

Date: Monday 27 November 2023 at 4.00 pm

Venue: Jim Cooke Conference Suite, Stockton Central Library, Church Road,
Stockton on Tees TS18 1TU

Cllr Barry Woodhouse (Chair)
Cllr Stefan Houghton (Vice-Chair)

Cllr Marc Besford
Cllr Paul Rowling
Cllr Mick Stoker
Cllr Laura Tunney

Cllr Ross Patterson
Cllr Susan Scott
Cllr Emily Tate

AGENDA

- | | | |
|-----------|--|-----------------|
| 1 | Evacuation Procedure | (Pages 7 - 8) |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interest | |
| 4 | Minutes | (Pages 9 - 16) |
| 5 | Health & Safety Report | (Pages 17 - 20) |
| 6 | Risk Register Update and Audit Activity | (Pages 21 - 26) |
| 7 | External Audit - Progress Report | (Pages 27 - 50) |
| 8 | Treasury Management Mid Term Review - To Follow | |
| 9 | Annual Report of the Audit Committee | (Pages 51 - 56) |
| 10 | Work Programme 2022/23 | (Pages 57 - 58) |

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

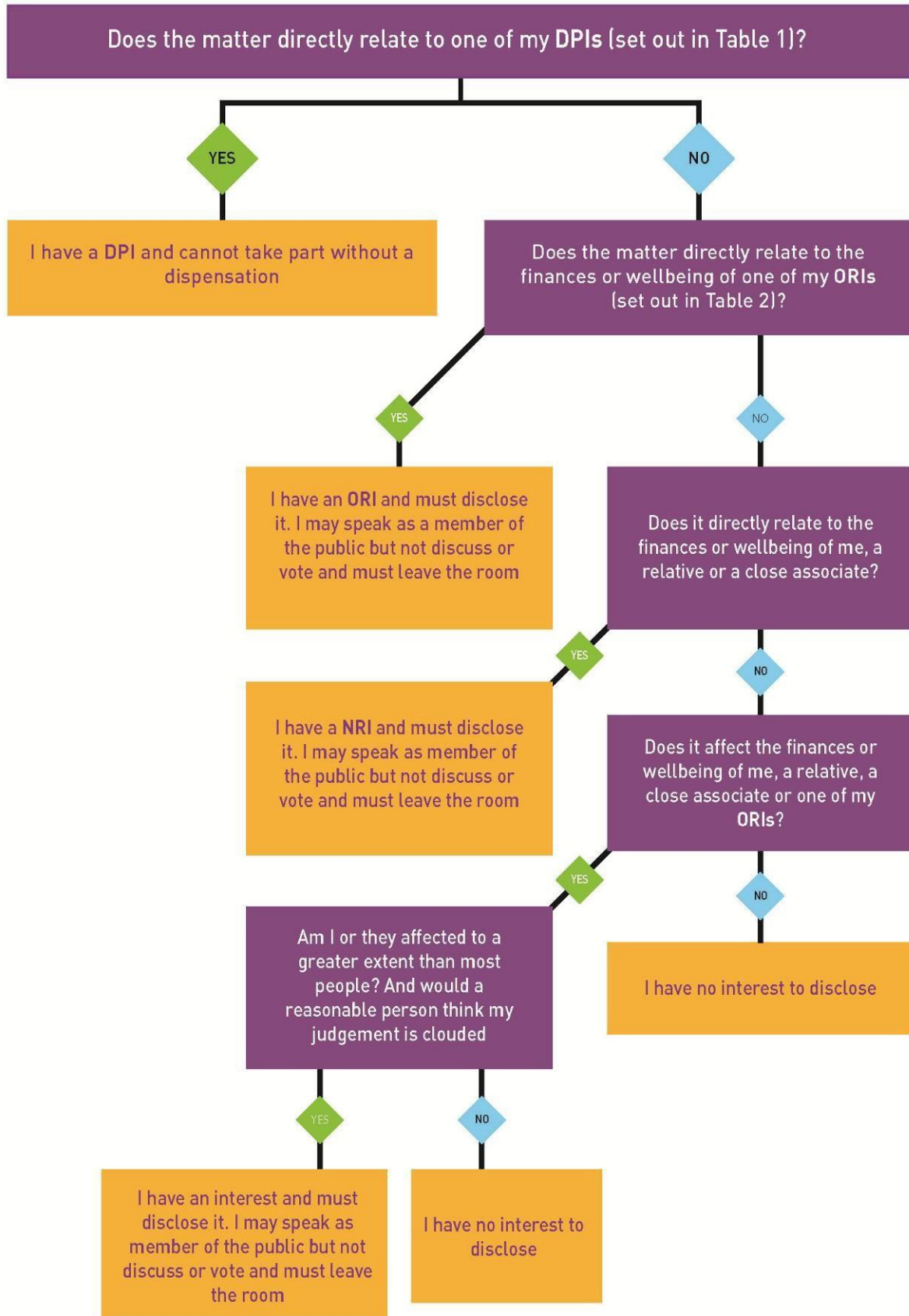


Table 1 - Disclosable Pecuniary Interests

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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Jim Cooke Conference Suite, Stockton Central Library **Evacuation Procedure & Housekeeping**

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.

The emergency exits are located via the doors between the 2 projector screens. The key coded emergency exit door will automatically disengage when the alarm sounds.

The Toilets are located on the Ground floor corridor of Municipal Buildings next to the emergency exit. Both the ladies and gents toilets are located on the right hand side.

Microphones

During the meeting, members of the Committee, and officers in attendance, will have access to a microphone. Please use the microphones, when directed to speak by the Chair, to ensure you are heard by the Committee.

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AUDIT AND GOVERNANCE COMMITTEE

A meeting of Audit and Governance Committee was held on Monday 25 September 2023.

Present: Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Marc Besford, Cllr Eileen Johnson, Cllr Sufi Mubeen, Cllr Ross Patterson, Cllr Paul Rowling and Cllr Emily Tate.

Officers: Andy Bryson (F,T&P), Andrew Barber, Martin Skipsey and Rachel Harrison (CS).

Also in attendance: Gavin Barker (Mazars)

Apologies: Cllr Susan Scott and Cllr Mick Stoker.

AGC/10/23 Evacuation Procedure

The Evacuation procedure was noted.

AGC/11/23 Declarations of Interest

There were no declarations of interest.

AGC/12/23 Minutes

Consideration was given to the minutes from the meeting held on the 31 of July 2023 for approval and signature.

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

AGC/13/23 Annual Governance Statement

