

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday, 23rd September, 2019.

Present: Cllr Barry Woodhouse (Chairman), Cllr Lauriane Povey (Vice-Chair), Cllr Chris Barlow, Cllr Stefan Houghton, Cllr Mick Stoker,

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

Also in attendance: Gareth Roberts (Mazars)

Apologies: Cllr Chris Clough, Cllr Ross Patterson

AGC 21/19 Evacuation Procedure

The Evacuation Procedure was noted.

AGC 22/19 Declarations of Interest

There were no declarations of interest.

AGC 23/19 Minutes from the Audit and Governance Committee which was held on 29th July 2019

Consideration was given to the minutes from the meeting which was held on the 29th July 2019 for approval and signature.

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

AGC 24/19 External Audit Annual Audit Letter

Members were provided with the External Audit Annual Audit Letter for 2018/19 by the Council's external Auditors Mazars LLP. Mazars were required to present its findings following the completion of the annual audit of the Council's and Group accounts to the Councils Cabinet. The letter would be presented to Cabinet at a meeting to be held on 17th October 2019.

A formal stage in the annual audit process was the production of the "Annual Audit Letter". The Annual Audit Letter for 2018/19 had now been received and was provided with the main report.

The Annual Audit Letter summarised the auditor's findings from the 2018/19 audit. In line with previous practice, a copy of the Annual Audit Letter would be sent to all Members of the Council. The Council were required to publish the Annual Audit Letter in due course.

Mazars auditors report issued on the 29th July 2019 included their opinion that the financial statements;

- gave a true and fair view of the Council's and Group's financial position as at

31 March 2019 and of the Council's and Group's expenditure and income for the year then ended; and

- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Mazars auditor's report issued on 29th July 2019 included their opinion that;

- The other information in the Statement of Accounts was consistent with the audited financial statements.

In terms of 'Value for Money conclusion' Mazars report concluded that;

- that they were satisfied that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

In terms of reporting to the group auditor, In line with group audit instructions issued by the NAO, on 29 July 2019, Mazars reported to the group auditor in line with the requirements applicable to the Council's WGA return.

Mazars report confirmed that they did not use their powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.

The Chairman thanked officers for another good audit for Stockton Borough Council and the reports noted.

RESOLVED that the report be noted.

AGC 25/19 Treasury Management Report

The Committee considered a report that informed Members of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in March 2018.

The Council operated under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which required the Council to approve a treasury management annual report after the end of each financial year. The report fulfilled the Council's legal obligation to have regard to the CIPFA Code.

The Council's Treasury Management Strategy for 2018/19 was approved at a meeting of the Council on 8th March 2018. The Council had invested and previously borrowed substantial sums of money and was therefore exposed to Financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk were therefore central to the Council's Treasury Management Strategy.

The main topics discussed were as follows:

- External Context

- Internal Context

- The Councils borrowing strategy.

It was explained to Members that the Council had not entered into any new borrowing for 2018/19 and that existing loans were allowed to mature without replacement. This enabled the Council to reduce net borrowing costs and reduce overall treasury risk.

- Treasury Investment Activity.

The Committee heard that the Council held significant investment funds representing income received in advance of expenditure plus balances and reserves held. The year end investment position was contained within the main report. Officers highlighted that a further £5m had been invested into the CCLA property fund taking the total of investment to £15m. The CCLA investment was currently providing the Council with a return of 4.10% which was significantly higher than the Councils investments in money Market Funds. The Treasury Investment Position currently stood at £28,570,000 which was a reduction from that of the previous year, however, the Council had used their own revenue rather than embark on additional borrowing.

- All treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice the Councils Treasury Management Strategy. Compliance with specific investment limits were demonstrated within the main report.

Members requested that the Finance Manager report back as to how neighbouring authorities compared against Stockton's ratio of financing costs to net revenue stream and report back at the next Audit and Governance Committee meeting.

The Chairman congratulated the finance team on the investments that had been undertaken for the year 2018-2019.

RESOLVED that the report be noted.

**AGC
26/19**

Internal Audit Report

Members were presented with the Internal Audit Progress Report which provided the Committee with an update of the work carried out by the Internal Audit Section and the progress made against the Audit Plan 2019/2020.

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 attached update report showed the current position in respect of the progress against the 2019/20 audit plan and the results of the work that had been undertaken.

Members recalled an updated approach which included setting up a system of continuous audit. Significant progress continued to be made towards this with testing now being automated on a monthly basis in a number of areas. Because testing was undertaken continuously there would be a number of audits shown as on-going that would be finalised at the year end.

Since the last meeting an auditor had resigned and left for a new role in another authority. The plan would be carefully monitored but at the present moment there were no plans to cancel any audits.

The main topics discussed were as follows:

- Audit progress was good, there had been one audit completed and remaining audits were gaining pace in terms of achieving the Audit Plan.
- Although it had been reported that the Audit Service had lost a member of staff, it was not expected that this would impact on the number or quality of audits to be undertaken.
- The system which had been implemented to carry out audits was working well.
- Audit was linking more closely with the risk management process, bringing two systems together.

The report was noted.

RESOLVED that the report be noted.

**AGC
27/19** **Corporate Risk Register**

Members were asked to consider and note the quarterly Corporate Risk Register Update 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 in detail in the update. All other risks on the strategic risk register were reported in summary detail only.

The main topics discussed were as follows:

- There had been some amendments to the register as a result of Children and Young Peoples outcomes. There had been an increased risk brought into the reporting process following an Ofsted review of SEN. In terms of Safeguarding Children, the risk had increased from 16 to 20 following the receipt of the recent Ofsted inspection. A more detailed report would be presented at a future meeting of the Audit Committee.

Members highlighted that the content presented within the report was better than it had been previously, however there were still too many actions that were still ongoing which required end dates.

The Audit & Risk Manager informed the Committee that there were plans underway to change the report in terms of end dates. The required action would be linked to Audit recommendations and Service Plans.

Brief discussion took place around the current issues which had been reported in the press regarding Middlesbrough's West Lane Hospital which was managed by Tees, Esk and Wear Valleys NHS Foundation Trust, and if this would have an impact on Stockton in terms of risk.

The report was noted.

RESOLVED that the report be noted.

**AGC
28/19** **Health and Safety**

Members were presented with a report which detailed the regular non-responsive 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 April 2019 – 30th June 2019.

The detail encapsulated the regular, non-responsive activity of the Health and Safety Unit, and accident and assault statistics:

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. Accidents Reported
8. Physical Assaults Reported
9. Verbal Assaults Reported

A brief discussion took place in terms of the Employee Protection Register (EPR) and its authors.

The report was noted.

RESOLVED that the report be noted.

**AGC
29/19**

Work Programme

The Work Programme was noted.