

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 29 April 2022**

**Present:**

Mr M Knowles in the Chair

Councillors Nicholson, Price, Stewart and P Wood.

**In Attendance:**

Paul Davies (Assistant Director of Assurance and Property Services), Paul Dixon (Chief Accountant), Kelly Brown (Audit Manager), Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer).

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were received from Mr G Cook and Councillor N MacKnight.

**Minutes**

22. RESOLVED that the minutes of the meeting of the Committee held on 4 February 2022 be confirmed as a correct record.

Councillor Wood referred to the conversation which had taken place about the impact of further increases in interest rates and asked what would happen if these went up to 2.5% for example.

The Chief Accountant stated that the Medium Term Financial Strategy included provision to cover off cost pressures including areas such as pay awards, energy costs, social care and also debt charges. PWLB borrowing rates were currently at 2.5% and the Council's advisors did not expect a dramatic shift up but it was a balancing act for the team to know when to borrow and this position would be monitored closely.

The Assistant Director of Assurance and Property Services advised that a verbal update on the Carbon Plan (risk score R07) would be brought to the next meeting of the Committee.

## **Annual Governance Review/Annual Governance Statement 2021/2022**

The Executive Director of Corporate Services submitted a report providing details of the 2021/2022 Annual Governance Review, the Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. The draft Annual Governance Statement and an improvement plan for the year ahead were included.

The Committee had approved the Risk and Assurance Map for 2021/2022 in April 2021, together with the plans of work for the Internal Audit and the Risk and Assurance teams. These plans covered the Council and its wholly owned companies.

The Local Code of Corporate Governance was reviewed annually to ensure that it was up to date and effective and minor changes were proposed mainly in relation to the Council's City Plan and the updated version was attached at Appendix 1 to the report. The Council was also required to publish an Annual Governance Statement (AGS) with its Statement of Accounts which was to be supported by a comprehensive assurance gathering process.

The Annual Governance Review had considered assurance provided from Assistant Directors, Executive Directors, specialist functions, the Risk and Assurance Team, Internal and External Audit and other external agencies. These assurances were shown in the Risk and Assurance Map which had all elements marked as Green or Amber.

The Committee were advised that there had been a shortage of staff resources in the Internal Audit team during the year and an external internal audit firm had been engaged and this had enabled 91% of the original audit plan to be completed. All of the Key Performance Indicators for Internal Audit for 2021/2022 had been achieved.

The report also set out the planned counter fraud and error work undertaken during the year and whilst there were no significant issues highlighted there were some opportunities identified for improvements to the control environment.

Progress on the actions in the corporate governance improvement plan for 2021/2022 had been reviewed and it was found that all five actions were complete and as a result of the review five new actions would be included in the improvement plan for 2022/2023.

The Annual Governance Statement had been drafted taking into account the findings of the annual governance review and was attached as appendix 4 to the report.

Councillor Wood noted that the achievement of 91% of the Internal Audit Plan was commendable and should be recognised. The Vice-Chair highlighted that the teams

had delivered in what had been a difficult year and acknowledged the strong and positive report.

Having considered the report, it was: -

23. RESOLVED that: -

- (i) that the updated Local Code of Corporate Governance at Appendix 1 be agreed;
- (ii) the report and Risk and Assurance Map at Appendix 2 be noted;
- (iii) the Improvement Plan at Appendix 3 be agreed; and
- (iv) the draft Annual Governance Statement at Appendix 4 be agreed.

### **Risk and Assurance Map 2022/2023**

The Assistant Director of Assurance and Property Services submitted a report which asked the Committee to consider: -

- the proposed Risk and Assurance Map and the supporting plans of work for the Internal Audit and Risk and Assurance teams for 2022/2023; and
- Internal Audit's key performance measures and targets for 2022/2023.

The Risk and Assurance Map for 2022/2023 set out where assurance would be obtained from, including the plans of work for Internal Audit and Risk and Assurance for the coming year.

The key areas of work for the Risk and Assurance team would include: -

- Managing the Council's Risk Management Policy and Strategy
- Monitoring external risk factors which may have an impact on the achievement of the Council's objectives, such as EU Exit and the conflict in Ukraine.
- Economic regeneration such as the International Advanced Manufacturing Park, city centre developments and infrastructure work for the proposed Giga factory at Nissan.
- Proposed Pedestrian Walkway of the River Wear.
- Implementation of the Smarter Cities Programme.

Internal audit work would include the following: -

- Information governance, including compliance with the General Data Protection Guidelines
- Continuing audit work in relation to the Council's Housing Service
- Performance Management Arrangements in relation to Public Health
- Work at the Port including Health and Safety and Delivery of the Business Plan
- Planning and Development Control

- Corporate Asset Management Strategy and Compliance
- Adult Social Care recovery arrangements following Covid 19
- Programme Management Arrangements for Smarter Cities
- External Funding Arrangements
- A range of audits of the Council's financial systems and will be undertaken in line with an agreed five year rolling plan.
- Each of the Council's companies had their own audit plan, the results of which would feed into the Risk and Assurance Map.

