

Date: Thursday 23 March 2023 at 10.00 am

Venue: Meeting Room 1, Jim Cooke Conference Suite, Church Road, Stockton on Tees, TS18 1TU

Cllr Barry Woodhouse (Chair)
Cllr Lauriane Povey (Vice-Chair)

Cllr Chris Barlow
Cllr Eileen Johnson
Cllr Mick Stoker
Cllr Laura Tunney

Cllr Stefan Houghton
Cllr Ross Patterson
Cllr Hugo Stratton

AGENDA

- | | | |
|-----------|--|-----------------|
| 1 | Evacuation Procedure | (Pages 7 - 8) |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interest | |
| 4 | Minutes | |
| | To approve the minutes of the last meeting held on Monday 28 th November 2022 | (Pages 9 - 14) |
| 5 | Health & Safety Report | |
| | Health and Safety Report attached | (Pages 15 - 24) |
| 6 | Risk Register Update and Audit Activity | (Pages 25 - 28) |
| 7 | Internal Audit Charter | (Pages 29 - 34) |
| 8 | Peer Review Report | (Pages 35 - 52) |
| 9 | Verbal Update Annual Accounts 2021/22 - Delay in Signoff | |
| 10 | Work Programme 2022/23 | (Pages 53 - 56) |

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting, including the opportunities available for any member of the public to speak at the meeting; or for details of access to the meeting for disabled people, please

Contact: John Devine, Democratic Services Officer on email john.devine@stockton.gov.uk

KEY - Declarable interests are:-

- Disclosable Pecuniary Interests (DPI's)
- Other Registerable Interests (ORI's)
- Non Registerable Interests (NRI's)

Members – Declaration of Interest Guidance



Table 1 - Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2 – Other Registerable Interest

You must register as an Other Registrable Interest:

- a) any unpaid directorships
- b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
- c) any body
 - (i) exercising functions of a public nature
 - (ii) directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management

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Room 1 Jim Cooke Conference Suite, Stockton Central Library **Evacuation Procedure**

If the fire or bomb alarm should sound please exit by the nearest emergency exit. The Fire alarm is a continuous ring and the Bomb alarm is the same as the fire alarm however it is an intermittent ring.

If the Fire Alarm rings exit through the nearest available emergency exit and form up in Municipal Buildings Car Park.

The assembly point for everyone if the Bomb alarm is sounded is the car park at the rear of Splash on Church Road.

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Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday, 28th November, 2022.

Present: Cllr Barry Woodhouse (Chair), Cllr Lauriane Povey (Vice-Chair), Cllr Chris Barlow, Cllr Stefan Houghton, Cllr Eileen Johnson, Cllr Mick Stoker.

Officers: Andy Byrson (DoF,D&R), Andrew Barber, Claire Harper, 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 of the Meeting held on 26th September 2022 For Approval

Consideration was given to the minutes from the meeting which was held on the 26th September 2022 for approval and signature.

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

4 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 July – 30th Sept 2022.

RESOLVED that the report be noted.

5 Annual Financial Statements

Members were presented with a report which detailed the Council's Statement of Accounts for 2021-22.

The main topics discussed were as follows:

The period in which electors had the right to examine the Councils accounts, question the auditor and to make objections covered a period of 30 working days. Which started 26th July 2022 and ended 5th September 2022. In that time the Council hadn't received any requests to examine the accounts.

The Statement of Accounts was unable to signed off due to national issues affecting all Local Governments which were outlined in the External Auditor Mazars report. A notice would be posted on the Councils website outlining the reasons for not meeting the deadline.

AGREED that Members approve the Statement of Accounts for 2021/22.

6 External Audit - Audit Completion Report

Members were presented with the External Audit – Audit Completion Report for yearend 31st March 2022.

Mazars reported to Members that their work had been substantially complete with only two areas not complete. Those audit areas were identified as Pensions and Infrastructure.

Pensions – Mazar were waiting on assurances from the Pension fund auditor. Without the assurance the section had been unable to be signed off. The pension fund auditor had been unable to confirm a date for when they would be able to issue the required assurances to Mazars.

Infrastructure – As officers had previously made Members aware a national issue in relation to the accounting for infrastructure. This had impacted every local authority related entity with material infrastructure balances. Although technical in nature and would not impact the Councils available resources, it would possibly impact the financial statement depending how it gets resolved.

Mazars were unable to issue their audit opinion until this issue is resolved. It was projected by Officers that the matter could be concluded in January 2023 at the earliest.

The Value for Money section of the Mazars report outlined that they had been unable to complete their work in respect to the Councils arrangements for year end 31 March 2022 for the previously outlined reasons. They had however not identified any significant weaknesses in arrangements that required them to make a recommendation, but work continued on the Councils arrangements.

RESOLVED that the report be noted.

7 Treasury Management Strategy Mid-Year Report 2022-236

Members were presented with a report informing them of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2022.

The main topics discussed were as follows:

- A brief overview was given over the external context provided by Stockton's Treasury Management advisors Arlingclose.
- Officers highlighted the increase in interest rates and how they had not impacted the loans the Council held as they had been fixed before the increase.
- No new borrowing had been undertaken in the six months shown in the report, with the level of borrowing decreasing.
- Based on the capital programme the Authority would be required to borrow to make up the shortfalls outlined in the report, this would be built

into the Medium-Term Financial Plan (MTFP) to pinpoint when and where the borrowing should take place.

- Officers brought to members attention a table in the report which showed the Investment Balances of the Councils short- and long-term investments.
- The final section of the report covered the Councils measures and how it manages its exposure to treasury management risk. Officers informed members that the Council have complied with all requirements.

RESOLVED that the report be noted.

8 Annual Governance Statement

Members were presented with the Council's Annual Governance Statement for 2021/22.

Members were reminded that 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 of Accounts for 2021/22 was 30th November 2022 at which point they were subject to the external audit process.

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 from the governance framework, a description of the process applied in reviewing the effectiveness of the 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 attached within Appendix A of 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.

9 Anti-Fraud and Corruption Strategy

Consideration was given to a report that advised Members of the Anti-Fraud and Corruption arrangements for the period 2022-23.

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.

RESOLVED that the report be noted.

10 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:

- As shown in the report Officers had no areas of concern to highlight to members.
- One Red control had been highlighted in the report, It was in relation to the suitability of child placements, there was a general shortage of places available meaning Officers were not always able to place children in the most suitable placement.

- In relation to Information Governance training a new platform had been introduced with all staff being required to undertake refresher training. Good progress had been made with complete rate of the training being 90% however that was short of the targeted 95%.

Members noted the report from Officers but mentioned that the tables in the report had been hard to read clearly.

RESOLVED that the report be noted.

11 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 for the 2021/2022 period.

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.

12 Work Programme 2022 - 2023

The Work Programme was noted.

