

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday, 10th February, 2020.

Present: Cllr Barry Woodhouse (Chairman), Cllr Lauriane Povey (Vice-Chair), Cllr Chris Barlow, Cllr Stefan Houghton, Cllr Ross Patterson, Cllr Maurice Perry, Cllr Mick Stoker, Cllr Laura Tunney

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

Also in attendance: Gavin Barker (Mazars)

Apologies: Cllr Chris Clough

AGC 40/19 Evacuation Procedure

The Evacuation Procedure was noted.

AGC 41/19 Declarations of Interest

There were no declarations of interest.

AGC 42/19 Minutes from the Audit and Governance Committee which was held on the 25th November 2019

Consideration was given to the draft minutes of the Audit and Governance Committee meeting which was held on the 25th November 2019 for approval and signature.

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

AGC 43/19 External Audit - Progress Report, February 2020

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 Committee last met Mazars had:

- held internal planning meetings as part of Mazars planning process for the 2019/20 audit;

- had update meetings with finance in respect of planning for the 2019/20 interim and final audit visits;

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

- refreshed their understanding of the processes in place at the Council that informed the preparation of the financial statements;

- undertaken their risk assessment as part of planning for Mazars 2019/20 VFM conclusion;
- developed their joint liaison protocol with Internal Audit; and
- prepared their Audit Strategy Memorandum, which was being presented to the Audit Committee as a separate item at the February 2020 meeting.

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

As in previous years annual final accounts workshops were being provided for finance officers, which had been designed to help ensure that the final accounts process went as smoothly as possible.

Member's attention was drawn to the certification of claims and returns. The certification of the Councils 2018/19 Housing Subsidy Claim was amended and Mazars had reported matters in their 'agreed upon procedures' report to the DWP. Gavin Barker of Mazars explained the amendments were considered minor issues, full details of which were contained within the main report.

Reference was made to the 'National Publications' contained within the main report, in particular the Redmond Review, which since the writing of this report, the outcome had not been published. Mazars agreed to share the findings with the Committee at its next scheduled meeting.

RESOLVED that the report be noted.

AGC 44/19 External Audit - Audit Strategy Memorandum and Value for Money, Year ending 31st March 2020

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 2020.

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.

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.

Member's attention was drawn to the Audit Scope, Approach and Timeline.

During the next couple of months, Mazars would undertake interim work then move on to the fieldwork phase which required much more detailed work and would be undertaken during June - July 2020. Mazars Audit opinion would be concluded by July 2020.

Brief discussion was had around significant risks and key judgment areas, in particular management override and significant value for money risks all details of which were contained within the main report.

In terms of Value for Money, Mazars were required to form a conclusion as to whether the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issued guidance to auditors that underpinned the work Mazars were required to carry out, and set out the overall criterion and sub-criteria that Mazars were required to consider.

The overall criterion was that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria was set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work Mazars undertook to reach their conclusion was provided within the main report.

It was highlighted that in Stockton's case sustainable resources was identified as a significant risk. The financial position had been difficult over last few years of austerity and the medium term position remained unclear. The comprehensive spending review had been deferred and was expected later this year and therefore until the funding position was clear it was therefore highlighted as a significant risk.

Gavin Barker informed the Committee that in terms of Mazars fees, an additional fee for unforeseen works Mazars undertook would be introduced, regulators were demanding higher standards from auditors, which required additional work. The fee needed to be agreed by Stockton-On-Tees Borough Council and approved by PSAA.

Mazars were committed to independence and were required by the Financial Reporting Council to confirm to the Council at least annually, in writing, that Mazars complied with the Financial Reporting Council's Ethical Standard. In addition, Mazars communicated any matters or relationship which they believed may have a bearing on their independence or the objectivity of the audit team.

Brief discussion was had round materiality and misstatements.

RESOLVED that the report be noted.

**AGC
45/19** **Internal Audit Progress Report 2019/2020**

Consideration was given to a report which provided members with an update of the work carried out by the Internal Audit Section and the progress made against the Audit Plan 2019/20.

The main topics discussed were as follows:

- The Audit & Risk Manager highlighted that since the last meeting of the Audit and Governance Committee two auditors had submitted their resignations. The audit plan had been carefully monitored, however it had been necessary to identify a number of audits for potential cancellation. The two vacant posts would go out to advertisement.
- The Audit Team were looking to defer eight audits which posed a relatively low risk.

Questions were raised in relation to when outstanding audits would be completed. Officers explained that some had already commenced with smaller audits starting later in the year to allow for completion of the more significant ones. All were currently to be finished by the end of the year.

RESOLVED the report be noted.

**AGC
46/19** **Health and Safety Report**

This report 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 October 2019 – 31st December 2020.

This 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

The main topics discussed were as follows:

- The number of health and safety audit inspections completed during the reporting period was 15, with 14 of them receiving full assurance and 1

receiving substantial assurance.

- In terms of verbal and physical assaults questions were raised as to why there had been an increase in physical assaults from 107 for this reporting period compared to 67 in the previous reporting period. Officers explained that most were derived from the Pupil Referral Unit.

- Discussion took place around assaults which were reported to the health and safety unit and the requirement of when to notify to the reporting authority. The Councils regulator was the Health and Safety Executive. Once an employee had in excess of 7 days absence due to harm or injury sustained, or sustained a specific injury as defined in the RIDDOR Regulations, Reg. 4, (1)(a) to (h) and if a members of the public was taken from the scene of a workplace incident, to a hospital for treatment in respect of injuries sustained due to the employer's work related activities.

RESOLVED that the report be noted.

**AGC
47/19** **Annual Report of the Audit and Governance Committee - Final Report**

Members were presented with a report which informed the Committee of the work of the Audit and Governance Committee during the period 1st October 2018 to 30th September 2019.

The Annual Report produced by the Chairman of the Audit and Governance Committee had been prepared in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018.

The report demonstrated how the Audit and Governance Committee had fulfilled its key functions and how it was fully committed to helping to improve the Council's governance and control environments.

RESOLVED that the report be noted.

**AGC
48/19** **Work Programme - 2020-2021**

The Work Programme was noted.