

**AGENDA ITEM:**

**REPORT TO AUDIT &  
GOVERNANCE COMMITTEE**

**REPORT OF THE CHAIRMAN OF  
THE AUDIT AND GOVERNANCE  
COMMITTEE**

**22nd FEB 2021**

**AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT - FINAL**

**SUMMARY**

This report is to inform members of the work of the Audit and Governance Committee during the period 1st October 2019 to 30th September 2020.

**Introduction**

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 demonstrates how the Audit and Governance Committee has fulfilled its key functions and how it is fully committed to helping to improve the Council's governance and control environments.

The Guidance defines the purpose of an Audit and Governance Committee as follows:

- Audit & Governance Committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
- The purpose of and Audit and Governance Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

**Functions of the Audit and Governance Committee**

The Committee's activities during the period were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the key functions as identified in the Constitution. The Audit and Governance Committee as identified in the constitution is required to:

- a) monitor the integrity of the Council's financial statements and approve the Statement of Accounts;
- b) approve the Annual Governance Statement;

- c) oversee risk management and the Council's risk registers;
- d) review any proposed changes to accounting policies and procedure rules;
- e) consider budget reports and the effect of government announcements on the Council's finances;
- f) review Financial Update reports identifying the impact on the Medium Term Financial Plan and Treasury Management Strategy;
- g) approve the role and responsibilities of the Internal Audit Service (the Services' functions, aims and objectives);
- h) receive and consider the Annual Audit Letter from the Council's External Auditor;
- i) agree the programme of value for money work;
- j) approve the internal and external audit plans;
- k) review Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receive details of specific significant issues highlighted via audit work and refer to the Executive Scrutiny Committee; the Select Committees; Cabinet or Council, as appropriate, any issues arising which are key in nature;
- l) maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and consider the Council's compliance with its own and other published standards and controls; and
- m) Considered details of any key ethical and wider corporate governance issues which may be referred to it.

### **Audit and Governance Committee Membership**

The membership of the Audit and Governance Committee is as follows;

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

The Audit Committee and the Audit and Governance Committee met 4 times during the reporting period, November 2019, February 2020, July 2020 and September 2020. The July and September meetings taking place across the Teams platform.

### **Officers**

The Audit and Governance Committee continues to be well supported by Officers, providing reports in accordance with the Committee's work programme. During the reporting period the Director of Finance, Development and Business Services, Chief Accountant, Procurement and Governance Manager, Audit and Risk Manager and Health and Safety Manager routinely provided reports and attended the meetings.

### **External Audit**

When required the External Auditors, Mazars, have also attended the Audit and Governance Committee meetings.

## **Core Activity**

The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

### **Internal Audit**

The Audit and Governance Committee:

- Approved Internal Audit's Annual Audit Plan;
- Approved the Internal Audit Charter;
- Considered regular reports produced by the Audit and Risk Manager highlighting progress against the annual audit plan and performance against key indicators and any significant issues arising during the period.
- Received and approved the annual report of the Audit and Risk Manager as required by the Public Sector Internal Audit Standards (PSIAS). The report included the Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. It is his opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.

### **External Audit**

The Audit and Governance Committee:

- Received reports from Mazars with updates on progress in delivering their responsibilities as our external auditor.
- Received the Audit Strategy Memorandum for the year ending 31 March 2020. The purpose of this document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and to provide the Council with the details of their audit team and fees.
- Received the Audit Completion Report from Mazars that set out their findings from the audit of Stockton-on-Tees Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2020. Due to delays in Mazars receiving the relevant assurances from the Teesside Pension Fund auditors, Mazars have not yet been able to provide all relevant assurances required at the time of writing this report. An additional report called External Audit - Audit Completion Report Follow Up Letter is being presented to this today's meeting covering any issues that have been identified and resolved since they reported in September.

### **Annual Statement of Accounts**

The Audit and Governance Committee:

- Received and reviewed the draft Annual Statement of Accounts for the 2019/20 financial year within the statutory timescales. Please note statutory deadlines were extended due to Covid 19. Final accounts are due to the Committee by the revised statutory deadline of the 30<sup>th</sup> November 2020.

### **Treasury Management**

The Audit and Governance Committee:

- Received a 2019/20 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2019.

- Received the Treasury Management Annual Report for 2019/20 that informed members of the performance against treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2019.

### Risk Management

The Audit and Governance Committee:

- Received quarterly reports from the Audit and Risk Manager on developments within the Corporate Risk Registers to ensure the Members were aware of any emerging risks across the Council and the extent to which the Strategic Risk Management Strategy was being embedded.
- Considered and challenged the Corporate Strategic Risk Register.

### Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2019/20 for consideration and comments.
- Approved the Annual Governance Statement for 2019/20.

### Health and Safety

The Audit and Governance Committee:

- Received quarterly reports detailing 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.

### Chairman's Conclusion

The members of the Committee have shown a strong commitment to the work for which they have been given responsibility and the committee has functioned well. The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair and supporting officers of the committee.

While recognising the valuable contribution made by members of the Committee we must also pay tribute to the officers of this Authority who despite reduced staffing, reorganisation and a harsh financial environment have worked diligently to ensure sound fiscal controls and compliance with relevant regulations. In conclusion I would add that our officers have worked both from home and if necessary in the office throughout the pandemic showing a commitment and dedication to the Borough's sound financial management under at times extreme pressure and for this effort we must record our gratitude as a committee and a Council.

The Audit and Governance Committee is established with comprehensive terms of reference. The Chair of the Audit and Governance Committee has prepared this annual report on the Committee's work for presentation to Cabinet and hopefully this shows that effective corporate and ethical governance is critical to an authority's performance and in demonstrating continuous improvement it is therefore, a fundamental element of the modernisation agenda. Probity and high standards are an inherent part of corporate/ethical governance.

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