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AGENDA

REPORT TO AUDIT & GOVERNANCE COMMITTEE

23rd March 2023

REPORT OF DIRECTOR OF CORPORATE SERVICES

HEALTH AND SAFETY REPORT

SUMMARY

This report provides an update on the health, safety and wellbeing performance of the Council for the period 1st October – 31st December 2022.

RECOMMENDATION

1. The current position as identified in the report is noted.

DETAIL

1. This detail encapsulates the regular, non-responsive activity of the Health and Safety Team including accident and assault data:
 - Health and Safety Training
 - Health and Wellbeing Update
 - Audit Programme
 - Construction (Design and Management) Regulations 2015
 - School's Educational Residential Visits
 - Employee Protection Register Activity
 - Accidents Reported
 - Physical Assaults Reported
 - Verbal Assaults Reported

Health & Safety Activity

Health and Safety Training

1. **9** corporate health and safety training courses were delivered to **60** delegates.
4 bespoke courses to **34** delegates.

An Institution of Occupational Safety and Health certificated Managing Safely course was attended by **11** candidates, **8** internal & **3** externals.

27 online training events were attended by **250** delegates.

In total, **41** health and safety training courses were delivered to **352** employees and **3** external candidates.

Further details of training activity can be found at **Appendix 1**.

Health and Well-being Update

2. Health and wellbeing support provides a range of interventions to maintain good physical and mental health, aiding workforce recovery and recuperation. Referrals include:

1st October – 31st December 2022.

Physiotherapy Referrals	54
Workplace Assessment Referrals	18
Physiotherapy Sessions	202
Workplace Assessment Sessions	18
Scans	0
Podiatrist referrals	3
Podiatrist sessions	2
Display Screen Equipment (DSE) Training and Assessments Undertaken	39
Display Screen Equipment Eye Test Vouchers Requested	31

Audit Programme

3. The number of health and safety audits completed within the reporting period was 17

Individual Overall Audit Opinion

Opinion	Definition	No of Audit opinions	% of total
Full assurance	A robust system of control exists with evidence of a consistent application of the safety management safeguards, but opportunity for continued improvement may exist in some control areas	8	47
Substantial assurance	A robust system of control exists, but improvement is needed to enhance the safety management safeguards.	9	53
Moderate assurance	Safety management safeguards are being applied but there are weaknesses compromising resilience to risk and consequent harm.	0	0%
Partial assurance	There is a limited or inconsistent application of the safety management safeguards, substantially compromising resilience to risk and consequent harm.	0	0%
No Assurance	The safety management safeguards are failing and require urgent management action.	0	0%
Total No of Audits		17	100%

Audit Assurance Levels Summary

Priority	Definition	No of recommendations	%
Prudent	Beneficial to improve the control of the safety management safeguards.	27	33%
Significant	Required action to reduce an identified risk or to mitigate against the failure of one or more safety management safeguards or control systems.	36	44%
Substantial	Action required to be taken as a matter of priority to mitigate against a substantial risk and to manage the residual risk	15	19%
Urgent	Urgent action required to be taken immediately to mitigate against a serious non-compliance or risk of harm and to manage the residual risk.	0	0%
Observation	Comment on a system or procedures, or something that may be improved upon, but not of such significance to justify a non-conformity.	3	4%
Total No of recommendations		81	100%

Construction (Design & Management) Regulations 2015 Client Adviser.

4. The revised Regulations came into force on 6 April 2015. The Health & Safety Executive (HSE) objectives behind the new regulations are far-reaching and mark a significant shift in the health and safety regulatory regime for procurement, design and delivery of construction projects.

The Regulations apply to all construction work whether or not the project is notifiable to the HSE and impose specific duties onto:

- Clients,
- Principal Designers,
- Designers,
- Principal and Sub-contractors,
- Others involved with the project.

Subject to the size and complexity of individual projects, the Health and Safety Unit act as 'CDM Advisor' to the Client and or the Principal Designer, as duty holders. The CDM Advisor carries out functions including:

- notification to the regulator, the HSE
- production of Pre-construction Information
- appraisal of the Principal Contractors Construction Phase Plan
- provision of construction health & safety advice.

During the reporting period, **5** Pre-Construction Information Documents were issued.

A total of **5** 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.

Design Stage

Ensuring design management arrangements are in place, providing pro-active and practical help to Clients and designers in response to individual project's demands.

Facilitating design risk management process, providing advice and assistance to Clients and designers on risk reduction and health and safety management in design.

Pre Construction Stage

Appraise and approve Contractor's Construction Phase Health and Safety Plan.

Ensuring construction management arrangements are in place prior to works commencing.

Ensure effective co-operation and co-ordination and that sufficient time has been allocated for planning and preparation of project safety. provide when requested advice on competence of Client appointments – Principal Contractors.

Construction Phase

Ensure construction management systems remain in place for the duration of the construction phase.

Liaise with Client, Designer, Principal Contractor throughout the construction phase to ensure safe design and build.

Conduct site inspections on certain construction sites where there may be specific risks to the general public.

Educational Visits Adviser Activity.

5. During the reporting period, the safety management safeguards of **2** school's educational residential visits were appraised, challenged, and endorsed, to safeguard **37** pupils.

School Type	Domestic	Foreign	Pupils
Primary School	1		32
Secondary School		1	5
Specialist School's			
Totals	1	1	37
Total Trips	2		

Employee Protection Register

6. The Employee Protection Register is an on-line database of known data-subjects who present an identified risk to the safety of the Council's and partner organisation's workforce.

System Administrators	Approvers	Authors	Search Only Users
3	22	28	406
474 (total Users)			

Accident and Assault Incidence

Accidents

7. Accidents reported to the Health & Safety Unit during this period were **42**
This compares with **40** in the previous reporting period.

Further details at **Appendix 2, table 1**

Physical Assaults

8. Physical Assaults reported to the Health & Safety Unit this period were **90**
This compares with **95** in the previous reporting period.

Further details at **Appendix 2, table 2**

Verbal Assaults

9. Verbal Assaults reported to the Health & Safety Unit this period were **0**
This compares with **1** in the previous reporting period.

Further details at **Appendix 2, table 3**

FINANCIAL AND LEGAL IMPLICATIONS

Financial

10. None

Legal

11. The Health and Safety team enable the Authority to comply with Regulation 7 of the Management of Health and Safety at Work Regulations 1999, to assist in complying with the requirements and prohibitions imposed under relevant statutory provisions.

RISK ASSESSMENT

12. The activity of the Health and Safety Team in conjunction with Line Manager's support, contribute to the effective identification and mitigation of a broad range of occupational health and safety risks.

COUNCIL PLAN IMPLICATIONS

13. None

CONSULTATION

14. None

Name of Contact Officer: Martin Skipsey,
Assistant Director Procurement and Governance
Telephone No: 01642 526364
Email Address: martin.skipsey@stockton.gov.uk

Background Papers: Health and Safety Policy 2023.