Officers presented the Annual Governance Statement 2022/23 to members.

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 2022/23 was 30 September 2023 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 2022/23 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.

Members were pleased a review and update to the hotel company governance arrangements were included in the report and enquired when an update regarding this would be brought back to the committee. Officers replied an update would be provided at the February Audit and Governance meeting.

RESOLVED that the report be noted.

AGC/14/23 Treasury Management Annual Report

Members were presented with the Treasury Management Annual Report which informed the committee of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by the Council in February 2022.

The main topics discussed were as follows:

On 31st March 2023 the Council held £94.24m of loans, an increase of £9.78m from the previous year. For cash flow purposes the Council entered into three £5m short term loans at the end of 2022/23 financial year.

The Council's investments decreased to £28.8m by the end of March 2023.

£13.56m of the Council' investments were held in an externally managed strategic pooled property fund. These funds generated a dividend return of 4.2%

The Director of Finance, Transformation and Performance and Deputy Chief Executive reported that all treasury management activities undertaken during the year complied fully with the Chartered Institute of Public Finance and Accountancy Code of Practice and the Council's approved Treasury Management Strategy.

Members questioned whether due to interest rates had the cost of borrowing gone up? Officers responded that all long-term loans held by the authority were on fixed rates and that the recent rise in interest rates did not affect these loans. Interest rate rises though would affect and future short- and long-term loans entered into.

Members queried if the Council could compare borrowing with other Local Authorities of a similar size. Officers replied that it depended on the type of borrowing and if the information was disclosed in the other Local annual accounts and published on their websites.

RESOLVED that the report be noted.

AGC/15/23 External Auditor - Audit Certificate 2020/21

Members were presented with the External Auditor- Audit Certificate for the 2020/21 financial year which formally concluded the 2020/21 audit.

There was a substantial delay in the issue of the Audit Certificate, due to awaiting confirmation from the National Audit Office that Stockton-on-Tees Borough Council would not be selected for additional Whole of Government Accounts (WGA) work as a sampled component.

