

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday, 28th September, 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,

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

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

Apologies: Cllr Laura Tunney

AGC Declarations of Interest

12/20

There were no declarations of interest.

AGC Draft Minutes from the Audit and Governance Committee meeting which 13/20 was held 27th July 2020

Consideration was given to the minutes from the meeting which was held on the 27th July 2020 for approval and signature.

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

AGC External Audit Completion Report and Value for Money

14/20

External Audit Completion Report and Value for Money

Members were presented with The External Audit Completion Report and Value for Money (VFM) report for the year ended 31 March 2020.

The purpose of the report was to summarise Mazars (Stockton on Tees Borough Councils External Auditors) audit conclusions.

The scope of Mazars work, identified significant audit risks and other areas of management judgement, which was outlined in Mazars Audit Strategy Memorandum and had been presented previously at the Audit and Governance Committee meeting held on 10th February 2020.

Since Mazars had issued their Audit Strategy Memorandum the UK had been subject to the challenges and restrictions of COVID-19. Mazars had reviewed their Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remained appropriate.

One implication of COVID-19 for the authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August 20 and 30 November 20 respectively. Mazars expressed their thanks for the assistance of Stockton Borough Council staff in preparing accounts

enabling Mazars to substantially complete their audit to the original timetable.

Members attention was drawn to the Executive Summary where it was highlighted that Mazars anticipated issuing an unqualified opinion, without modification, on the financial statements.

Mazars were still awaiting instruction in terms of the timing of reviewing Stockton's Whole of Government Accounts (WGA) submission. Mazars confirmed that the results would be reported in their Annual Audit Letter.

In addition, Members were informed that Mazars were still awaiting assurance from the pension fund auditor which was expected to be received within the next seven days.

In terms of significant risks, Mazars highlighted the risk associated with the Councils holding of Property, Plant and Equipment Valuation (PPE), details of which were contained within the main report.

Brief discussion took place around the Summary of Misstatements, full details of which were contained within the report.

There were no material issues to report and there was no change to the Value for Money Conclusion in that the Council continued to have proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Mazars highlighted to Members that within the 'Draft Auditor's Report' at Appendix B there was a paragraph which was subject to internal review and therefore subject to change. This was highlighted in red to make Members aware.

The Chair on behalf of the Committee thanked Mazars and Stockton Borough Councils staff for the hard work undertaken in preparing accounts and External Audit to the original timetable.

RESOLVED that the report be noted.

**AGC
15/20**

Annual Financial Statements - Approval after Audit

Annual Financial Statements - Approval after Audit

Members were presented with a report which detailed the Council's Statement of Accounts for 2019/20.

The main topics discussed were as follows:

The Chief Accountant presented the Annual Financial Statements - Approval after Audit, to the Committee, and informed Members that the Council were still awaiting the updated Pension information as already highlighted by the Councils external auditors Mazars.

The audit process had ran smoothly and there had been no questions raised by the press or public during the public consultation / inspection period.

Several changes had been made since the draft financial statements which had been presented to Members at the Audit and Governance Committee in July 2020. Full details of which were contained within the External Audit Completion Report and Value for Money Report.

Members were informed that the issue surrounding Teesside Pension Fund could possibly mean an adjustment would need to be made in the Annual Financial Statements as the adjustment may hit the materiality level threshold.

Due to the issues surrounding Teesside Pension Fund information being outstanding, the accounts could not be made public, therefore the Chief Accountant requested that due to those issues the final sign off of the accounts would be delegated to the Director of Finance, Development and Business Services, in consultation with the Chair of the Audit and Governance Committee.

Brief discussion took place around the valuation of the North Shore Hotel. The Chief Accountant explained that the current value contained within the Annual Financial Statements had been given by independent valuers. This was something they undertook at the end of each financial year.

Members queried the accuracy of data relating to Members allowances contained within the Annual Financial Statements. The Chief Accountant agreed to further investigate the queries raised and circulate any update to Audit and Governance Committee Members.

RESOLVED that;

1) Members approve the Statement of Accounts for 2019/20.

2) the final sign off of the accounts be delegated to the Director of Finance, Development and Business Services in consultation with the Chair of the Audit and Governance Committee once the updated pension figures are included within the accounts.

AGC **Annual Governance Statement approval**
16/20

Annual Governance Statement approval

Members were presented with the Council's Annual Governance Statement for 2019/20.

Members were reminded that the Accounts and Audit Regulations 2015 required all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement to accompany its Statement of Accounts. The deadline

for completion of the Statement of Accounts for 2019/20 is 30 November 2020 at which point they are subject to the external audit process.

A further requirement of the regulations stated that the Statement should be signed by the Chief Executive and the leading Member of the Council, following approval by the Committee. A key objective of this signing off process was to secure corporate ownership of the statement's contents.

