

## **Audit and Governance Committee**

A meeting of Audit and Governance Committee was held on Monday, 25th July, 2022.

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

**Officers:** Andy Bryson (DoF,D&R), Andrew Barber, Derek McDonald, John Devine (CS)

**Also in attendance:** Gavin Barker (Mazars)

**Apologies:** Cllr Ross Patterson

### **1 Evacuation Procedure**

The evacuation procedure was noted

### **2 Declarations of Interest**

There were no declarations of interest.

### **3 Minutes from the Audit and Governance Committee meeting which were held on 31st May 2022**

Consideration was given to the minutes from the meeting which was held on the 31st May 2022 for approval and signature.

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

### **4 External Audit - Audit Progress Report**

Members were presented with a report which provided the Audit and Governance Committee with an update on progress in delivering Mazars responsibilities as Stockton Borough Councils external auditors which also includes, a summary of recent national reports and publications.

Mazars informed members that the Audit Certificate for the 2020/21 Audit had still not been able to be issued. This was due to being unable to complete work on the Whole of Government Accounts (WGA) as Mazars were still waiting on instructions from the National Audit Office (NAO). It should be noted that this was a national issued impacting on all local government audits.

Another issue had arisen in relation to Infrastructure Assets which would likely be referenced in the Audit Certificate for 2020/21 when it was issued. And would likely have an impact on the 2021/22 audit.

The planning and interim work for the 2021/22 audit which had been presented at the last committee meeting had been completed. Mazars had received the draft statement of accounts on 4th July 2022 which allowed them to start the work on the detailed financial statements. From the statement the total gross expenditure at the provision of services level had now come to over £500

Million, which means that an engagement quality control reviewer had been appointed for the Audit.

Discussion followed regarding the engagement quality control reviewer which had been appointed for passing the £500 Million mark for the provision of services. Which officers assured members was due to the Council having been close to that benchmark for a number of years, but this was the first year to have crossed it and as such it means another level of scrutiny.

RESOLVED that the report be noted.

## **5 Annual Financial Statements - Draft Prior to Audit**

Officers presented members with the Draft Statement of Accounts 2021/22 which outlined the following:

The Accounts and Audit Regulations (Amendment 2022) were laid before Parliament in June 2022, these amendments altered the deadline dates for Authorities to publish statement of accounts and supporting documents (including any certificates or opinion of the local auditor) from the 30th September to the 30th November for at least until 2027.

During 2021/22 the Government continued to provide a range of Covid financial support packages. These included additional funding to support service pressures (both income and expenditure) caused by the pandemic, funding for specific measures and initiatives, and grants paid to local businesses. In accordance with the Code of Practice, where the authority has the ability to determine/influence the grant scheme criteria it is said to be acting as a principal. Where the authority has acted as principal, transactions are included in the financial statements and on this basis, the majority of Covid grants are recognised in the Comprehensive Income and Expenditure Statement (CIES).

However, there were some instances where the Council had acted as an agent i.e., the Council has simply acted as an intermediary and passed the funds onto recipients following government criteria. Where the Council had acted as an agent, transactions are not reflected in the authority's financial statements.

The following key financial figures (non-group) were included in the accounts:

- A surplus of £4.071 million was reported against directorate revenue budgets for 2021/22. At the end of 2021/22 there was also a transfer of £7.537 million between General fund Reserves and Earmarked Reserves to reflect planned use of reserves as agreed in the MTFP report presented to Council on the 23rd February 2022.
- Total capital spending was £37.3 million during 2021/22.
- Due to the significant reduction in the re-measurement of the defined benefit pension liability the Comprehensive Income and Expenditure Statement showed a surplus of £88.6 million in year.

- Current long-term investments and cash and cash equivalents amounted to £30.972 million. This was an increase of £9.572 million from the previous year.
- The Council's current long and short-term borrowings totalled £84.463 million which was an increase of £4.437 million over the previous year. This increase reflected an additional long-term loan entered into during the year.
- The Council's earmarked reserves (excluding schools) stood at £72.3 million which was a decrease of £1.5 million from the previous year. School related reserves had decreased from £5.2 million to a surplus of £4.5 million.
- The level of General Fund balances at the 31st March stands at £9.413 million a decrease of £3.466 million over the previous year. This was due to the transfer of £7.537 million between General fund Reserves and Earmarked Reserves and the surplus of £4.071 million reported against directorate revenue budgets noted above.
- The Council's Pension Scheme deficit was estimated at £282.3 million, a decrease of £81.6 million from the previous year. This results from the actuary's assessment of fund performance and the re-measurement of scheme assets and liabilities.

RESOLVED that the Draft Statement of Accounts for 2021-2022 be Noted

## **6 Draft Annual Governance Statement**

Members were presented with a report from Officers of the Draft Annual Governance Statement 2021/22

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 for 2021/22 was 31 July 2022 at which point they were subject to the external audit process.

The audited Statement of Accounts and the Annual Governance Statement would be presented for approval to this Committee.

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 this 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 2021/22 was included with the main report. At this time the Council had not identified any significant issues that were not being addressed within the Statement.

RESOLVED that the report be noted

## **7 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 the Council in February 2021.

The main topics of discussion were as follows:

At 31st March 2022 the Council held £84.46 Million of loans which was an increase of £4.43 Million from the previous year.

With the increase in rates due to the economic situation at the time and the Council needing to secure long-term loan, a loan of £10 Million was secured at a in interest rate of 2% in March 2022. If the same loan had been taken the day of the meeting the interest rate would be 3.8% almost double in a few months.

The Councils investment positions were shown to have increased from £30.06 Million to £46.91 Million, with part of the increase noted as being due to funds from central Government since the end of March 22 to support expenditure during the Coronavirus pandemic and energy payment scheme through grant schemes. These funds were temporarily invested in short-dated, liquid instruments such as call accounts and Monday Market Funds until required to be utilised.

Officers were happy to report that the report outlines that the council complied with all targets set out in 2021.

RESOLVED that the report be noted.

## **8 External Audit Requirements Update Report**

Members were informed by Officers of an update on the Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Report and other relevant external audit changes.

The relevant updates from the review were that central Government plan to make Audit Committees compulsory for all Councils. With at least one independent member appointed to each audit committee.

The report also informs members that the deadlines for Authorities to publish their statement of accounts and supporting documents (together with any certificates or opinion of the local auditor) from 30th September to 30th November for the financial year beginning in 2021 and from 31st July to 30th September for the financial years beginning in 2022, 2023, 2024, 2025, 2026 and 2027.

AGREED that the update be noted

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

The report sets out that 89% of matches had now been completed with no fraud found, and only 67 errors identified. Officers highlighted the positive picture that the findings paint

The appendix of the report showed high levels of audit assurances across all areas.

Officers highlighted that most controls tested were highlighted in the report in green with the few reds being related to certain checks on Drivers and issues within one department.

The coverage days set out in the plan were fifteen days but with the department carrying a vacancy it was currently at -1.1. But with a member of staff back off long term sick and the vacancy filled before the end of the year on track to turn this around. The Sick leave and Vacancy are reflected in the report.

RESOLVED that the report be noted.

## **10 Health And Safety Report**

Members were presented with the Health and Safety Report outlining the details of the council's health and safety training which demonstrates the Council was compliant with requirements.

The commitment to Construction was noted as diminishing in the report while the department noted its continued commitment to supporting educational visits.

RESOLVED that the report be noted.

## **11 Work Programme**

The Work Programme was noted.