Ward(s) and Ward Councillors: None

Property Implications: None

Appendix 1

Health & Safety Training

Corporate Training Courses		Asbestos Awareness	Incident Reporting	COSHH	Fire Risk Assessment	Fire Warden	Incident Reporting & Awareness	Risk Management of Lone Working	Risk Assessment		Total
No of Courses		2	1	1	1	1	1	1	1		9
Directorates	Adults and Health		1			3	1	2	3		10
	Children's Services	7	4	4		9	4	1	2		31
	Community Services, Environment and Culture	5		2				1			8
	Corporate Services										0
	Finance, Development & Regeneration				1						1
	Maintained Schools	7	1				1		1		10
	No of Delegates	19	6	6	1	12	6	4	6		60

Bespoke Training		Health and Safety Responsibility	Fire Warden	Lone Worker Training	Totals
No of Courses		1	2	1	4
Directorates	Adults and Health		6		6
	Children's Services			10	10
	Community Services Environment & Culture	12			12
	Corporate Services				
	Finance Development & Regeneration.		6		6
	Maintained Schools				
	No of Delegates	12	12	10	34

Institute of Occupational Safety and Health [IOSH] Managing Safely Certificate.		Totals
Directorates	Adults and Health	1
	Children's Services	2
	Community Services Environment & Culture	4
	Corporate Services	
	Finance Development & Regeneration	
	Maintained Schools	1
	External Candidates	3
	No of Delegates	11

	Online Training Courses	Manual Handling	Working at Height	Asbestos Awareness Refresher	COSHH Awareness	Dealing with Violence and Aggression at Work	Dealing with Violent Behaviour	Emergency First Aid at Work	Fire Safety and Evacuation	Fire Safety and Evacuation Refresher	Food Safety Essentials	Hand Hygiene - A Video Guide to Effective Hand Washing	Handling Violence and Aggression at Work	Introduction to Violence and Aggression at Work	Legionella Awareness	Lifesaver - Resuscitation Council UK	Lone Worker Types and Typical Risks	Lone Working Hazards and Risks	Personal Safety in Other People's Homes and Premises	Slips, Trips and Falls	Staying Safe with Electricity	Using Fire Extinguishers Safely	Working at Height with Access Equipment - Ladders, Stepladders and MEWPs	Total	
	No of Courses																							22	
Directorates	Adults and Health	7		1	16	3	2		37	1	2	1	1	1		1	4	5	11	12	1			106	
	Children's Services	9		4	8	2	1		1	1			1			1		4	1					33	
	Community Services Environment & Culture	7	3	1					1	1										1		1	2	17	
	Corporate Services	3			2												1					1		7	
	Finance Development & Regeneration					7	6	1					6	6					2	1				29	
	Maintained Schools	2	1												1										4
	No of Delegates	28	4	6	26	12	9	1	39	3	2	1	8	7	1	2	5	9	14	14	1	2	2	196	

	Online Training Courses	DSE – IHASCO	DSE1 - Staying Safe with DSE - An Overview	DSE2 - Staying Safe with DSE - Fixed DSE	DSE3 - Staying Safe with DSE - Fixed Workstations	DSE4 - Staying Safe with DSE - Mobile DSE	Total
	No of Courses						5
Directorates	Adults and Health			5	2	2	12
	Children's Services			6	3	2	13
	Community Services Environment & Culture			2	1	2	8
	Corporate Services			5	3	3	15
	Finance Development & Regeneration			3			5
	Maintained Schools	1					1
	No of Delegates	1		21	9	9	54

Appendix 2

Table 1.

Accidents Reported				
Directorate	Accidents Reported to the Health & Safety Unit		RIDDOR Reported to the H.S.E *	
	This Period	Previous Period	This Period	Previous Period
Adults and Health	1	6		1
Children's Services	6	9		
Community Service, Environment & Culture	14	10	4	2
Corporate Services				
Finance Development & Regeneration	1	1		
Maintained Schools	20	14	1	
TOTALS	42	40	5	3

Table 2.

Physical Assaults Reported				
Directorate	Accidents Reported to the Health & Safety Unit		RIDDOR Reported to the H.S.E *	
	This Period	Previous Period	This Period	Previous Period
Adults and Health	1 (physical and verbal)	2		1
Children's Services	59	83		
Community Service, Environment & Culture	2	2	1	
Corporate Services				
Finance Development & Regeneration				
Maintained Schools	28	8		
TOTALS	90	95	1	1

Table 3.

Verbal Assaults Reported				
Directorate	Accidents Reported to the Health & Safety Unit		RIDDOR Reported to the H.S.E *	
	This Period	Previous Period	This Period	Previous Period
Adults and Health				
Children's Services		1		
Community Service, Environment & Culture				
Corporate Services				
Finance Development & Regeneration				
Maintained Schools				
TOTALS	0	1	0	0

This Period: 1st October 2022 – 31st December 2022.
 Previous Period: 1st October 2021 – 31st December 2021.

The assault statistics reflect the number of assaults reported to the health and safety unit, via the internal assault reporting procedure.

* RIDDOR.

The requirement to notify to the reporting authority, the Health and Safety Executive occurs, where because of a prescribed workplace incident: -

- an employee incurs more than **seven days absence** from work due to harm or injury sustained, or,
- sustains a **specified injury** as defined in the RIDDOR Regulations, Reg 4, (1)(a) to (h)
- a member of the public is taken from the scene of a workplace incident to a hospital **for treatment** in respect of injuries sustained due to the employer's work-related activities.

Academy Trust data is excluded from this report.

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AGENDA ITEM

**REPORT TO AUDIT COMMITTEE
23 MARCH 2023**

**REPORT OF DIRECTOR OF
CORPORATE SERVICES**

CORPORATE RISK REGISTER UPDATE REPORT AND INTERNAL AUDIT ACTIVITY REPORT

SUMMARY

The Committee is reminded that quarterly reports on the Corporate Risk Register are presented for the purpose of reviewing the key risks that have 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, are minimised.

As a reminder, risks are scored on a scale of one to five for both 'impact' and 'likelihood'.

To inform members of the progress of audit testing to date and present a forward plan of testing and the resources available to meet the plan to support the assessment of risk.