The Key Performance Indicators would remain the same and progress reports would be presented to the Committee during the year.

The Vice-Chair commented that summary of key areas of work was very helpful and accordingly, it was: -

24. RESOLVED that the report be noted.

### **Proposed Forward Plan of Reports for 2022/2023**

The Executive Director of Corporate Services submitted a report presenting the proposed Forward Plan of reports for 2022/2023 for consideration and comment.

Members were advised that this was an annual report setting out the reports which would allow the Committee to fulfil its role throughout the municipal year.

25. RESOLVED that the proposed Forward Plan of reports be agreed.

### **Member Training and Development**

The Executive Director of Corporate Services submitted a report providing the Committee with the opportunity to identify areas for which they required any further training/refresher/awareness sessions to be arranged.

The Assistant Director of Assurance and Property Services that two topics had been proposed for training sessions; the statement of accounts and a session on Treasury Management to be delivered by the Council's Treasury Management Advisors via Teams. Any new Members appointed to the Committee at the Annual Meeting of the Council would also be offered an induction session.

The Chief Accountant advised that the Treasury Management training would be arranged as soon as was practicable and the session on the statement of accounts would be offered once the draft accounts were complete .

26. RESOLVED that: -

- (i) it be agreed to receive a briefing session regarding the 2021/2022 Statement of Accounts;

- (ii) it be agreed to receive a training session regarding Treasury Management; and
- (iii) further areas for training/awareness sessions be suggested.

### **Auditor's Annual Report**

The Executive Director of Corporate Services submitted a report detailing the external auditor's (Mazars) Annual Report (AAR) covering the year to 31 March 2021 which would subsequently be referred to the Council for information.

The AAR summarised the findings of the 2020/2021 audit and the key findings from the work were: -

- The financial statements gave a true and fair view of the Council and the Group's financial position as at 31 March 2021 and an unqualified audit opinion was issued;
- The financial statements had been prepared in accordance with the Code of Practice on Local Authority Accounting;
- There were no significant deficiencies in internal control;
- That the auditors did not use powers under the 2014 Act to issue a report in the public interest or to make written recommendations to the Council;
- The audit assessment on the Council's arrangements to ensure Value for Money concluded with no significant areas of weakness identified; and
- The Council's Whole of Government Accounts (WGA) Assurance Statement had been unable to be completed or audited as guidance was still awaited from central government. Until the WGA work was concluded, the 2020/2021 Audit Certificate was not able to be issued.

Diane Harold, Mazars, was in attendance to talk to the report and in doing so advised that the Auditor's Annual Report was intended to be more user friendly with a greater narrative in relation to value for money when compared to the previous Annual Audit Letter.

Diane highlighted that the AAR included an update in relation to fees. The scale fees had been set by Public Sector Audit Appointments Limited (PSAA) and any variations to other fees had to be invoiced and benchmarked by PSAA. The Regulator had increased requirements in several key areas and this had resulted in the auditors proposing increased fees for certain elements of the work.

Overall Diane stated that it was a very positive report and she had been delighted to include the text from the outstanding Ofsted report for Children's Services within her report.

The Vice-Chair was pleased to note the positive report and thanked the external auditors and the finance teams for their contribution to this excellent outcome. It was therefore: -

27. RESOLVED that the contents of the report be noted.

## **External Auditor's Progress Report**

Diane advised that there was not a written report for the Committee on this occasion but she reported that the 2021/2022 audit was now underway and there had been no significant issues identified at the current time.

28. RESOLVED that the update be noted.

## **Audit Strategy Memorandum**

The Council's external auditors, Mazars LLP, submitted their Audit Strategy Memorandum for the year ending 31 March 2022.

Diane Harold of Mazars presented the Audit Strategy Memorandum and in doing so highlighted that document set out the detail of the audit scope, approach and timeline.

The summary risk assessment had identified the following significant risks: -

- Management override of controls
- Valuation of property, plant and equipment and investment properties
- Valuation of the net defined benefits liability
- Enhanced risk accounting for PFI arrangements

For the Value for Money assessment there had been no risk of significant weakness identified at this time. Previously there had been significant risks regarding Ofsted and the financial pressures being faced by the Council but on balance, it had been determined that these were not significant but would still be looked at as part of the standard value for money work.

Mazars were not proposing any divergence from the scale audit fees set by PSAA, however this was subject to any recurring fee increases in relation to the testing of property, plant and equipment valuations and audit work in respect of the net defined benefits liability.

The Vice-Chair noted that this was an important document and queried the consultation which had taken place with senior officers. Diane advised that the external auditors looked at the outcome of internal audit work and regulatory reports received by the Council; it was possible that new risks could be identified from the review of these reports.

Following consideration of the report, it was: -

29. RESOLVED that the Audit Strategy Memorandum be noted.

(Signed) M KNOWLES  
Vice-Chair