Members were informed that the certificate had been published on the Council's website.

Members questioned if the National Audit Office had selected the Council for WGA work would the certificate had been delayed even longer? Mazars responded that it would not have extended the time frame for much longer.

RESOLVED that the Audit Certificate be noted.

AGC/16/23 External Auditor - Follow Up Letter to the Audit Completion Report 2021/22

Members were presented with an update/conclusion of pending matters in relation to the Audit Completion Report.

As required by International Standards on Auditing (UK). Mazars provided an update on matters that were marked outstanding within the Audit Completion Report dated November 2022. In November Mazars reported to Members that work had been substantially complete with only two areas not complete. Those audit areas were identified as Pensions and Infrastructure.

In regard to Pensions Mazars received the Pension Fund auditor letter which highlighted number of apparent significant discrepancies in the data. The Pension Fund auditor indicated to Mazars that they did not intend to carry out any further work to investigate or resolve the apparent significant discrepancies. Mazars informed the Pension Fund auditor that they needed to follow up the issues themselves. Mazars were in the process of following the issues up at the time of the up update of the Audit Completion report and were waiting for a meeting to move forward.

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. The issue was entirely technical in nature and did not impact on the resources available to the Council or the level of usable reserves held by the Council. A statutory override was put in place by Government to address the information deficits and Chartered Institute of Public Finance and Accountancy (CIPFA) guidance was issued. The Council had adopted the statutory override in full. Mazars were satisfied that the Council had followed the relevant guidance when reviewing its infrastructure assets and had made the required disclosures in the financial statements. The issue had been resolved.

Members asked if Mazars had to complete extra work regarding the Pension Fund discrepancies who would pay for it? Mazars replied that Stockton-on-Tees Borough Council would be responsible for paying.

RESOLVED that the report be noted.

AGC/17/23 External Auditor - Auditor's Draft Annual Report 2021/22

Members were presented with the External Auditor's Draft Annual Report 2021/22.

The Auditor's Annual Report (AAR) summarised the work Mazars (Stockton on Tees Borough Councils External Auditors) had undertaken for the year ended 31 March 2022. Although the report was addressed to the Council, it was designed to be read by the wider audience including members of the public and other external stakeholders.

The completion of the audit was initially delayed due to the Pension Fund assurance letter not being received from the auditor of the Teesside Pension Fund until 22 March 2023. It was also delayed due to guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the 11 January 2023 which set out how authorities should address the technical issues that had arisen in relation to accounting for infrastructure and how the statutory override that had been put in place by Government in December 2022 should be addressed. This impacted on the Council having the information needed to respond to this issue, and then Mazars work followed on from this.

As a result of the delay, new information became available to update the pension disclosures in the financial statements in that the triennial revaluation of Teesside Pension Fund as at 31 March 2022 was completed, and needed to be reflected in the 2021/22 financial statements. This required the Council to obtain an updated report from the actuary, and Mazars needed to carry out some additional procedures, including requiring the Pension Fund auditor to test the membership data used in the triennial revaluation and report to Mazars on the results of their testing.

The Pension Fund auditor reported to Mazars on 11 September 2023, but there were a number of issues the Mazars had to follow up on before they could issue their unqualified opinion.

In regard to Value for Money arrangements no risks of significant weakness were identified and no recommendations were made.

The summary of final fees from Mazars for the year 2021/22 was higher due to new scale fees and the inclusion of group fees with a small rounding difference and the additional work that needed to be carried out by Mazars in relation to the national issue in the year's audit.

Members thanked Mazars for their hard work regarding the Draft Annual Report.

Members queried whether a document which set out the scale of fees that Mazars used to charge the Council. Mazars replied that the Public Sector Audit Appointments created guidance on the scale of fees and for extra charges that may incur.

RESOLVED that the report be noted.

AGC/18/23 External Auditor - Audit Strategy Memorandum 2022/23

Members were presented with the External Audit – Audit Strategy Memorandum report for the year ending March 2023, the purpose of which was to summarise Mazars audit approach, highlight significant risks and areas of key judgements and to provide details of Mazars audit team.

