

AUDIT COMMITTEE

Meeting: 19 July 2023

At: 6.00 pm

PRESENT

Councillor Sue Glithero (Chair) in the chair; Councillor Carole McCann (Vice-Chair);
Councillors Mark Jones, Ian Powney, Alex Wynne and Philip Mills (Co-opted Member).

1. MINUTES

The Minutes (copies of which had been circulated) of the meeting held on 15 March 2023 were approved as a correct record and signed by the Chair.

2. DECLARATIONS OF INTEREST

Councillors and officers were invited to declare any interests they had in any of the items on the agenda for the meeting.

The following interests were declared:-

Personal Interests

Councillor

Interest

Sue Glithero

Agenda Item 5 – ‘2021/22 Statement of Accounts Audit Update’ and Agenda Item 14 – ‘Internal Audit Progress Statement 1 - 2023-24’ as a deferred member of Local Government Pension Scheme.

Carole McCann

Agenda Item 11 – ‘School Summary Report’ as a member of the Governing Board of Bolshaw Primary School.

3. URGENT DECISIONS

No urgent decisions were reported.

4. PUBLIC QUESTION TIME

Members of the public were invited to put questions to the Chair on any matters within the powers and duties of the Audit Committee, subject to the exclusions set out in the Code of Practice.

No public questions were submitted.

5. 2021/22 STATEMENT OF ACCOUNTS AUDIT UPDATE

The Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated) which provided an update as to the progress of the 2021/22

Statement of Accounts audit, which remained open due to a small number of significant issues impacting local authorities nationally.

Mazars LLP are the Council's external auditors and are responsible for the audit of the Council's annual Statement of Accounts. Mazars LLP had recently presented a resolution to the last remaining issue. This report provided an update on this and the next steps in order sign off the 2021/22 Statement of Accounts and a brief update on the progress of the 2022/23 Statement of Accounts.

The following comments were made/issues raised:

- Members enquired further regarding the reasons for the delay in finalising the accounts and whether there was potential for sanctions in connection with this. In response, Members were advised that as the delay was due to national issues, officers were not aware of potential sanctions pertaining to Stockport.
- Members asked about the impact of the pension deficit on the budget and the ongoing funding position.
- A short discussion took place on employer and employee pension contributions.
- Members received reassurance that there were no direct financial implications to the Council.
- A representative of the Council's external auditors, Mazars, provided a further explanation and update.

RESOLVED – That the report be noted.

6. DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23

The Deputy Chief Executive (and Section 151 Officer) submitted a report which was the draft version of the Council's Annual Governance Statement (AGS) for 2022/23. The final AGS would be considered by Corporate Leadership Team and the Corporate Governance Group and, provided there has been no material in governance issues, will be issued as final alongside the Annual Accounts.

The following comments were made/issues raised:

- In response to a Member question, the Committee was advised that the Council has a separate whistleblowing policy which is open, robust and transparent and that all allegations were treated with the seriousness they deserved.
- Members queried how concerned they should be relating to the system of internal control and the weaknesses in the design and inconsistent application of controls which may put the achievement of particular objectives at risk. In response, the Committee was assured that there were degrees of commentary that were used and it was not unreasonable to expect that controls were working effectively. But some Audits had taken place where the controls were not working as efficiently as they could.
- Members asked if there was any provision for people outside of the local government sector to participate in peer reviews.
- In response to a Member question, the Committee was advised how the identified issues in the report were dealt with and progress monitored.

- In response to a question regarding resource constraints and whether this was improving, the Committee was advised that the situation was improving, and comparisons were given. However, challenges still remained. It was an improving situation from a control perspective.
- A short discussion took place on business continuity and working and communicating with residents.
- Members were advised that if they required any further information or training on these issues, then this could be provided.

RESOLVED – That the Annual Governance Statement be approved prior to signing by the Leader of the Council and the Chief Executive.

7. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (EXTERNAL REVIEW & REPORT)

The Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated) which outlined the findings of the recent external assessment. The report concluded that the Internal Audit Service has passed and therefore fully complied with the requirements of the national standards.

The following comments were made/issues raised:

- Members asked for further clarification around timelines and the recommendations contained in the report.
- Would it be beneficial to produce the external review more often?
- Members enquired as to whether there were further standards/audits? In response, the Committee was advised that the general audit standards were sufficient in terms of the service that is provided.
- The Chair formally acknowledged the hard work that had been undertaken by the Audit team.

RESOLVED – That the report be noted.

8. INTERNAL AUDIT PROGRESS STATEMENT 1 - 2023-24

A representative of the Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated) which informed Members of the resources utilised by Internal Audit during the period, the activities undertaken in the reporting period, and the status of work currently being undertaken.