RECOMMENDATIONS

It is recommended that:-

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

DETAIL

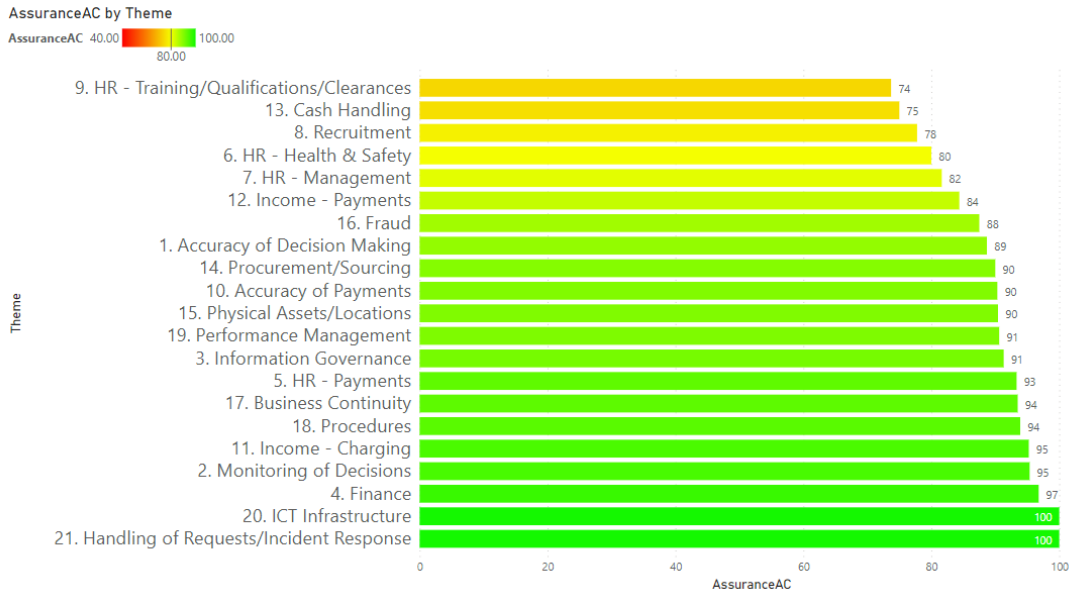
1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. To support this, audit work is aligned to the strategic risk register and activity is structured around the strategic risks of the organisation.
2. The overall summary shows a summary of audit results against each risk area. The audit assurance is an indicator of how well controls to manage risks are operating, however this is an indicator of internal controls and there may be external factors that remain outside of the council's control which may need to be reflected in a higher risk score.

Risk	Red	Amber	Green	Total	Assurance
A growing economy			9	9	100.00
Clean and green spaces		2	5	7	80.00
Cohesive and safe communities		2	16	18	95.31
Dedicated and resourceful employees		4	24	28	92.77
Education and skills development		2	23	25	97.22
Financially sustainable and value for money		11	73	84	94.52
Great places to live and visit	2	6	34	42	88.14
Job creation and increased employment		1	2	3	90.00
People are supported and protected from harm	7	12	65	84	84.64
People live healthy lives	1		13	14	91.18
Rich cultural experiences			5	5	100.00
Strong leadership and governance	4	15	91	110	89.29
Total	14	55	360	429	90.08

- Audit testing results breaks down work undertaken in the previous period to provide members with an update on where audit resources have been employed and the results of that work. This will highlight any concerns raised in the period. Six red Controls have been identified, 2 relate to information governance training, this is an improved position than has been reported previously, 1 relates to the availability of fit notes, 1 relates to a backlog in case supervisions, 1 relates to a backlog in care package reviews, the final one was reported at the last meeting in relation to the availability of emergency placements.

Risk	Red	Amber	Green	Total
A growing economy			6	6
Cohesive and safe communities			6	6
Dedicated and resourceful employees			4	4
Education and skills development			6	6
Financially sustainable and value for money			3	20
Great places to live and visit	1	1	7	9
Job creation and increased employment			1	1
People are supported and protected from harm	2	2	20	24
People live healthy lives			3	3
Strong leadership and governance	3	5	20	28
Total	6	12	92	110

- The next section is a graph against key governance themes, this is for all testing undertaken not just in the period. One area previously identified as an area of concern has seen some improvement in relation to Information Governance Training, the assurance level has increased from 62% to 74% so progress is being made. All themes are now showing as being above 70% assurance.



- Planned work identifies the areas to be examined in the next period as required by the Public Sector Internal Audit Standards. We are planning work on a quarterly basis rather than the previous annual basis to enable the service to be more responsive to changing risk.

Impact Risk	2		3		4		5		Total	
	Number	Time	Number	Time	Number	Time	Number	Time	Number	Time
Clean and green spaces	1	0.25							1	0.25
Cohesive and safe communities	2	1.50			1	3.00			3	4.50
Dedicated and resourceful employees			2	2.00					2	2.00
Education and skills development	1	3.00	2	1.50					3	4.50
Financially sustainable and value for money	6	5.00	2	3.25	2	3.00	1	1.00	11	12.25
Great places to live and visit	2	0.75	6	4.25					8	5.00
Job creation and increased employment					1	1.00			1	1.00
People are supported and protected from harm	8	6.50	12	11.00	11	13.50	1	3.00	32	34.00
People live healthy lives	3	1.75			1	1.00			4	2.75
Rich cultural experiences	1	0.50	1	1.00					2	1.50
Strong leadership and governance	6	7.00	6	6.25	4	5.00	1	0.25	17	18.50
Total	30	26.25	31	29.25	20	26.50	3	4.25	84	86.25

- Quality Assurance and Improvement shows a balanced scorecard for the delivery of the audit service. The majority of indicators will be reported annually but the ones shown provide an update on progress against agreed work to date. The level of adequate resources is calculated after staff time is adjusted to allow for Annual Leave, Bank Holidays and a reasonable amount of Admin Time. During the period of the report the service was marginally below the portfolio coverage indicator.

Quality, Assurance & Improvement Process

Period Covered	November 2022	to	March 2023
Planned Period	March 2023	to	May 2023

Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Planned Period)	15	38.6
Portfolio Coverage (Period)	115	110
Presentation of Annual Report (Annual)	June	*
Presentation of Activity Report	Qtrly	*

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	*
Fraud Strategy Review	31/03/2021	*
Client Satisfaction	TBC	*
Recommendation Implementation	TBC	*

Process		
Measure	Target	Performance
Self assessment against standards (Ann	March	*
External Assessment (Every 5 Years)	31/03/2023	*
Staff Meetings Held (Period)	9	15
Up to Date Audit Manual	31/03/2021	*

People		
Measure	Target	Performance
Productivity (Period)	75%	73.7%
Training (Per Financial Year)	20	*
Code of Conduct (Annual)	100%	*
Appraisals (Annual)	100%	*

* - Results to be reported in the annual report

- NFI Progress – We have now submitted the datasets and have now received the results, matches are with the relevant departments for review.

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

This is a summary of the Council's risk environment.

COMMUNITY STRATEGY IMPLICATIONS

None

CONSULTATION

N/A

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AGENDA NO:

REPORT TO AUDIT COMMITTEE

23 MARCH 2023

**REPORT OF DIRECTOR OF FINANCE
AND BUSINESS SERVICES**

INTERNAL AUDIT CHARTER

SUMMARY

The purpose of this report is to advise Members of the Internal Audit Charter and proposed approach to delivering the audit service for the coming audit year 2023-2024.

RECOMMENDATION

1. That the Audit Committee approves the Internal Audit Charter (**Appendix A**) and the rights of access conferred within.