Mazars representative Gavin Barker gave a brief overview of the report which included the following:

1. Audit scope, approach, and timeline
2. Significant risks and other key judgement areas
3. Value for Money
4. Fees for audit and other services
5. Mazars commitment to independence
6. Materiality and misstatements

The main topics discussed were as follows:

- The Pension Fund auditor was coming to the end of its contract, Mazars were extending their portfolio becoming the auditors for Middlesbrough, Darlington, and the Teesside Pension Fund.
- Members welcomed the news that Mazars were taking over the contract for the Teesside Pension Fund.

RESOLVED that the report be noted.

AGC/19/23 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:

- There had been no new Red controls identified in the period.
- Members were informed that all governance themes which covered all testing undertaken not just done within the period, were showing as 75% or higher.
- The team were successful in recruiting an internal candidate to the vacant Auditor post and they had started so the audit service was back up to full capacity.

Members questioned how red controls could be improved to become yellow and green. Officers responded actions plans were put in place with regular monitoring taking place to ensure the actions were being carried out to ensure progress was being made.

RESOLVED the report be noted.

AGC/20/23 Fraud and Corruption Strategy Review

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.

Members asked there was a requirement for annual fraud training. Officers responded that there was not currently an identified need for any additional fraud training, but it was regularly monitored. General guidance was available to all staff on the intranet.

Members queried if there was an anti-fraud template that all authorities had to follow. Officers replied that the Council's strategy has been developed in line with the code of practice with each of the 5 key themes addressed, but all Councils' strategies were different. The controls in place at Stockton-on-Tees Borough Council were working.

RESOLVED that the report be noted.

AGC/21/23 Annual Statement of Accounts 2021-22

The Chair agreed to accept this item as a matter of urgency to allow publication of the Annual Accounts at the earliest opportunity in accordance with statutory requirements.

Members were presented with the Council's Annual Statement of Accounts 2021/2022.

Consideration was given to conclude and publish the accounts for the 2021/22 financial year without further action for the Audit and Governance Committee and delegate to the Director of Finance, Transformation and Performance and Deputy Chief Executive and the Chair of the Audit and Governance Committee to agree a further amendment if there is an unexpected outcome and the Pension Fund auditor assurance level changes.

AGREED to conclude and publish the accounts for the 2021/22 financial year without further action for the Audit and Governance Committee and delegate to the Director of Finance, Transformation and Performance and Deputy Chief Executive and the Chair of the Audit and Governance Committee to agree a further amendment if there is an unexpected outcome and the Pension Fund auditor assurance level changes.

AGC/22/23 Work Programme

The Work Programme was noted.

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Agenda Item 5

AGENDA

REPORT TO
AUDIT & GOVERNANCE
COMMITTEE
27 NOVEMBER 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 1 April 2023 – 30 September 2023.

RECOMMENDATION

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

DETAIL

1. The service has always reported based on activity, it is important that H&S risks are understood and as such reports moving forward will be more aligned to understanding how well H&S risks are being managed.
2. There is a project underway within the team to align the work being undertaken by the team to these core H&S risks to facilitate an assessment of the risks faced by the Council. This work will take some time as it includes the introduction of a new system of recording and planning H&S audit work and we will have a revised audit programme in place for April 2024. As the revised programme of H&S audit work is completed, we will gain a better understanding of the current status of risks.
3. Reports during this implementation period will continue to develop to include more information and a robust method of assessing risk. During this period the assessment of risks will have some limitations.

Health & Safety Risks

4. Below is a summary of the main H&S Risks:

Risk	Incidents Recorded	Training Delivered	Other Comments
Asbestos Management		27	
Culture		25	Work is being undertaken to refresh the H&S policy and develop an induction programme specifically for new managers, both tasks will help ensure a H&S culture is embedded.
Construction			During the reporting period, 23 Pre-Construction Information Documents were issued. A total of 45 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.

