

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday, 30th November, 2020.

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

Officers: Andrew Barber, Andrew Bryson, Garry Cummings, Derek Macdonald, Martin Skipsey (F&BS), Peter Bell, Sarah Whaley (A,D&ES)

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

Apologies: Cllr Laura Tunney

AGC 21/20 **Declarations of Interest**

Councillors Eileen Johnson, Mick Stoker and Barry Woodhouse declared a personal interest as they were in receipt of pensions from Teesside Pension Fund.

AGC 22/20 **Draft Minutes from the Audit and Governance Committee meeting which was held 28th September 2020**

Consideration was given to the minutes from the meeting which was held on the 28th September 2020 for approval.

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

AGC 23/20 **External Audit - Audit Completion Report Follow up Letter**

Members were due to consider and approve the 'External Audit - Audit Completion Report Follow up Letter', however due to circumstances out of the Councils and their External Auditor Mazars control, the audit could not yet be completed, and as such the letter would be produced and sent to members when that was the case.

Gavin Barker of Mazars informed the Committee that they had hoped to present the follow up letter to Members at today's meeting confirming all matters were resolved, and which would support the audit completion report, however, were unable to do so.

Under normal circumstances Mazars would report all matters closed and that the accounts be ready to approve, however they were not able to do this due to late receipt of information, and some outstanding information from Teesside Pension Fund.

Gareth Roberts of Mazars then provided a verbal briefing of the matters as they currently stood. The External Audit was substantially complete by September. However, findings in the audit of the pension fund audit meant there may be an impact on the pension fund figures that had been provided by Teesside Pension Fund. As management believed that it may be close to materiality, they had

decided to amend the statements for the issue, and that was reflected in the statements presented to the Committee today.

The pension fund has subsequently confirmed to the Council that the adjustment required was not quite as large as management had made in the updated statements. Management did not wish to amend the statements further, and so the difference would be classed as a non-material unadjusted misstatement.

As part of the audit of Stockton Borough Council, Mazars wrote to the External Auditors of Teesside Pension Fund to obtain assurance. This had raised the matter above, but also raised a further matter relating to a category of pensioners.

Currently, based on the information provided Mazars were unable to conclude on whether the issue could have a material impact on the Council's accounts, therefore Mazars immediately went back to the pension fund auditor for clarification. That had not clarified the issue, and as such, the Council had approached the pension fund to obtain information on the likely impact. This information was outstanding and until received, management, and Mazars, could not conclude on the matter.

In addition, the update letter would report that there was additional information to be added to the draft emphasis of matter paragraph (relating to the Council's share of pension fund assets) which had been highlighted at the Audit and Governance Committee held in September 2020. It was there to highlight to the reader extra information in terms of Asset values, and specific statements around the COVID pandemic.

The last piece of additional information to be reported in the update letter was clarification around the accounting for dedicated schools grant.

The Director of Finance, Development & Business Services, thanked Mazars, the Chief Accountant and his team for work undertaken to get the final accounts to the stage they were at. He also reassured Members that the Council was working hard to resolve the outstanding issues surrounding Teesside Pension Fund and complete the accounts as soon as possible.

The Chief Accountant proposed that Members approve the accounts subject to there being no further material matters identified, and that the matter was successfully finalised with the pension fund without further adjustment required. If there was to be a material impact Officers would bring the accounts back to the Audit and Governance Committee for further consideration.

RESOLVED that the information be noted

AGC **Annual Financial Statement (Update)**
24/20

Consideration was given to the Annual Financial Statements 2019 – 2020 following external audit by the Councils external auditors Mazars.

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.

Several changes had been made since the draft financial statements which had been presented to Members at the Audit and Governance Committee in September 2020.

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 Funds outstanding information the accounts could not be made public on the Councils website by the Governments statutory publication date of the 30th November 2020, 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.

A notice would be displayed on Stockton Borough Councils website detailing the reasons why the Annual Statement had not been published.

Members attention was drawn to the fact the accounts had been updated for the corrected pension figures which had resulted in the following changes:

- Long Term Liabilities on the Balance Sheet increasing from £312m up to £319m. Note 18 of the report had also been updated accordingly.
- Pension Reserve on the Balance Sheet increasing from £306m to £313m.
- Re-measurements of the defined benefit liability in the CIES Statement increasing from £58.3m to £65.7m.
- Note 31 of the report, Defined Benefit Pension Schemes updated to reflect corrected figures.

It was explained to the Committee that the figures relating to Teesside Pension Fund did not impact on the running future performance of the Council.

In order to comply with the regulations Officers requested that the Director of Finance, Development and Business Services and Chair of the Committee sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue them as a public document.

