

## **Audit and Governance Committee**

A meeting of Audit and Governance Committee was held on Monday, 29th November, 2021.

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

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

**Also in attendance:**

**Apologies:** Cllr Laura Tunney

### **AGC 27/21      Evacuation Procedure**

The evacuation procedure was noted.

### **AGC 28/21      Declarations of Interest**

There were no declarations of interest.

### **AGC 29/21      Minutes from the Audit and Governance Committee meeting which was held on the 27th September 2021**

Consideration was given to the minutes from the meeting held on the 27th of September 2021 for approval and signature.

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

### **AGC 30/21      Appointment of External Auditors**

Members were presented with the Appointment of External Auditors 2020/24 to 2027/28.

The report set out the proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

The main topics discussed were as follows:

- The Chair of the Audit and Governance Committee received an email from the Public Sector Audit Appointments (PSAA) highlighting that a response would be required from Stockton Borough Council by 22nd March in terms of how the council were to appoint its external auditors.

-Under the Local Government Audit & Accountability Act 2014 Council had three options;

1.to appoint its own auditor.

2.to act jointly with other authorities to procure an auditor following the procedures in the Act or ;-

3.to opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'.

-A version of the External Auditors report was to be included in the Medium-Term Financial Plan March 2022.

Clarity was sought from members regarding the Officers recommendation to opt into the national scheme.

The Chief Accountant explained that opting into the national scheme was the option most suitable for the Council because the national scheme provided the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would act with other councils to optimise the opportunity to influence the market that the national procurement provided.

RESOLVED that the report be noted and that it would be recommended that full Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for five financial years from 1st April 2023.

**AGC  
31/21**

### **Treasury Management Strategy Mid-Year Report 2021-22**

Members were presented with the Treasury Management Strategy Mid-Year Report 2021-22. The report informed members of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2021.

The main topics discussed were as follows:

-A brief overview was given over the External Context provided by Stockton's Treasury Management advisors Arlingclose.

-Member's attention was drawn to the update on the changes to the Prudential Code for Capital Finance in Local Authorities with the changes expected to be in place by December 2021.

-On the 30th September 2021 the Authority held £73.93 million of loans which was a decrease of £6.1 million since 31st March 2021.

-Members briefly discussed the Treasury Investment Position (table 4) contained within the Officers report, which detailed the Treasury Investment position. There had been an increase of £30 million in investment which was due to the level of government grants received due to the COVID Pandemic. 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, the money market fund rate was just over 0%.

- In terms of CCLA Investment Management Limited (CCLA) property fund investments there had been a return of £265,000 in dividend payments being

received. It was highlighted the return was lower than the same period the previous year.

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

Clarity was sought regarding the purpose of Money Market Funds.

The Chief Accountant explained that Money Market Funds were for short term investments as money could be taken in and out of them quickly. Money Market Funds were used for liquidity investment.

Members asked if the Lender Option, Borrower Option (LOBO) loans interest was expected to rise.

The Chief Accountant explained due to the current climate they did not expect a change in the loan interest rates.

RESOLVED that the report be noted.

## **AGC 32/21** **Anti-Fraud and Corruption Strategy**

Consideration was given to a report that advised Members of the Anti-Fraud and Corruption arrangements for the period 2021-20.

The strategy had been developed in line with the code of practice with each of the 5 themes addressed. The format of the strategy had been redefined from previous versions to improve the visual appeal of the strategy and make it more effective.

The strategy was endorsed by senior management with a foreword provided by the Deputy Chief Executive as the responsible finance officer and the Chair of the Audit Committee reflecting the importance of tackling fraud within the authority.

At the core of the code was understanding the Council's fraud risk and ensuring adequate resources were provided to address the areas of greatest risk. A risk had been added to the strategic risk register to facilitate this.

Based on the results of local counter fraud activity and the national estimates of where fraud occurred it would appear the resources available and where they were deployed were commensurate with the current level of risk exposure. There were a number of emerging risk areas (specifically social care and procurement), work would be undertaken from existing resources to assess the risks posed and whether there was a need for additional controls in those areas.