Display Screen Equipment		384	58 Assessments Completed
Electrical Safety		1	
Equipment, Machinery & Plant	2	See Comments	Both incidents were RIDDOR reportable, only minor injuries recorded. Training is delivered via on-site monitoring and "toolbox" talks, numbers currently not recorded.
Fire Safety		44	Recent CFB audit at Rosedale identified a number of areas that required improvement, this work is progressing well.
Open Water and Flooding			
Gas Safety			
Hazardous Substances		28	
Violence & Aggression	73	26	Reduction from 96 previous year. 3 RIDDOR reportable incidents, however injuries were minor.
Legionella		12	
Lone Working		30	
Noise			
Manual Handling	11	46	Minor injuries recorded
Working at Height		57	
Vibration			
H&S Risk Assessment	1	3	1 RIDDOR reportable incident, staff member bit on leg by client's dog.

Current Audit Programme

5. The number of health and safety audits completed within the reporting period was **24**

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	16	67
Substantial assurance	A robust system of control exists, but improvement is needed to enhance the safety management safeguards.	7	29
Moderate assurance	Safety management safeguards are being applied but there are weaknesses compromising resilience to risk and consequent harm.	1	4
Partial assurance	There is a limited or inconsistent application of the safety management safeguards, substantially compromising resilience to risk and consequent harm.		
No Assurance	The safety management safeguards are failing and require urgent management action.		
Total No of Audits		24	100%

The current agreed audit programme will continue and will be reported in this format for the remainder of the year. Starting from next year the audit programme will be linked to H&S Risk and will be included in the risk update report shown in Para 4. The Moderate Assurance Audit was Holy Trinity Rosehill Primary School, concerns were raised about the quality of the H&S policy in school and the inspection regime for outdoor playground equipment.

FINANCIAL AND LEGAL IMPLICATIONS

Financial - None

Legal - 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

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

None

CONSULTATION

N/A

Name of Contact Officer: Andrew Barber,
Assurance Manager
Telephone No: 01642 526176
Email Address: andrew.barber@stockton.gov.uk

Background Papers: Health and Safety Policy 2023

Ward(s) and Ward Councillors: None

Property Implications: None

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 27 NOVEMBER 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
			2	2	100.00
A growing economy		1	8	9	92.11
Clean and green spaces		2	6	8	86.36
Cohesive and safe communities		2	19	21	95.95
Dedicated and resourceful employees		1	25	26	98.72
Education and skills development	1		24	25	97.17
Financially sustainable and value for money		9	69	78	94.55
Great places to live and visit	2	7	26	35	85.71
Job creation and increased employment		1	2	3	90.00
People are supported and protected from harm	4	6	72	82	92.30
People live healthy lives	1	1	9	11	86.84
Rich cultural experiences			6	6	100.00
Strong leadership and governance	4	19	90	113	87.90
Total	12	49	358	419	91.61

3. 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. There have been 2 Red controls identified in the period. The first relates to the achievement of recycling targets, this has previously been reported as red, the second is a new control relating to how learners are recorded by the Learning & Skills service in relation to funding.

Risk	Red	Amber	Green	Total
A growing economy		1	1	2
Clean and green spaces			1	1
Cohesive and safe communities			5	5
Dedicated and resourceful employees			6	6
Education and skills development	1		4	5
Financially sustainable and value for money		1	14	15
Great places to live and visit	1		5	6
People are supported and protected from harm		1	23	24
People live healthy lives			4	4
Rich cultural experiences			3	3
Strong leadership and governance		6	25	31
Total	2	9	91	102

4. The next section is a graph against key governance themes, this is for all testing undertaken not just in the period. With all areas showing as 75% or higher there are no issues to bring to members attention.



- 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	1 Very Low		2 Low		3 Medium		4 High		5 Very High		Total	
	Number	Time	Number	Time	Number	Time	Number	Time	Number	Time	Number	Time
A growing economy					4	2.75	2	1.50			6	4.25
Clean and green spaces	1	0.50					1	0.50			1	0.50
Cohesive and safe communities	1	0.50	2	1.50	2	3.00	2	3.50			7	8.50
Dedicated and resourceful employees			2	1.25	5	3.50	1	0.50			8	5.25
Education and skills development			1	0.50	6	11.50	4	2.50	1	0.25	12	14.75
Financially sustainable and value for money	2	1.50	16	9.75	8	16.00	1	1.00	3	2.50	30	30.75
Great places to live and visit	2	1.00	2	0.75	9	8.75					13	10.50
Job creation and increased employment			1	0.50							1	0.50
People are supported and protected from harm			2	1.50	11	12.75	9	7.50	4	5.00	26	26.75
People live healthy lives							3	4.25			3	4.25
Rich cultural experiences			1	2.00							1	2.00
Strong leadership and governance			12	7.25	17	11.00	6	3.00	4	4.75	39	26.00
Total	6	3.50	39	25.00	62	69.25	29	24.25	12	12.50	148	134.50

- 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.

