council with details of Mazars Audit Team, as it was a fundamental requirement that an auditor was, and seen to be, independent of its clients. Section 7 of the document also summarised Mazars considerations and conclusions on their independence as auditors.

Gareth Roberts of Mazars introduced Gavin Barker who had recently been appointed the new engagement lead for Stockton Borough Council.

The key topics discussed were as follows:

- Brief discussion took place around the 'Engagement and Responsibilities Summary', in terms of what responsibility lay with the Councils management team. It was explained to the committee that Mazars gave reasonable assurance not absolute assurance.
- In terms of the Audit Scope and Timeline, the planning phase was now complete and Mazars were now into the interim phase. The fieldwork phase required much detailed work and would be undertaken during June - July 2019.
- Mazars briefly explained that they were now responsible for the audit of the

group financial statements which consolidated the Council's single entity accounts with the components of Stockton Borough Holding Company Ltd and Stockton Hotels Company Limited and the details of what Mazars group audit approach would include for 2018/19.

- In terms of 'Significant Risks and Key Judgement Areas', three areas of risk had been identified which were, Management override of controls, Property, plant and equipment valuation, and Defined benefit and liability valuation. These were typical for this sector.

- Mazars approach to 'Value for Money' (VFM) was that Mazars were not making a judgement as to whether the Council were giving value for money, but to conclude whether the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- Brief discussion took place around 'Fees for Audit and Other Services', 'Mazars Commitment To Independence' and 'Materiality and Misstatements', details of which were all contained within the main report.

Members were given the opportunity to ask questions / make comments. These could be summarised as follows:

- The Chair of the Audit Committee expressed that he felt Stockton Borough Council was a very prudent authority and provided value for money.

- Questions were raised in relation to Audit training being provided by Mazars. Mazars were happy to provide this to the Audit Committee after the Local Elections.

- Concerns were raised by Members regarding council decisions relating to setting budgets and the impact it had on services if there were gaps in the budget, and if decisions were made not to increase Council Tax to bridge the gap. Members referred to the recent issues at Northamptonshire County Council. Mazars explained that, if necessary, they could highlight a gap in the budget and measures that might be needed including consideration of cost reductions, an increase in Council Tax was or other streams of revenue to bridge the gap. External Auditors could issue a public interest report if they felt significant issues needed to be addressed.

RESOLVED that the report be noted.

A 43/18 Internal Audit Progress Report

Consideration was given to the Internal Audit Report Q3 which provided Members with an update of the work carried out by the Internal Audit Section and the progress made against the Audit Plan 2018/19.

Internal Audit was an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal controls. This role ensured that there was proper economic, efficient and effective use of resources. It also ensured that the Council had adequate accounting records and control systems.

Committee Members were reminded that the list of audit assignments undertaken in the current year to date had been circulated to all Councillors prior to the meeting. The intention was to give Councillors the opportunity to raise questions on issues that affected their ward or other areas of responsibility and for answers to be provided at the meeting.

The key topics discussed were as follows:

- All planned Audits were on target to be complete by the agreed deadline.
- There had been no unplanned or deferred audits.
- Questions were raised as to whether the Council's Audit Team, audited Town Councils. Officers informed the Committee that Town Councils were responsible for their own audits and that they did not feed their results into the Council.

RESOLVED that the report be noted.

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44/18** **Internal Audit Charter and Audit Plan**

Members were asked to consider a report which advised Members of the Internal Audit Charter and proposed annual Audit Plan for the coming financial year 2019-2020.

The main topics discussed were as follows:

- Officers informed Members that from April 2019 the service would no longer deliver the internal audit function to the Tees Valley Combined Authority.
- Members attention was briefly drawn to the Public Sector Internal Audit Standards which were published on 18th December 2012 and updated in March 2016.
- The Council used the risk assessment process, and all risks had been updated in the last 3 months and was discussed with the Senior Management Team and the Councils External Auditors, Mazars.
- Following the assumption that the same level of annual resources detailed within the main report would be available for the entire period 2019-2023, the plan was in essence balanced and therefore there was sufficient resources available to achieve the strategic plan as detailed within the main report.
- The Audit for the Tees Valley Music Service had been brought forward.
- The joining together of Stockton and Darlington's Audit Team was going extremely well with a full audit plan in both authorities.

RESOLVED that:

- 1) The Audit Committee approve the Internal Audit Charter and the rights of access conferred within.
- 2) The Audit Committee approve the proposed Audit Plan for 2019-2020.

3) The Audit Committee note the indicative strategic Audit Plan for 2020-2023 and the estimated resources available to deliver that plan.

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45/18

Corporate Risk Register

Consideration was given to the Corporate Risk Register Q3 report.

The Committee were reminded that quarterly reports on the Corporate Risk Register were presented for the purpose of reviewing the key risks that had been identified as having the potential to deflect services from achieving their objectives over the next 12 months and beyond. They also set out the actions being taken to ensure that the risks, and possible adverse outcomes, were minimised.

As a reminder, risks were scored on a scale of one to five for both 'impact' and 'likelihood'. The scores were multiplied to generate a total score and any risks with a score of 15 or above were included on the Corporate Risk Register. All other risks on the strategic risk register were reported in summary detail only.

The main topics discussed were as follows:

- The Committee were informed that there had been some minor amendments to the register as detailed within the report.
- Members attention was drawn to the risk assessments carried out within Human Resources and Information Governance details of which were contained within the main report.

RESOLVED that the report be noted.

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46/18

Health and Safety Report

Consideration was given to a report that detailed the services provided by the Council's Health and Safety Unit to monitor, improve and to ensure compliance of the health, safety and well-being control environment for the period 1st October 2018 – 31st December 2018.

The report monitored the following elements of the organisation's Health and Safety performance:

1. Health and Safety Training
2. Health and Wellbeing Update
3. Premise Audit Findings
4. Construction (Design and Management) Regulations 2015
5. School's Educational Residential Visits
6. Employee Protection Register Activity
7. Radiation Monitoring in Educational Establishments
8. Accidents Reported
9. Physical Assaults Reported
10. Verbal Assaults Reported

In terms of Health and Safety Training 6 programmed corporate health and

safety training sessions were delivered to a total of 52 delegates, with 9 further bespoke courses delivered to 103 delegates within departments.

In support of the Control of Asbestos Regulations 2012 and the Council's Asbestos Management Policy, an on-line e-learning platform had been made available to provide refresher training to key nominated personnel with responsibility for managing asbestos containing materials. This would ensure compliance was maintained amongst Services and individual premises personnel with responsibility for the effective management of asbestos containing materials. Online asbestos refresher training had been made available to the workforce, as well as other pertinent topics. 4 programmed online training sessions had been set up and a total of 120 delegates took part in online training.

In total, 19 health and safety training courses were delivered to 275 candidates.

The Health and Safety Manager briefly highlighted each element of the organisation's Health and Safety performance as detailed within the report.

RESOLVED that the report be noted.

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47/18 **Annual Report of Audit Committee (Final)**

The Chartered Institute of Public Finance & Administration (CIPFA) stated that an effective Audit Committee would produce annual reports on its work and findings.

This report was to inform members of the work of the Audit Committee during the past year and the sources of information upon which the enclosed Audit Committee's opinion statement was based.

RESOLVED that the work carried out by the Committee be noted.

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48/18 **Work Programme 2019/20**

Consideration was given to the Work Programme.

RESOLVED that the work programme be noted.