That Members approve the accounts subject to any pension fund adjustment not having a material impact to the accounts.

RESOLVED that Members approve the Officer recommendations as detailed above.

**AGC
25/20** **Treasury Management Annual Report**

Members were presented with the Treasury Management Annual Report which informed Members of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2020.

The main topics of discussion were as follows:

Borrowing had decreased by £10.4 million since March 20, which was due to the repayment of various short term loans that had not been replaced.

Members attention was drawn to Table 3 within the officer's report which detailed various loans and the movements against each.

Officers highlighted that the Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction.

The consultation titled "Future Lending Terms" allowed stakeholders to contribute to developing a system whereby PWLB loans could be made available at improved margins to support qualifying projects. It contained proposals to allow authorities that were not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broached the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The main thing to note was that the borrowing rate had been reduced significantly from where they were, however, there were conditions attached. Previously Local Authorities could call and ask to borrow, but now Local Authorities could not have any debt for yield schemes if they wanted to borrow. Currently this was not an issue for the Council as they did not have any debt for yield but could possibly be a problem in the future.

Members briefly looked at Table 4 within the Officers report which detailed the Treasury Investment Position. There had been an increase of £11 million in investment which was due to the level of government grants received. This meant that investments increased during the year however would be reduced when the grants were allocated to what they were meant for.

The majority of the Councils investments were held in money market funds which enabled the council to access cash instantly should they need to. The interest rates had however significantly reduced, money market fund rate was just over 0%.

In terms of CCLA property fund investment, Officers highlighted that income had held up quite well, and a return of £282,000 in dividend payments had been received. The fund was now however seeing a reduction in capital held, however because of the long term nature this should slowly creep back up.

Officers also explained that long term investments were regularly reviewed.

Members were given the opportunity ask questions. These could be summarised as follows:

Members asked that grants received by the council due to the COVID-19 Pandemic should be shown clearly in the statement of accounts detailing where these grants had been spent.

The Director of Finance, Development & Business Services explained that there was a report which was presented to Cabinet outlining the expenditure so far and the impact this had on the Council. It was also explained that it may be difficult to identify within the accounts, however the spend was identified in the MTFP and would continue to do so. Officers were also required to report where funds had been spent in terms of COVID related grants to central government.

In terms of the PWLB and restrictions on investments and Loans, questions were raised as to whether the Council could access other providers that may offer better terms. Officers confirmed that other providers could be used such as the Municipal Bond Agency however it could take up to 6 months to get those bond loans. There were other options available however they would come with due diligence and were highly unlikely to beat PWLB Rates which were fixed for the period they were taken out.

The Director of Finance, Development & Business Services was confident with all the investments that had been made in the last few years.

RESOLVED that the report be noted.

**AGC
26/20**

Strategic Risk Register and Audit Activity Report

Members were presented with a quarterly report on the Corporate Risk Register, the purpose of which was to review 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 report informed Members of the progress of audit testing to date and presented a forward plan of testing and the resources available to meet the plan.

The main topics discussed were as follows:

The Audit and Risk Manager presented the report to the Committee highlighting the new layout of the report.

Brief discussion took place around assurance levels and risk score.

Members attention was drawn to the summary which gave an overview of each risk and provided a summary of the current status of the risk.

Officer informed the Committee that there were adequate resources to deliver the plan going forward.

RESOLVED the report be noted.

**AGC
27/20** **Health and Safety Report**

Members were presented with a report that provided a quarterly update on the health, safety and wellbeing performance of the Council for the period 1st July 2020 - 30th September 2020.

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:

The programme of Corporate health and safety training events was currently postponed due to the COVID-19 Coronavirus.

E-Learning training continued to be taken advantage of with 72 candidates completing training modules.

The programme of planned audit activity was currently postponed due to the COVID-19 Coronavirus.

There was very little activity in terms of Construction (Design & Management) CDM.

Due to the COVID-19 Coronavirus, the Department for Education continued to advise against domestic and foreign residential, educational visits, therefore no visits had taken place.

Accidents, physical and verbal assault figures were down which could have been largely due to less staff in office buildings.

In terms of access to physiotherapy most referrals were taking place using teams however there was still access to actual physiotherapy appointments.

RESOLVED the report be noted.

AGC **Annual Report of the Audit and Governance Committee**

28/20

Members were presented with a report that informed them of the work of the Audit and Governance Committee during the period 1st October 2019 to 30th September 2020.

This Annual Report produced by the Chairman of the Audit and Governance Committee has 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

Members noted the report.

RESOLVED the report be noted.

**AGC
29/20**

Work Programme

The Work programme was noted.