The Annual Governance Statement included an acknowledgement of responsibility for ensuring that proper arrangements were in place around the governance of its affairs and an indication of the level of assurance that the system provided. The statement also included a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of the framework, including the system of internal control, and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

The Council's Annual Governance Statement for 2019/20 was attached within Appendix A. At this time the Council had not identified any significant issues that were not being addressed within the Statement.

Since the Draft Annual Governance Statement had been presented at the July meeting of the Audit and Governance Committee, Members were informed that there had been no further comments received other than that the Leader of the Council and Managing Director who had both signed the Annual Governance Statement and would continue to action the improvement plan.

RESOLVED that the Annual Governance Statement for 2019 / 2020 be Approved.

AGC Treasury Management Annual Report

17/20

Treasury Management Annual Report

Members were presented with the Treasury Management Annual Report which informed the Committee of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2019.

The main topics of discussion were as follows:

Brief discussion took place around the Council's borrowing and investments. Members were informed that the Authority had borrowed £30m longer term fixed rate loans and £25m in short term fixed loan rates, details of which were contained within the report.

Members' attention was drawn to the fact that there had been a significant increase in borrowing at the end of March 2020 which was partially due to the fact the Council borrowed to make sure that it had sufficient funds to deal with Covid 19 issues.

The Council continued to hold £38m in investment funds.

Brief discussion was had on the impact that COVID-19 had on cash balances which ended up higher than anticipated.

£15m of the Councils investments were held in an extremely managed strategic pooled property funds which had generated an extremely good 4.1% return, this was used to support the Councils services.

In terms of Treasury Management Indicators set in February 2019, the Council continued to comply with all indicators.

The Chairman gave thanks to all staff for their continued hard work.

RESOLVED that the report be noted.

**AGC
18/20** **Corporate Risk Register Update and Assurance Report / Activity Report**

Corporate Risk Register Update and Assurance Report / Activity Report

Members were presented with the Corporate Risk Register Update, Assurance and Activity 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.

The report also set out the actions being taken to ensure that the risks, and possible adverse outcomes, were minimised.

Members were reminded that, 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:

The Audit and Risk Manager highlighted that although the report looked like what had been presented previously, there had been many changes behind the scenes.

It was highlighted that the summary of risks, detailed within the main report aligned with council plan outcomes.

The Audit service itself, directly linked in with each identified risk working across the authority serving directly into those risks.

Each control had a priority rating against each risk. Green Amber or Red.

The report also provided details of work undertaken in and around those areas linked to risk and work the Audit Service would be undertaking going forward.

It was highlighted to Members that the Audit Service had the resource to carry out all required duties. Members were also informed that a new system was currently evolving within the department to ensure an improved approach to carrying out the function of the Audit Service.

The Audit and Risk Manager requested feedback from members to ensure it met with Members requirements.

It was acknowledged that the new layout was easier to follow and more interesting in terms of the data provided.

RESOLVED that;

- 1) the current risk position as identified in the attached update report be noted.
- 2) the audit activity be noted and the proposed areas of work approved.

AGC 19/20 Health and Safety Report

Health and Safety Report

Members were presented with a report which provided a quarterly update on the health, safety and wellbeing performance of the Council for the period 1 April 2020 - 30 June 2020.

Members heard that due to the impact of the COVID-19 Coronavirus pandemic and the measures put into place to minimise the risk of transmission of infection, a number of activities had been interrupted or delivered by new ways of working, resulting in an abridged report.

During this period of disruption, health and safety support remained unaffected and continued to provide support to all Council services, maintained schools and supported Academy Trusts.

The main topics discussed were as follows:

Face to face health and safety training had been put on hold due to the COVID-19 pandemic, however staff were still able to access and take advantage of the e-learning which was still being provided.

School's Educational Residential Visits remained under review.

Employee Protection Register Activity figures remained virtually unchanged.

Due to more people working from home accidents and assaults had practically diminished.

Members raised questions in terms of the number of physiotherapy referrals

and whether they included elected members. the Health and Safety Manager felt that in the main the referrals related to Officers however would check the details and circulate the information with Members of the Audit Committee outside of this meeting.

Discussion took place relating to where those individuals who were eligible for eye tests could redeem their eye test vouchers. Officers confirmed vouchers could be redeemed at Vision Express for a pair of glasses solely for use with a computer.

Risk assessments were undertaken to make sure people were looking after their muscular skeletal health. The Health and Safety Manager agreed to email guidance detailing how to sit comfortably at your table / desk whilst working from home and the height an individual's screen should be positioned at.

RESOLVED that the report be noted.

**AGC
20/20**

Work Programme

The Work Programme was noted.