DETAIL

1. The requirement for the Council to have an internal audit function is outlined in Section 151 of the Local Government Act 1972. More specific requirements are detailed in the Accounts and Audit (England & Wales) Regulations 2015 which requires the Council to:

“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

2. The attached audit charter outlines how combined internal audit service will be delivered to Darlington Borough Council and Stockton-on-Tees Borough Council.

Public Sector Internal Audit Standards

3. The Public Sector Internal Audit Standards were published on 18th December 2012 and updated in March 2016. These standards, which are based on the requirements of the Institute of Internal Auditors (IIA), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. They are mandatory and apply to all internal audit service providers, whether in-house, shared or outsourced.
4. There are three distinct areas covered by the standards: -
 - A definition of Internal Auditing;
 - A Code of Ethics designed to promote an ethical, professional culture; and
 - The International Standards for the Professional Practice of Internal Auditing.

5. CIPFA has provided guidance on the application of Public Sector Internal Audit Standard in the form of an Application Note. The Internal Audit Charter (attached) has been prepared in accordance with the Public Sector Internal Audit Standards and this guidance.

Internal Audit Charter

6. The Charter is a high-level statement of how the Internal Audit Service will be delivered to meet the requirements of the legislation and the standards.
7. The charter sets out the approach for delivery of the audit service:
 - Purpose of the Internal Audit Service
 - Scope of Internal Audit work
 - Access to Information
 - Resourcing of the Service
 - Future Development of the Service
8. The Internal Audit Charter is attached at **Appendix A**.

Audit Planning

9. The standards state that a risk-based plan designed to implement the audit charter and allow an annual internal audit opinion to be prepared should be produced. Audit planning will be undertaken on a quarterly basis as previously agreed. The structure of the plan has been updated with a focus around auditing controls rather than service areas. This will impact on the level of detail provided to members at the planning stage.
10. The risk assessment uses a number of factors to determine the likelihood of issues occurring including an understanding of the full scope of controls in operation, major change, concerns/external interest and results of previous audit work. It then assesses the impact any issues may have on the council's strategic objectives, reputation, financial plans, assets and also the potential impact on individuals and/or the environment.
11. As part of the process, the plan is subject to consultation with the Council's external auditors. High priority is given to key financial controls, any significant corporate projects and specific areas requested by Management. A lower priority is given to controls which, although very important to stakeholders, have less impact corporately. All areas of activity are tested in their entirety at least once in a four year period.
12. The proposed level of resources within the service can be identified as gross audit days based on 7.6 FTE's with 2 officers part-time. This resource is sufficient to complete the testing outlined by the risk assessment.

Development of the Audit Service

13. The service is continuously striving to improve the way it operates and the following actions have been identified to further enhance the service:

- Review and update the Quality, Assurance and Improvement measures.
- Embed new ways of working and seek feedback on reporting processes.

Andrew Barber
Audit & Risk Manager

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FINANCIAL AND LEGAL IMPLICATIONS

None

RISK ASSESSMENT

The results of the work undertaken by Internal Audit can be used by managers to assess their risk exposure, recommendations are made where there is perceived to be unacceptable risk.

COMMUNITY STRATEGY IMPLICATIONS

None

CONSULTATION

The Audit Plan has been submitted to the Senior Management Team for comment.

<u>Background Papers:</u>	None
<u>Ward(s) and Ward Councillors:</u>	None
<u>Property Implications:</u>	None

Internal Audit Charter

Introduction

This document will outline how the internal audit service to Stockton-on-Tees Borough Council and Darlington Borough Council will be delivered to ensure it is compliant with the relevant standards and statutory requirements currently in place.

Purpose of the Service

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Authority to Undertake the Function

Each authority is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

This requirement is set out in the Accounts & Audit Regulations 2015. The regulations also state that any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit make available such documents/records and supply such information/explanations as are considered necessary by those conducting the internal audit.

Internal Audit's Responsibilities

The service will be delivered in accordance with the purpose outlined above and by ensuring it:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focussed
- Promotes organisational improvement

The service will ensure it complies with the IIA International Standards for Internal Audit by adopting the Public Sector Internal Audit Standards.

For the purposes of applying these standards "the board" are represented by the Audit Committee through the scheme of delegation in place within each authority. "Senior Management" is the Head of Paid Service, Section 151 Officer & Monitoring Officer who undertake statutory functions. Each authority will have

senior management teams, which will include each of these officers. The service will report the results of audit work individually to each relevant member of this senior management team.

The service will report the findings of its work to the board and to senior management a minimum of 3 times per year in line with the Audit Committee schedule. Where there is any attempt to apply undue influence on the findings of its work the service will seek to make either senior management or the board aware of any such attempts and reserves the right to report without prejudice to any member of the board or senior management.

Recommendations will be made where it is considered the control environment could be improved. This could either be addressing a particular weakness or identifying efficiencies/improvements within processes.

Functionally the service will be based within Stockton-on-Tees Borough Council in the Finance and Business Services Department. The "Chief Audit Executive (CAE)" role as specified by the standards is undertaken by the Audit & Risk Manager. An annual report will be produced giving an overall audit opinion of the control environment to be used as part of the assurance gathering process for the annual governance statement in each authority.

Day-to-day line management for the service will be provided by the Procurement and Governance Manager within the Finance and Business Services Department of Stockton-on-Tees Borough Council.

In order to maintain the actual or perceived independence of the function, where audit work is to be conducted on any function where the Procurement and Governance Manager has operational responsibility, the Audit & Risk Manager has the right to agree the scope of/report findings of this work to any member of senior management. The Audit & Risk Manager has a responsibility to report any attempt to unduly influence/interfere with the scope or outcome of this audit work to relevant members of senior management/the board.

The service will conform to a code of ethics. Annually auditors will sign a declaration that they will conform to a code of ethics that addresses:

- Integrity
- Objectivity
- Competence
- Confidentiality
- Conflicts of Interest

Failure to abide by this code will result in action being taken against individuals through either the Council's disciplinary process, professional disciplinary process or a combination of both.

An opinion will be provided on the entire control environment each year, one for each authority by 30 June. Frequency and scope of testing will be determined by an audit risk assessment, which will be kept up to date. A plan of work will be agreed with the board and senior management, which is considered sufficient to enable this opinion to be given.

In addition to auditing the control environment, the service has a role in preventing, detecting and investigating possible fraudulent or corrupt activity. It is a requirement that the service will be made aware of any such activity either suspected or proven. In addition to this, audit testing will be conducted on the basis that fraud and corruption is a risk within any system and auditors will be aware of the potential for this to be taking place.

Because of the breadth of skills and knowledge possessed by auditors, the service may be approached to provide advice and guidance to managers outside of the normal audit process. Any such consultancy engagement will be managed appropriately and will only be undertaken where the agreed scope of the engagement is consistent with the purpose of the service and where the requisite skills are available. Such assignments will be added to the audit plan.