Quality, Assurance & Improvement Process

Period Covered	August 2023	to	October 2023
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Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	19
Portfolio Coverage (Period)	88	102
Presentation of Annual Report (Annual)	June	*
Presentation of Activity Report	Qtrly	*

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	*
Fraud Strategy Review	31/03/2022	*
Client Satisfaction	TBC	*
Recommendation Implementation	TBC	*

Process		
Measure	Target	Performance
Self assessment against standards (Annual)	March	*
External Assessment (Every 5 Years)	March 2023	*
Staff Meetings Held (Period)	6	12
Up to Date Audit Manual	March 2023	*

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

* - To be reported as part of annual report

7. NFI Progress – 91% of matches have been checked. No fraud and have been identified and only 1 error identified. This provides another source of assurance that our controls are operating effectively.

REPORT THEME	Sum of MATCHES	Sum of PROCESSED	
Blue Badges	507	444	88%
Concessionary Travel	511	510	
Council Tax Reduction Scheme	356	81	
Creditors	2641	2641	
Housing Benefits	29	4	
Payroll	54	32	
Procurement	59	59	
Residents Parking	6	5	
Grand Total	4163	3776	91%

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

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

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION

N/A

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Audit Progress Report

Stockton on Tees Borough Council

November 2023



1. Audit Progress
2. National publications
3. Mazars public sector insights

01

Section 01: **Audit progress**

Purpose of this report

This report provides the November 2023 Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors. It updates members on the national delays in completing the 2020/21 and 2021/22 audits and how they impact the Council and the timing of the 2022/23 audit. It also includes, at Section 2, a summary of recent national reports and publications for your information.

2020/21 Audit

The audit certificate for the 2020/21 audit was issued on 15 September 2023. This was delayed until we received clearance from National Audit Office (NAO) that they were not selecting the Council as a sampled component for additional work in relation to Whole of Government Accounts (WGA). This issue impacted on all authorities, not just the Council.

The audit certificate formally closes and concludes the 2020/21 audit. We issued our audit report on 7 December 2021.

2021/22 Audit

Financial Statements audit

We substantially completed our 2021/22 audit and issued our audit completion report in November 2022. However, we have previously updated the Audit and Governance Committee that following the resolution of the issues that arose in respect of infrastructure (the Council adopted the statutory override and updated the disclosures in its 2021/22 financial statements in relation to infrastructure, and we completed our audit testing of that in February 2023), a further national issue had arisen.

The new national issue related to the impact of the delay in 2021/22 audit work, initially caused by the infrastructure issue, and then exacerbated in the Council's case by a delay in receiving the Pension Fund Auditor Assurance letter until 22 March 2023 (the Pension Fund auditor is a different audit firm to Mazars). This meant that the triennial revaluation of the Teesside Pension Fund as at 31 March 2022 was now available as more up-to-date information for management to reflect in the 2021/22 financial statements.

The way forward took a little time to confirm as the situation was unprecedented and added further to what had already been a considerable delay in completing the audit.

1 Audit progress (continued)

The way forward was then agreed that:

- Authorities (including the Council) were to obtain updated IAS19 valuation reports and amend the 2021/22 financial statements for the new figures; and
- Pension Fund auditors were to complete testing on the reliability and accuracy of the updated pension fund membership data.

The work on this was immediately prioritised. Unfortunately, the Pension Fund auditor indicated that they could not provide us with the results of their testing until September 2023 and when we did receive their report there were significant discrepancies between the membership data used by the fund and that indicated by testing. The pension fund auditor stated that they were unable to resource further work designed to resolve these discrepancies and thus we agreed with them and the administering authority that we would complete this work.

The issue of an audit opinion on the Council's financial statements is an important part of the accountability framework for the use of public money. We understand that at mid-July 2023, only 27% of audit opinions had been issued in relation to the 2021/22 financial year. These unprecedented delays are of concern. It is our priority to bring the audit to a conclusion as soon as possible.

