

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday, 14th February, 2022.

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, Cllr Laura Tunney

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

Also in attendance: Gavin Barker (Mazars)

Apologies:

AGC 37/21 Evacuation Procedure

AGC 38/21 Declarations of Interest

There were no declarations of interest.

AGC 39/21 Minutes from the Audit and Governance Committee meetings which were held on 1st and 29th November 2021

Consideration was given to the minutes from the meetings which were held on the 1st & 29th November 2021 for approval.

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

AGC 40/21 External Audit - Audit Progress Report January 2022

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.

The report set out progress on the external audit for 2020/21 and included a summary of recent national reports and publications for information.

Mazars (Stockton on Tees Borough Councils External Auditors) reminded members that there had been a delay in the Audit Completion Report 2020/21 which had been presented to members in November 2021 due to a delay in obtaining the required assurance from the pension fund auditor, however Mazars were able to sign the Audit opinion in December 2021 and updated members through a follow up letter.

It was also explained the Auditors Annual Report was unable to be completed at the time due to the Value for Money work not being completed however the latest guidance from the National Audit Office (NAO), allowed auditors to report the results of the Value for Money work in a new Auditors Annual Report, if done so within three months of giving the opinion on the financial statements.

Mazars reported to members that this work was now completed and would be included in the Auditors Annual Report to be considered as a separate item on the agenda.

The Audit Certificate for 2020/21 had not yet been issued which would formally close the audit. Mazars explained to members that this was due to delays on guidance from the NAO in confirming requirements for Whole Government Accounts. Mazars advised that the requirements would be confirmed shortly and that Mazars would close the audit once they had received their instructions and completed the required procedures.

Mazars reported that planning work for the 2021/22 Audit was underway. Mazars had no issues or concerns to bring to members attention at this early stage of the audit process.

Members attention was drawn to a number of updates from National Publications, the key areas discussed were as follows; Department for Levelling Up, Housing and Communities (DLUHC) introduced a new package of measures to support the improved timeliness of local audit. These included additional funds and an extension of the deadline for publishing accounts. It was explained that when the deadline for the Local Authority external audits was the end of September only 9% of Local Authorities were able to complete this on time. With the new deadline of the end of November for the 2021/22 & 2022/23 audits Mazars was confident that this was a more realistic target.

Mazars highlighted guidance from the NAO around Cyber and Information Security and how to review and strengthen measures in place, while also offering guidance to mitigate risks of cyber-attacks. Mazars drew the Committees attention to a report from the Financial Reporting Council (FRC) published in October 2021 which set out the findings of FRC's most recent quality inspection of major local audits and which indicated a significant improvement by Mazars LLP.

Mazars informed Members that on 5th January 2022 the FRC had sanctioned Mazars in relation to the quality of an audit carried out during 2018/19 and which resulted in a fine being issued to Mazars. Mazars were unable to comment on which Local Authority this related to, however in the spirit of openness and honesty Mazars shared this information and gave the Committee reassurance about the quality of the Council's audit and the Engagement Lead confirmed that they would not sign off an audit if they were not satisfied with the quality of audit work and that it was appropriate to do so.

Members discussed the impact of the recently changed deadlines relating to external audit and publication of Local Authority accounts and whether they could be published ahead of those deadlines. Members were informed that in practical terms there was a period of 30 days' notice which needed to be given for public inspection of accounts prior to publishing, which, although deadlines could be met ahead, there were still conditions attached that would have to be satisfied.

RESOLVED the report be noted.

External Audit - Auditors Annual Report

Members were presented with a report which advised the Committee of the external auditor, Mazars findings following the completion of the annual audit of the Council's and Group accounts 2020/21 which would be presented to Cabinet in March 2022.

The purpose of the Auditor's Annual Report (AAR) summarised the work Mazars (Stockton on Tees Borough Councils External Auditors) had undertaken for the year ended 31st March 2021. Although the report was addressed to the Council, it was designed to be read by the wider audience including members of the public and other external stakeholders.

In terms of Value for Money arrangements Mazars found no evidence of significant weaknesses in the arrangements. The report included detail around financial sustainability and how the Council identified significant financial pressures that were relevant to its short and medium-term financial plans. Stating that the Council had an established process for developing its Medium-Term Financial Plan (MTFP). The Council's arrangements had delivered significant levels of savings in recent years.