The service will ensure it has sufficient resources to deliver a risk based audit plan with adequate coverage to enable an overall opinion to be given. A competency framework will be maintained to ensure auditors have the required skills to deliver the plan. Auditors will be assessed against this framework as part of the annual appraisal process. In addition, to ensure auditor's skills remain current they will be required to undertake Continual Professional Development (CPD). Where it is believed there will be insufficient resources (either in terms of capacity or in terms of competence) this will be brought to the attention of the board through the audit committee.

Delivery of the Service

An audit portfolio will be maintained which will encompass the entire control environment of the authority. The portfolio will be kept up to date with consultation taking place with senior management on a regular basis.

Each control in the portfolio will be risk assessed to determine frequency and priority of audit work. The risk assessment will be kept up to date and planning will be undertaken on a quarterly basis. The service will utilise continuous monitoring techniques as part of the risk assessment process, which, will incorporate feedback from a number of sources. This approach will include schools where the primary source of feedback will be the Schools Financial Value Standard Self-Assessment returns and where applicable the schools risk action groups.

Frequency of testing of each control will be determined by a risk assessment. Planning will be focussed on the adequacy of resources to meet the pre-defined frequency of testing requirements rather than a detailed break-down of testing to be undertaken.

A manual will be maintained which will document the audit process, the way in which results of audit work will be presented (this will be subject to consultation with senior management/the board) and the standard of working papers required to support the audit opinion.

The service will maintain an intranet page in each Council which will include basic contact details and any other relevant information.

Monitoring the Service

A Quality Assurance and Improvement Programme (QAIP) will be developed to reflect the new ways way planning and recording work.

The QAIP will detail:

- Performance measures for assessing the service
- Complaints procedure
- Process for reviewing compliance with the Standards.

Regular reports will be presented to the board on the outcomes of the QAIP

AGENDA ITEM

REPORT TO AUDIT COMMITTEE

23 MARCH 2022

REPORT OF DIRECTOR OF CORPORATE SERVICES

EXTERNAL QUALITY ASSESSMENT PEER REVIEW

SUMMARY

The purpose of this report is to advise Members of the results of the External Quality Assessment Peer Review of the Internal Audit Service.

RECOMMENDATION

1. That the Audit Committee notes the outcome of the review (**Appendix A**).

DETAIL

1. The Internal Audit Service is required to comply with the International Standards for Internal Audit. The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced an application note for public sector internal audit teams. A key component of the standards is for Internal Audit teams to validate their compliance with the standards externally at least once every 5 years.
2. CIPFA were commissioned to undertake an external assessment of the service. The review was completed during December 2022 on the basis of a validation of our own self-assessment. There were a number of components to the assessment:
 - Review of the Audit Manual
 - Interviews with Audit Staff
 - Interviews with Senior Managers/Members
 - Satisfaction Survey
 - Review of other documentation including committee reports
3. We have now received the final version of their report and this is attached at Appendix A. The results of the exercise have confirmed that the service is fully compliant with all aspects of the standards. There are 4 areas where advice has been given to improve the service further, 3 of which relate to introducing wording to reports/documents to further strengthen these and the final advisory relates to an acknowledgement of wider sector issues relating to the recruitment of staff.
4. We have also received some very positive feedback around our approach to delivering the service, specifically the strong links with risk, the clarity of our

reporting and our use of dashboards to provide managers with live data on the results of audit work. It was recognised we are a forward-thinking service that is well positioned to drive change and improvement across the authority. There is likely to be a request to showcase our approach at a future CIPFA Better Governance Forum event.

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

None.

COMMUNITY STRATEGY IMPLICATIONS

None

CONSULTATION

N/A

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External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Stockton Borough Council &
Darlington Borough Council's
Shared Internal Audit Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

14th February 2023

Stockton Borough Council & Darlington Borough Council's Shared Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period. The Service's last EQA was undertaken in May 2018 where the Service was deemed to be conforming to the standards.

2. Background

- 2.1 The Shared Internal Audit Service provide the internal audit services to Stockton Borough Council and Darlington Borough Council and are based at either the Civic Centre in Stockton or the one in Darlington, although the team are all mainly working remotely. The Chief Audit Executive for both Councils is the Audit and Risk Manager.
- 2.2 The Service is made up of eight posts in the Internal Audit team. They are a well-qualified and experienced Shared Service with all the team members either holding or working towards obtaining relevant professional or academic qualifications.
- 2.3 From an operational perspective, the Shared Service reports directly to the Corporate Leadership Teams at the respective Councils and the Audit Committees at both Authorities. These two bodies fulfil the roles of 'senior management' and 'the board' for each authority, as defined by the Public Sector Internal Audit Standards. Regular reports on the respective audit plans, progress on delivering the plans and the annual opinions and outturns, are made to the Corporate Leadership Teams and the Audit Committees for the respective Councils.
- 2.4 The Shared Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned, the previous one being in 2018.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. Standard templates are used for all engagement working papers and testing schedules. All these documents are held in the Service's audit management application, MK Insight (MKI).
- 2.6 Supervision of the engagements takes place at every stage of the process and is recorded in MK Insight.
- 2.7 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements and secondary reviews of a sample of completed engagements, etc., and these all feed into the Shared Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by the Shared Service; a review of a sample of completed internal audits for both Councils, chosen by the assessor; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders at both Councils, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

- 3.2 The Shared Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - the audit charters;
 - the annual reports and opinions;
 - the audit plans and strategies;
 - audit procedures manual;
 - a range of documents and records relating to the team members;
 - progress and other reports to the Audit Committees.

All the above documents were examined during this EQA.

- 3.3 The main phase of the validation process was carried out during the week commencing the 12th of December 2022 and involved a review of a sample of audit files for both Stockton and Darlington Borough Councils, and interviews with key stakeholders from the Councils. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way the Shared Internal Audit Service delivered their services.
- 3.4 A survey was sent to a range of other key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Audit and Risk Manager and a brief summary has been included in this report.
- 3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Councils and how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council is accurate and as such we conclude that the Shared Internal Audit Service **GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

- 4.1 The table below shows the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms

Standard / Area Assessed	Level of Conformance
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the Shared Services procedures and working methodologies and that they are a very

competent, experienced, and professional service that conforms to all ten elements of the Core Principles.

5.3 **Code of Ethics**

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures and audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There are audit charters in place for both Stockton and Darlington Borough Councils and these are reviewed on an annual basis. We reviewed these documents and found them to be comprehensive and well written documents. As our assessment confirms that the Shared Service is conforming to the PSIAS and the LGAN, it is recognised as good practice to include a statement to this effect in the respective annual reports. Apart from the advisory point referred to above, we are satisfied that the Shared Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of the Service's culture. The Service reports in its own name at both Authorities and directly to senior management and the Audit Committees at the respective authorities. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity for each audit they undertake. There is scope however to strengthen this process by adding the Seven Principals of Public Life as one of the categories to the declaration form that the staff sign.

