

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on 6 June 2019.

PRESENT: Councillors Rathmell, (Chair), Higgins, J Hobson, Hubbard, McCabe, Rooney and S Walker

ALSO IN ATTENDANCE: Councillors Coupe, Dodds, High, C Hobson, McTigue, Waters
H Fowler, Tees Valley Audit and Assurance Services (TVAAS)
S Kenny, Ernst Young (EY)
J Cain, BBC Local Democracy Reporter

OFFICERS: J Bromiley, J Etherington, A Hoy, S Lightwing, J Robinson, J Shiel, P Stephens, J Weston, K Whitmore

APOLOGIES FOR ABSENCE All Committee members present.

DECLARATIONS OF INTERESTS

There were no Declarations of Interest at this point in the meeting.

19/1 APPOINTMENT OF CHAIR PRO TEM

Nominations were sought for the appointment of a Chair *Pro Tem* of the Corporate Affairs and Audit Committee.

Councillor J Hobson was nominated and seconded and, following a vote, appointed as Chair *Pro Tem* of the Corporate Affairs and Audit Committee.

AGREED that Councillor J Hobson was appointed Chair *Pro Tem* of the Corporate Affairs and Audit Committee until amended by the Committee.

19/2 APPOINTMENT OF CHAIR OF CORPORATE AFFAIRS AND AUDIT COMMITTEE

Nominations were sought for the appointment of Chair of the Corporate Affairs and Audit Committee.

Councillor Rathmell was nominated and seconded and, following a vote, appointed as Chair of the Corporate Affairs and Audit Committee.

AGREED that Councillor Rathmell was appointed Chair of the Corporate Affairs and Audit Committee.

In response to a query by a Committee Member, the Deputy Monitoring Officer confirmed that the Chair had been appointed in accordance with the prevailing legislation.

19/3 APPOINTMENT OF VICE CHAIR OF CORPORATE AFFAIRS AND AUDIT COMMITTEE

Nominations were sought for the appointment of Vice Chair of the Corporate Affairs and Audit Committee.

Councillor McCabe was nominated, seconded, and appointed as Vice Chair of the Corporate Affairs and Audit Committee.

AGREED that Councillor McCabe was appointed Vice Chair of the Corporate Affairs and Audit Committee.

19/4 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 7 MARCH 2019

The minutes of the meeting of the Corporate Affairs and Audit Committee held on 7 March 2019 were taken as read and approved as a correct record.

19/5 **DRAFT STATEMENT OF ACCOUNTS 2018/2019**

A report of the Strategic Director of Finance, Governance and Support was presented to advise Members that the Draft Statement of Accounts 2018/2019 were published by the Strategic Director on 31 May 2019. Members were requested to note and review the draft Statement of Accounts 2018/2019 and agree to any further training that was required prior to the approval of the final accounts by 31 July 2019.

A draft Summary of Accounts 2018/2019 had also been produced alongside the main set of accounts for the first time this year.

The Council had a Medium Term Financial Plan setting out the financial strategy over the next three years which was refreshed on an annual basis. The Council's solid financial position had been maintained and the accounts demonstrated that the Council was delivering on the Medium Term Financial Plan.

The Head of Financial Governance and Revenues gave a detailed presentation of the Draft Statement of Accounts 2018/2019 covering the following elements:

- Narrative Report.
- Statement of Responsibilities.
- Audit Opinion.
- Movement in Reserves Statement.
- Comprehensive Income and Expenditure.
- Balance Sheet.
- Cash Flow Statement.
- Notes to the Accounts.
- Collection Fund Account
- Teesside Pension Fund Accounts.

The Draft Statement of Accounts provided an overview of the Council's financial position at 31 March 2019 and a summary of its income and expenditure during 2018/2019. The Draft Statement of Accounts was a technical publication containing accounting statements and notes prepared in accordance with requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019, and Internal Financial Reporting Standards.

The Head of Financial Governance and Revenues drew Members' attention to a difference of £87.0m between the revenue outturn deficit position and the deficit on the provision of services on the Comprehensive Income and Expenditure Statement. This reflected a number of technical accounting adjustments to comply with proper accounting practice and the vast bulk of this difference (£60m) related to schools converting to academies and their assets being removed from the Council's accounts. The remaining £27m covered a combination of capital, pensions and collection fund accounting adjustments. None of these accounting adjustments affected the Council's financial position.

It was also highlighted that the demand for Adult Social Care services was highly volatile and a reserve had been set up to cover pressures on Adult Social Care budgets that the service needed time to manage. Previous reserves provided by Government had been used during 2018/2019.

In relation to a query regarding an exit package of over £100,000 it was confirmed that this was in relation to a compulsory redundancy and did not meet the criteria to require approval by full Council.

The final Statement of Accounts 2018/2019 were expected to be approved by the Corporate Affairs and Audit Committee on 25 July 2019 and the Independent Auditor's Report would confirm whether the accounts provided a true and fair view of the Council's financial position at that time.

The Head of Financial Governance and Revenues invited Members to contact him with any further queries or training needs in relation to the Accounts.

AGREED that the Draft Statement of Accounts 2018/2019 was received, reviewed and noted.

19/6

INTERNAL AUDIT PLAN 2019/2020

The Audit and Assurance Manager, Tees Valley Audit and Assurance Services, presented the proposed Audit Plan for 2019/2020. A copy of the Plan was attached at Appendix 1 to the submitted report.