Mazars were able to confirm that the MTFP was revisited on a regular basis and had been adjusted to reflect any changes which could impact on the Councils financial position. It was also noted that the current MTFP factored in the impact of the COVID-19 pandemic, and acknowledged the uncertainty generated by the pandemic.

Mazars confirmed that there was regular budget monitoring including quarterly reports to the Council's Cabinet. The outturn report for 2020/21 was presented to the July Cabinet meeting and the overall reported position was not significantly different to that reported during the financial year and recorded departmental overspends of £7.2 million compared with the budget. This position was associated with additional costs and lost income which were mainly the result of the COVID-19 pandemic. The report noted that the Council received £18m additional grant income from central government to support the Council in meeting the pressures created by the pandemic. Other pressures included reduction in income collected in the Collection Fund but despite these factors the report notes that:

'Despite the Council incurring significant costs, there was an overall improvement in the draft outturn 2020/21 financial position compared to that projected at December of around £5.5m'.

Mazars noted that the Council had an active internal audit team, and the Internal Audit Plan and Head of Internal Audit Report was reviewed by the Council's Audit and Governance Committee. As detailed within the plan the Council used a risk-based approach to determine the priorities of the internal audit activity, consistent with the Council's goals. The plan was discussed with service leads ahead of being finalised.

In terms of Value for Money (VFM) arrangements Mazars found no evidence of significant weaknesses and no risk of significant weaknesses in the arrangements.

Member's attention was drawn to VFM arrangements for improving Economy, Efficiency and Effectiveness. The report stated that the Councils Directorates had well established and effective processes for reviewing the Councils finances and performance in terms of identifying areas for improvement.

The Council had a performance management framework, reporting against a series of indicators. Corporate performance against key performance indicators is presented to Cabinet on a six-monthly basis. Mazars review of those reports identified no evidence of a significant weakness in arrangements.

The findings of the report should be considered a positive for Stockton Borough Council regarding VFM arrangements in place.

As part of the report Mazars presented a breakdown of their fees for work as the Council's external auditor. Mazars proposed the fees for delivery of work under the Code of Audit Practice in the Audit Strategy Memorandum presented to the Audit and Governance Committee in June 2021.

The two areas of fee increase covered the new VFM approach and additional fees in respect of new ISA540 requirements in relation to accounting estimates and related disclosures, however Mazars advised that they had absorbed some of the additional fees identified as a gesture of good will.

All fees outlined in the report were subject to approval from the Public Sector Auditor Appointments (PSAA)

RESOLVED that the report be noted.

**AGC
42/21**

Risk Register Update & Audit Activity

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. 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 recommendations outlined in the report were;

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

The main topics discussed were as follows:

The Audit & Risk Manager reported to members that NFI progress has been good in terms of percentage of matches this had increased from 83% to 89% since the previous update. With no cases of fraud being identified.

There were no direct financial and legal implications identified within in the report, with no community strategy implications.

It was noted that the department had not a met targeted deadline during December 2021 due to staffing issues, however the Audit & Risk Manager reassured members that the delay would be caught up.

Members briefly discussed if there had been any impact of the recent Covid 19 pandemic on the work of the department. Officers assured members that they had not been adversely affected.

Members noted that the lack of fraud cases identified within the report was positive.

RESOLVED that the update report and audit activity report be noted.

**AGC
43/21** **Internal Audit Charter**

Members were presented with a report which advised the Committee of the Internal Audit Charter and proposed approach to delivering the audit service for the coming financial year 2022-2023.

The Audit and Risk Manager reaffirmed to Members how the Audit Service would be delivered and confirmed the rights of access to council documents. The Council met all standards as set out in the statutory guidance.

RESOLVED that the report be noted.

**AGC
44/21** **Health and Safety Report**

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 October 2021 to 31st December 2021.

The officer's recommendation to members was that the current position as identified in the report be noted.

The main topics discussed were as follows:

Brief discussion was had around the number of employees in Children Services which had undertaken manual handling training. Officers explained that this was mainly for awareness for example spine health, and not specifically relating to work related duties on a regular basis.

Members also noted an increase in reported physical assaults during this reporting period. Officers informed Members that this rise could be explained following new clients being introduced to the service causing a spike in cases. Officers assured the Committee that steps put in place resolve such issues going forward.

RESOLVED that the report be noted.

**AGC
45/21** **Annual Report of the Audit and Governance Committee - Final**

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

This 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.

RESOLVED that the report be noted.

AGC Work Programme 2022 - 2023

46/21

The Work Programme was noted.