We have reviewed the Shared Service's audit manual, procedures, and their standard documentation; their quality assurance and improvement plan; and a sample of completed audit files for both Authorities. We have also reviewed the Shared Service's reporting lines and their positioning within the two organisations. The Audit and Risk Manager has other roles and responsibilities to Internal Audit at Stockton Borough Council that may be subjected to periodic internal audit. These are referred to in the audit charter and the annual report, and there are methodologies in place to avoid any potential conflicts of interest. Whilst there are mechanisms in place to avoid any potential impairments to the independence and objectivity of the Shared Service, it is recognised as good practice to include a statement confirming that there have not been

any impairments during the year just ended in the respective annual reports. Notwithstanding the two advisory points referred to above, we are satisfied that the Shared Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 Attribute Standard 1200 – Proficiency and Due Professional Care

Attribute standard 1200 requires the Shared Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Shared Internal Audit Service has a professional and experienced workforce with all members of the team either holding or working towards relevant professional and academic qualifications.

The Shared Service is fortunate in having a qualified specialist IT auditor amongst the team, although all members of the Shared Service can perform basic, high-level IT audits. The Service also places reliance on the work of other sources of assurance for both Council's IT systems and their governance, such as the annual PSN accreditations and routine penetration testing organised by the respective IT Services. The Shared Service uses IDEA, Excel, and Power BI, for data analytics, and makes use of the data analytics tools embedded in the respective Council's IT systems.

It is evident from this review that the Shared Service's employees are experienced and well qualified and perform their duties with due professional care. However, we have noted that some of the Shared Audit team have been in internal audit for many years and are approaching an age where they could consider taking early retirement. If this was to happen in the foreseeable future, it may have a detrimental impact on the effectiveness of the Shared Service as finding suitably experienced and qualified replacements in the current economic climate will be very difficult. We therefore suggest that the Audit and Risk Manager looks at all the options available to him and puts together a succession planning strategy for the Shared Service. Apart from the advisory suggestion above, we are satisfied that the Shared Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the head of audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

The Shared Internal Audit Service has developed an effective quality assurance process that ensures engagements are performed to a high standard and feeds into their quality assurance and improvement programme. Supervision of audit engagements is carried out during the audit and prior to release of the findings to the audit dashboard. Evidence of the supervision process is recorded in their MKI audit management application. We have examined the supporting evidence provided by the Shared Service during this EQA and are satisfied that they conform to attribute standard 1300 and the LGAN.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Audit and Risk Manager to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Audit and Risk Manager must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Audit and Risk Manager must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Audit and Risk Manager to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Audit and Risk Manager to report periodically to senior management and the Audit and Risk Committee on internal audits activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

The Shared Internal Audit Service has a range of procedures in place, including an audit manual, procedure notes, and supervision processes that meet the requirements of the PSIAS.

The Service have developed comprehensive planning processes that take into consideration the known risks and objectives and the deliverables set out in the respective Council corporate plans; their risk management and governance frameworks; any relevant and reliable sources of assurance that are available; key issues identified by the various service managers at each Authority; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. This information feeds into the audit universe of key controls for each Authority. The Service produces a risk-based audit plan for each Authority that aims to test the design and effectiveness of these key controls, and objectively provide them with relevant assurance on their governance (including ethics related controls), risk management and control frameworks. The audit plans are reviewed and approved by senior management and the Audit Committees of the respective Authorities.

Details of the completed control reviews are quickly reported to senior management via a digital dashboard (using MS Power BI) that all Directors and senior managers have access to. The dashboard provides brief details of the risk and control issues found, and the actions required to mitigate any control weaknesses. Managers are then required to update the dashboard with details of the progress being made to address the issues raised by Internal Audit. The director's dashboard also shows the planned reviews for their operational areas, and the performance of the Shared Internal Audit Service in delivering the audit plan. This method of reporting Internal Audit's activity works well for the two Authorities and is well liked by management. It is a cost-effective way of quickly communicating the results of audits. Regular updates on the progress being made on delivering the audit plans and the performance of the Shared Internal Audit Service, are reported to the respective senior management teams and Audit Committees at each Authority. Annual reports and opinions are also issued at the end of the year and presented to the respective Audit Committees.

The clear indication from this EQA is that the Shared Internal Audit Service is effectively managed and conforms to standard 2000 and the LGAN.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Shared Internal Audit Service and is embedded in their working methodologies and their MKI audit management system. During this EQA, we reviewed a sample of control audits and examined them to see if they conformed to

standard 2100, the LGAN and the Shared Service's own methodologies. We found that all the evidence that we examined complied with all three elements.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned above, the Shared Internal Audit Service has an audit manual and procedure notes, supervision, and quality assurance processes in place that cover engagement planning and meets the requirements of the PSIAS. We found that all the evidence that we examined during this EQA conformed to standard 2200, the LGAN, and the Service's own audit procedures, and therefore we conclude that the Shared Internal Audit Service conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As mentioned above, the Shared Internal Audit Service has an audit manual and procedure notes, supervision and quality assurance processes in place that meet the requirements of the standards. During this EQA, we reviewed the evidence provided in support of the Service's self-assessment to see if they conformed to the standards, and the Shared Service's own working methodologies. We found that all the evidence conformed to the standards and, overall, the Shared Service's own procedures and audit methodologies. We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The audit manual, procedure notes, supervision and quality assurance processes cover the communication of results and meet the requirements of the PSIAS. Details of the completed control reviews are quickly reported to senior management via a digital dashboard that they all have access to. The dashboard provides brief details of the risk and control issues found, and the actions required to mitigate any control weaknesses. This method of reporting Internal Audit's activity works well for the two Authorities and is well liked by management. It is a cost-effective way of quickly communicating the results of audits. During the EQA we reviewed the evidence provided in support of the Shared Service's self-assessment and the dashboard reports for a small sample of control audits to see if they conformed to the standards. We found that all the evidence conformed to the standards and Shared Service's own procedures and methodologies.

We also reviewed the progress and annual reports to the respective Audit Committees and found that overall, these also conformed to the standards and the Shared Internal Audit Services own internal procedures.

We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at both Authorities, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the respective Audit Committees. From this EQA, it is evident that the Shared Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Audit and Risk Manager has concluded that management at either Authority has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples during the review. From this EQA, it is evident that the Shared Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Survey results

8.1 Overall, the results of the survey of key stakeholders from the Shared Internal Audit Services clients were positive with respondents valuing the services provided by them. The overall number of negative responses were very low with most respondents either agreeing or partially agreeing with the survey statement. The detailed findings from the survey have been shared with the Audit and Risk Manager to enable him to explore some of the responses in more depth, if he wishes, to understand if there are any underlying issues that may need to be addressed. A brief summary of the survey results is included in this report at page 13.