The following comments were made/issues raised:

- The Committee enquired whether the figures in section 7 of the report were the sort of volume to be expected.
- A short discussion took place relating to care payments and the Committee was advised that further information on this could be provided if necessary.
- Members queried whether there were any concerns relating to the rental income section. In response, the Committee was advised that a new system was being brought in which would make this more efficient.

- A short discussion took place relating to STAR procurement and how far this was good value for money.
- In response to a Member question, the Committee was advised that there were robust firewall operations in place and officers were comfortable that there were mitigations in place. However developing cyber risks remained a challenge.

RESOLVED – That the report be noted.

9. ANNUAL HEAD OF INTERNAL AUDIT OPINION AND REPORT 2022-23

A representative of the Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated). It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Head of Internal Audit, Risk and Insurance prepares an annual report containing an overall opinion on the Council's control framework.

The report (appendix 4) contained this statement and detailed the audit work undertaken in the year from which the overall opinion has been drawn.

The following comments were made/issues raised:

- Members enquired whether there was any internal or external reviews relating to the report?
- In terms of hybrid working, was anyone looking at the operational efficiency of this?

RESOLVED – That the report be noted

10. ANNUAL ANTI-FRAUD BRIBERY AND CORRUPTION REPORT 2022-23

A representative of The Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated). The report presented the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring in the Council. This supports the requirements of the Accounts and Audit Regulations (England) 2011, which state that the Council must have measures in place "to enable the prevention and detection of inaccuracies and fraud."

Audit Committee is requested to note the contents of the report.

The following comments were made/issues raised:

- Members asked about the procedures that took place when fraud was discovered.
- Members enquired whether the resources were in place to pick up corporate fraud. In response the Committee was advised that thorough, deep dive tests took place in this area.
- Members asked whether any resources had been allocated to financial economic sanctions.

RESOLVED – That the report be noted.

11. SCHOOL SUMMARY REPORT 2022-23

A representative of The Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated) which aimed to communicate to all stakeholders the key and recurring issues, risks and subsequent recommendations made from the internal audits of schools undertaken in 2022/23.

The following comments were made/issues raised:

- Members raised the issue of virtually all schools being in deficit and how big a problem this was. In response, the Committee was assured that this was being managed by the Education team and the Director of Education.
- Members enquired whether schools were receptive to the advice given.
- A short discussion took place as to what happened to schools who were not performing well in certain areas.
- Members raised the issue of how school audits were financed, particularly those who were not local authority maintained.
- A short explanation was provided as to how the audit findings were followed up and monitored.

RESOLVED – That the report be noted.

12. ANNUAL REPORT OF THE CHAIR OF THE AUDIT COMMITTEE - 2022-23

The Chair of the Audit Committee submitted a report (copies of which had been circulated) which provided details of how the Audit Committee has fulfilled its terms of reference during the financial year and how it is fully committed to helping to improve the Council's governance and control environments during the year ahead.

RESOLVED – That the report be noted.

13. AUDIT COMMITTEE MEMBER SELF-ASSESSMENT

A representative of the Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated). The Council's Audit Committee is a key component of the authority's governance framework. The report provided details of the committee's role in ensuring that there was sufficient assurance over governance and control gave greater confidence to all those charged with governance that those arrangements are effective.

RESOLVED – That the report be noted.

14. CORPORATE RISK REGISTER - UPDATE 1

A representative of the Deputy Chief Executive (and Section 151 Officer) submitted a report (copies of which had been circulated) which provided Audit Committee with an Update to the Corporate Risk Register Quarter 1.

The following comments were made/issues raised:

- Members welcomed the report as it focused on areas that were constantly changing and enquired if there was any way of informing the public about this work which was being done on their behalf.
- Concerns were raised about the issue of schools running at a deficit and the potential implications of this.
- Members expressed their thanks for the information relating to emerging cyber risks.

RESOLVED – That the report be noted.

15. MAZARS PROGRESS REPORT

A representative of the external auditors, Mazars submitted a report (copies of which had been circulated) which provided an update on the work that Mazars had undertaken as the auditor for Stockport Metropolitan Borough Council.

The following comments were made/issues raised:

- The Committee enquired whether the 18 million referred to in the report was an individual or cumulative amount. In response, the Committee was advised that it was both and that the Council had a good track record of adjusting where it needed to.
- Members were advised that the aim was to provide further training on understanding the accounts in October.
- A short discussion took place on the importance of the robustness of the audit.
- Members enquired about the increase of fees and what the Council would be getting in return for this.

RESOLVED – That the report be noted.

The meeting closed at 8.27 pm