The draft Plan had been presented to the Corporate Affairs and Audit Committee at the meeting held on 7 March 2019.

The detailed Plan set out the list of audits and the planned number of days in total and for each assignment. The assignments were based on a number of areas including: strategic or directorate risk registers, the Strategic Plan, national risks or issues, changes in legislation, areas of previous concern, requests from Members, Departmental or Leadership and Management Teams, and tasks required for compliance with Public Sector Internal Auditing Standards. Local and national issues were also considered as well as hot topics for internal auditors for 2019, which were based on surveys across various sectors to highlight areas that auditors should be focussing on.

The Plan was flexible and could change throughout the year according to priorities. Any changes to the Plan would be reported back to the Corporate Affairs and Audit Committee, along with regular updates on progress against the Plan.

AGREED that the Internal Audit and Assurance Plan 2019/2020 was approved.

19/7

PMO SIX MONTHLY REPORT

A report of the Strategic Director of Finance, Governance and Support was presented to provide the Corporate Affairs and Audit Committee with details of the arrangements in place to govern Programme and Project Management (PPM) within the Council, progress made during the past year and plans to further strengthen those arrangements.

The PPM framework had been introduced approximately three years ago in response to the former Value for Money qualification the Council had in respect of project management, to ensure that all programmes and projects were developed and managed consistently. A Programme Management Office (now Portfolio Management Office) was put in place to monitor progress and provide professional advice. Work undertaken since mid-2016 was successful in removing the qualification on that issue and contributing to improvements in the management of the capital programme.

Currently there were approximately 125 current and potential projects in the portfolio.

The report detailed the improvements delivered in 2018/19 in respect of project documentation and reporting of progress. Paragraph 6 of the submitted report highlighted the positive direction of travel in the RAG (Red/Amber/Green performance ratings) of projects within the portfolio. Paragraph 11 detailed the Internal Audit opinion of good control environment.

Actions for 2019/20 included continued refinement and reinforcement of good practice. The portfolio would be reviewed against the new Vision and priorities set by Mayor Preston and the opportunity would be taken to review the PPM framework, including a new approach to assessing social value. In response to a query, it was confirmed that the Council would be adopting a social value model used by Greater Manchester.

The Committee was requested to note the current arrangements and improvements undertaken, and highlight any issues or actions required in relation to these arrangements.

Committee Members were also invited to attend briefings by Officers in relation to the portfolio and how it was managed.

AGREED that the report was received and noted.

19/8

STRATEGIC RISK PRESENTATION – UPSKILLING NEW MEMBERS

The Strategic Director of Finance, Governance and Support, gave a presentation that provided an overview to Members of the strategic risk in relation to political uncertainty and Member/Officer relations and the measures being taken by the Council to manage this risk.

There were a number of risks including:

- Changes in the national or local political situation resulting in unexpected changes to the strategy or policy of the Council.
- Members and Officers not working together to achieve a common goal and the Council might not be able to deliver its business in an effective/timely manner.
- The risk of a breakdown in Members and Senior Officers' relationships.
- Loss of knowledge and experience.

The scale of the risk varied from potential delays in communication between Members and Officers to failure to meet legislation or deadlines. The impact of the risk on Council Services could include: disrupting the Council's capacity to deliver, ineffective decision making, inability to deliver on priorities and/or savings targets, poor staff morale and reputational damage.

The Council was managing the risk and meetings had taken place with the Mayor, interim Executive, Directors and Officers. A programme of Members' training and briefing sessions had been put in place, as well as E-learning training and a Member Development Programme. Political awareness was provided to all new starters as part of the Corporate Induction. Codes of Conduct, Declaration of Interests, Gifts and Hospitality procedures were also in place. The Middlesbrough Manager Framework set out the required standards of Managers. Joint horizon scanning was in place for risk and performance management as well as arrangements for how Change Programme 3 would be delivered and monitored.

Finally, future mitigation measures were outlined as follows:

- Explanatory session for political candidates to provide early understanding of Council functions and introduction to senior management.
- Comprehensive training for new senior members to ensure smooth transition.
- Review of role descriptors for Members and Officers.
- Inclusion of decision making in the Member Induction Programme.
- Raise awareness for Members and Managers on the Member Protocol.
- Political skills training for Officers.
- Review of Member/Officer Codes of Conduct to ensure clarity.
- Wider Member engagement and consultation.

AGREED that the information provided was received and noted.

19/9

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

Governance Audit

The Chair suggested that a review into the Council's governance was carried out by Internal Audit, with the Terms of Reference to be agreed by the Chair and Vice Chair, in consultation with the Strategic Director of Finance, Governance and Support. This would be a positive piece of work designed to provide assurance. The findings of the audit would be presented back to the Committee in the first instance. It was highlighted by the Strategic Director that it was important to understand what the added value of the audit would be; and to ensure that

work already carried out by Internal Audit was not repeated.

AGREED as follows that:

- An independent piece of work in relation to the Council's governance processes was carried out by Internal Audit.
- The Chair and Vice Chair, in consultation with the Strategic Director of Finance, Governance and Support, would determine the Terms of Reference for the audit and report back to the Corporate Affairs and Audit Committee.