9. Issues for management action

Issues for management action	Priority
As our assessment confirms that the Shared Service is conforming to the PSIAS and the LGAN, it is recognised as good practice to include a statement to this effect in the respective annual reports.	Advisory
Consider adding the Seven Principals of Public Life as one of the categories to the declaration form that the Internal Audit team members sign.	Advisory
It is recognised as good practice to include a statement in the respective annual reports confirming that there have not been any impairments to the independence or objectivity to the Shared Service during the year just ended.	Advisory
Some of the Shared Audit team have been working in Internal Audit for many years and are approaching an age where they could consider taking early retirement. If this was to happen, it may have a detrimental impact on the effectiveness of the Shared Service, as finding suitably experienced and qualified replacements in the current economic climate will be very difficult. We therefore suggest that the Audit and Risk Manager looks at all of the options available to him to maintain the effectiveness of the Shared Service and puts together a succession planning strategy for the Shared Service.	Advisory

10. Definitions

Level of Conformity	Description
Generally Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Audit and Risk Manager, and the Shared Service Team in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the chairs of the Audit Committees and the key stakeholders from both Council that made themselves available for interview during the EQAs and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

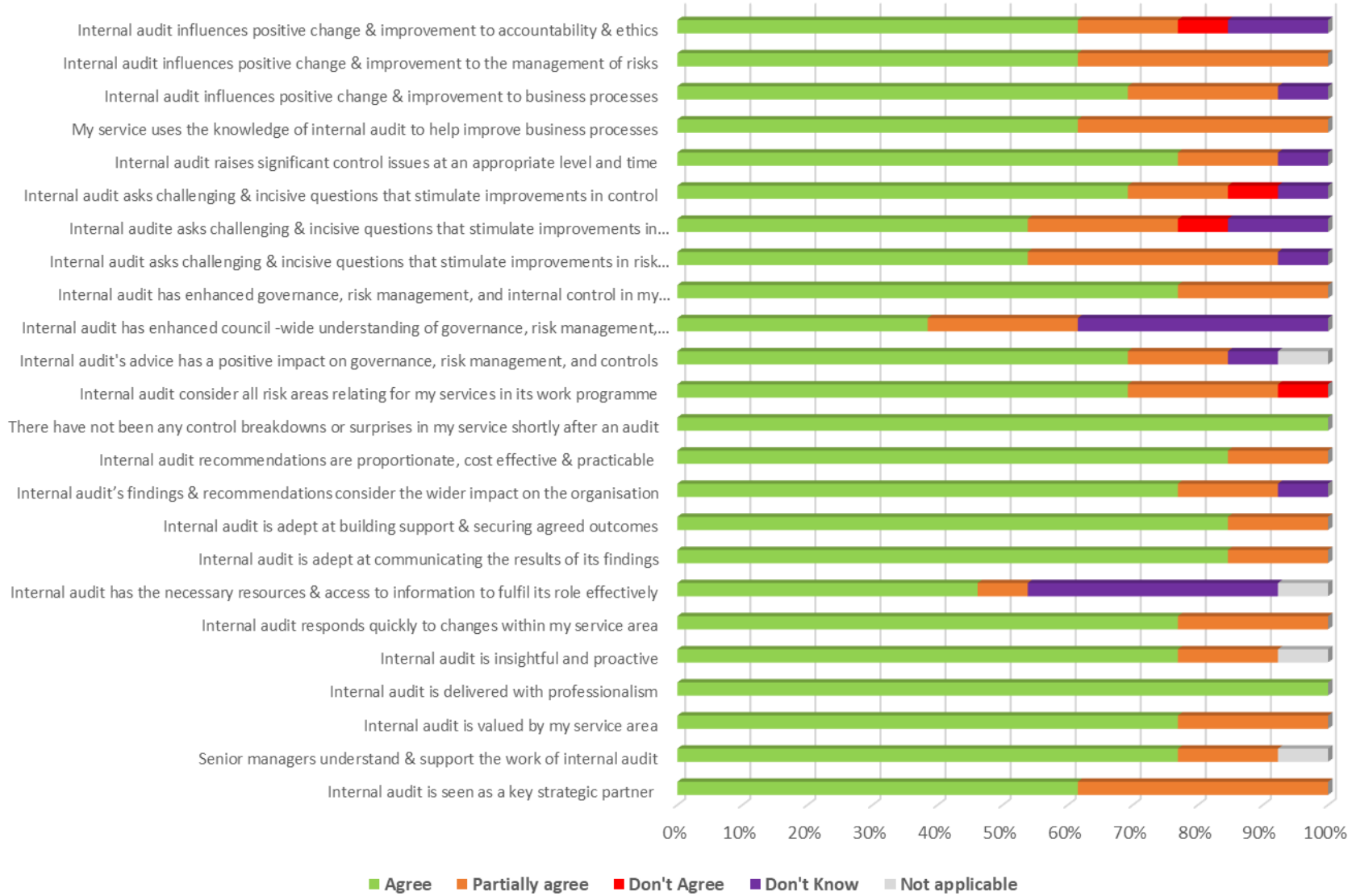
31st January 2023

11. Disclaimer

This report has been prepared by CIPFA at the request of the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council, including the senior management and boards of both Council's, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Survey Results



Audit Committee Programme 2023/2024

Diary of Meetings & Work Programme

Date	Work Programme
13th February 2023	Cancelled and rearranged for 23rd March 23
23rd March 2023 Rearranged meeting from 13th February 2023	Annual Report of the Audit Committee (Final) Health and Safety report Risk Register Update and Audit Activity Internal Audit Charter Work Programme 2022-2023
31st May 2023	Annual Financial Statements - Draft prior to Audit External Audit - Follow Up Letter to the Audit Completion Report 2021/22 Draft Auditor's Annual Report 2021/22 Annual Financial Statements - Approval After Audit Draft Annual Governance Statement External Audit - Audit Strategy Memorandum 2022/23 External Audit - Auditor's Annual Report 2021/22 Constitutional Update Health and Safety report Risk Register Update and Audit Activity Internal Audit Annual Report Work Programme 2022-2023
31st July 2023	Health and Safety report External Audit - Audit Progress Report Risk Register Update and Audit Activity Work Programme 2022-2023
25th September 2023	Annual Governance Statement approval Treasury Management Annual Report External Audit - Audit Progress Report Risk Register Update and Audit Activity Work Programme 2022-2023
27th November 2023	External Audit - Audit Completion Report 2022/23 Annual Financial Statements - Approval after Audit Treasury Management Mid Term Review Annual Report of the Audit Committee (For Discussion) Health and Safety report Risk Register Update and Audit Activity Work Programme 2022-2023
26th February 2024	Annual Report of the Audit Committee (Final) Health and Safety report Constitutional Update if required

External Audit - Auditor's Annual Report 2022/23
Risk Register Update and Audit Activity
Internal Audit Charter
Work Programme 2022-2023

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