It is important to note that in relation to the 2021/22 audit of the financial statements:

- We still anticipate issuing an unqualified audit opinion;
- The delays are nothing to do with management or those charged with governance, and are national issues beyond the Council's control; and
- The issues causing the delays are all in relation to technical accounting issues, none of which will have an impact on the resources available to the Council or its underlying financial position.

The latest position is that we are still working with Middlesbrough Council and Teesside Pension Fund to resolve the outstanding issues from the pension fund auditor's work.

Value for Money arrangements

We are not able to finalise our Auditor's Annual Report including our commentary on value for money until we have issued our audit opinion. We have, however, completed our work, and subject to a final check at the point we report, we have not identified any significant weaknesses or recommendations in relation to our reporting criteria of financial sustainability, governance and improving economy, efficiency and effectiveness. We presented our draft Auditor's Annual Report to the September Audit and Governance Committee meeting.

1 Audit progress (continued)

Whole of government accounts

When we have issued the 2021/22 audit opinion, we will also be able to report to NAO on the WGA. However, once again we anticipate a delay before we can issue the audit certificate, as we wait for NAO clearance that they will not be selecting the Council as a sampled component for additional work in relation to WGA.

2022/23 Audit

Our Audit Strategy Memorandum for the 2022/23 audit was presented to the Audit and Governance Committee on 31 July 2023. This indicated that the timing of our fieldwork and completion was October 2023 subject to the need to prioritise completion of the 2021/22 audit referred to above.

Audit fieldwork on the 2022/23 financial statements is now substantially complete with the key outstanding areas being property, plant and equipment and IT audit.

One issue that we have been working through with officers in relation to the 2022/23 financial statements is accounting for the net pension asset (the first time there has been a net pension asset). This involved obtaining an actuarial report on the calculation of the asset ceiling to see whether the net asset disclosed needed to be capped at a lower level. The actuarial report has in fact confirmed that the net asset disclosed is less than the asset ceiling and consequently a further adjustment to the 2022/23 financial statements has not been required.

We are aiming to complete our audit work in relation to the 2022/23 audit by the end of December 2023. However, as for the 2021/22 audit, we are anticipating a further delay in receiving the Pension Fund auditor assurance letter. We are regularly liaising with the auditor of Teesside Pension Fund to ensure that this delay is minimised, and the latest forecast is that it will be issued in time for us to issue an opinion by 31 March 2024.

We understand that nationally just one per cent of local authority accounts were signed off by 30 September 2023 and the Government, the NAO, audit suppliers and regulators are working together to find a way to clear the backlog in 2023/24, which is the first year of a new external audit contract let by Public Sector Audit Appointments Limited. We will update the Audit and Governance Committee as soon as a way forward is agreed with all stakeholders as all parties recognise that the current situation in the public sector external audit market is unsustainable.

02

Section 02: **National publications**

National publications

Publication / Update		Key points
National Audit Office (NAO)		
1.	Condition of school buildings, June 2023	Report which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education.
2.	Whole of Government Accounts 2020/21, 20 July 2023	Publication of the Whole of Government Accounts for 2020/21, along with a qualified audit certificate and report by the Comptroller and Auditor General.
3.	Financial management in government: strategic planning and budgeting, September 2023	This guide is for senior finance leaders in government departments and other public bodies. It sets out the first stage in the financial management lifecycle: strategic planning and budgeting.
4.	Investigation into the Homes for Ukraine scheme, October 2023	This report aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned.
5.	Reducing the harm from illegal drugs, October 2023	This report examines whether the government is well positioned to achieve the strategy's 10-year ambitions.
6.	Reforming adult social care in England, 10 November 2023	This report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.
7.	Resilience to flooding, 15 November 2023	NAO last reported on government's management of flood risk in November 2020. In this report, we look at the government's long-term ambition "to create a nation more resilient to future flood and coastal erosion risk" and, in the more immediate term, whether Defra and EA are delivering value for money after two years of the capital programme. To do this, we have assessed Defra's progress against the backdrop of its 2020 policy statement and EA's 2020 strategy. We also assess EA's performance in maintaining existing flood defence assets.
Public Sector Audit Appointments (PSAA)		
8.	PSAA announces the number of audit opinions completed for the 2022/23 audits (10 October 2023)	At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.
9.	PSAA October 2023 Update, 17 October 2023	This edition of our quarterly e-bulletin includes an update on the 2022/23 audit opinion delivery, news on our consultation on 2023/24 audit scale fees and a summary of local audit news from elsewhere.