There were a significant number of promotional materials available to support counter fraud efforts. Included in the strategy were a number of actions around raising awareness and ensuring everyone understood the risk of fraud therefore helping to prevent fraud occurring and where it did, ensuring it was reported and the appropriate action was taken.

The audit plan supported the fraud risk assessment process providing advice and guidance where controls needed to be improved. Good practice suggested continuous monitoring was an effective process for detecting fraud early. Much of the work within the audit plan was moving towards continuous monitoring not only to improve the efficiency and effectiveness of the audit service but also to support the early detection of fraud reducing its impact.

The main topics discussed were as follows:

-The fraud risk had reduced slightly, due to controls in place.

-Investigative processes were put in place to look further into the matches returned from the National Fraud Initiative as a number of cases warranted further investigation.

Questions were raised around Council Tax reductions and also whether fraud could be accidental.

The Audit and Risk Manager explained that all matches were looked into further to determine if it was fraud or an error.

RESOLVED that the Anti-Fraud and Corruption Strategy be approved.

**AGC  
33/21**

### **Risk Register Update and Audit Activity**

Members were presented with the Corporate Risk Register Update and Internal Audit Activity Report.

The Committee was reminded that quarterly reports on the Corporate Risk Register was 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. As a reminder, risks were scored on a scale of one to five for both 'impact' and 'likelihood'.

The main topics discussed were as follows:

-It was highlighted that out of the 4906 matches National Fraud Initiative (NFI) identified 82% had been reviewed with 58 cases being in error. In the 58 cases where the incorrect amounts were paid, these were being rectified.

-Regarding Corporate Risks there was little movement.

-Member's attention was brought to the small change in how the Audit Testing Results information was presented.

-It was highlighted community engagement and communication were behind on online training.

-The radar graph set out the summary of audit results by Governance theme most of which were near full assurance with only some minor issues.

-The Quality Assurance and Improvement Process showed a balanced scorecard for the delivery of the audit service. The target of portfolio coverage during the period September-October 2021 was 56 and however 60 had been completed.

Members praised the Council for having a strong system in place regarding payments.

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**      **Health & Safety report**  
**34/21**

Members were presented with the Health and Safety Report which provided the Committee with an update on the health, safety, and wellbeing performance of the Council for the period 1st July to 30th September 2021.

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. Audit Programme
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:

-Health and Safety training courses were delivered to 144 candidates.

-Health and wellbeing support provided a range of interventions to help maintain good physical and mental health, aiding workforce recovery and recuperation.

-Health and Safety Audit activity resumed from the 1st April 2021 with the number of health and safety audits completed within that reporting period being 11.

-During the reporting period, 5 Pre-Construction Information Documents were issued, and 33 hours of resources were dedicated to the preparation, planning, monitoring, and reviewing of a broad range capital works construction projects to ensure compliance with the CDM Regulations and other associated statutory provisions.

-In line with the Department of Education's roadmap to recovery, educational residential visits were permitted to be resumed from the 17th May 2021.

-Accidents reported during the period was higher than in the previous period which related to community services.

Brief discussion was held around the number of Physical Assaults Reported in Children's Services with the number of assaults being reported being less than the previous period. It was highlighted each situation was contextual and subject to change.

RESOLVED that the report be noted.

**AGC  
35/21**      **Annual Report of the Audit Committee**

Members were presented with a report which informed the Committee of the work of the Audit and Governance Committee during the period 1st October 2020 to 30th September 2021.

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.

Members noted the report however the Chairman requested that Members contact him or Democratic services prior to the next scheduled meeting of the Audit and Governance Committee should they have any comments/queries.

RESOLVED that the report be noted.

**AGC  
36/21**      **Work Programme**

Consideration was given to the Work Programme.

RESOLVED that the Work Programme be noted.