National publications

Publication / Update		Key points
Chartered Institute of Finance and Accountancy (CIPFA)		
10.	Section 114s: where are we headed next? 16 August 2023	Rob Whiteman, CIPFA CEO assesses the latest position on s114 notices (where formal action needs to be taken to balance a Council's finances), what has been done to prevent further s114 notices, whether more will occur and what the sector should do. This originally appeared as an article in the Municipal Journal on 31 July 2023.
Department for Levelling Up, Housing and Communities (DLUHC)		
11.	Letter from the Parliamentary Under-Secretary of State for Local Government and Building Safety to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament, 14 July 2023	Lee Rowley MP's letter to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament on Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.
12.	Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023	An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.

1. Condition of school buildings – June 2023

The NAO has published its report Condition of school buildings which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education. The evaluative criteria for assessing value for money include whether DfE has:

- a good understanding of the condition of school buildings
- appropriate arrangements to allocate funding for school buildings in line with need
- effective ways to support the sector.

The report covers:

- the school system and DfE's overarching school building maintenance approach (Part One)
- DfE's understanding of the condition of school buildings (Part Two)
- how DfE matches funding to need (Part Three).

Conclusions:

DfE is accountable for providing those bodies responsible for school buildings with the funding and support to enable them to meet their responsibility to ensure school buildings are safe and well maintained.

Following years of underinvestment, the estate's overall condition is declining and around 700,000 pupils are learning in a school that the responsible body or DfE believes needs major rebuilding or refurbishment.

Most seriously, DfE recognises significant safety concerns across the estate, and has escalated these concerns to the government risk register.

<https://www.nao.org.uk/reports/condition-of-school-buildings/>

Since NAO published their report, safety concerns about the use of re-enforced autoclaved aerated concrete (RAAC) in public buildings, especially schools, has prompted extensive school closures and expenditure on surveys and remedial work. Although we understand that the impact on the Council's schools has been limited, the issue illustrates the impact of underinvestment in maintaining school buildings highlighted in the NAO report.

2. Whole of Government Accounts 2020/21, 20 July 2023

Publication of the Whole of Government Accounts for 2020/21, along with a qualified audit certificate and report by the Comptroller and Auditor General.

The Whole of Government Accounts consolidates the accounts of central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

Whole of Government Accounts (WGA) consolidates the audited accounts of over 10,000 organisations across the UK public sector. WGA is based on International Financial Reporting Standards, the system of accounts used internationally by the private sector.

This is the twelfth year of publication of the WGA. The UK is among the most advanced countries in this regard and the WGA is a uniquely comprehensive product; as it is the only set of consolidated public sector accounts that includes both central government, local government and government owned corporations.

The WGA is independently audited by the National Audit Office providing greater confidence in the figures, and supports effective scrutiny by Parliament. This scrutiny is exercised by the Public Accounts Committee who examine the accounts each year.

In the event the Comptroller and Auditor General qualified the audit certificate and report on a number of points.

Link to further information:

<https://www.nao.org.uk/reports/whole-of-government-accounts-2020-21/>

3. Financial management in government: strategic planning and budgeting – September 2023

The guide outlines how finance leaders can plan strategically and realistically to:

- Align strategy and planning;
- Make planning inclusive;
- Plan dynamically;
- Address optimism bias; and
- Deal with risk and uncertainty.

The insights have been drawn from NAO reports, the experiences of NAO audit teams, and the thoughts of a range of senior finance decision-makers.

[Financial management in government: strategic planning and budgeting - NAO insight](#)

This guide is part of a series supporting financial management in the public sector. NAO also published the following guide in July 2023:

- [Enablers to success](#)

4. Investigation into the Homes for Ukraine scheme – October 2023

The UK government launched the Homes for Ukraine scheme (the scheme) on 14 March 2022, following the Russian invasion of Ukraine in February 2022. The scheme enables people in the UK to act as sponsors for Ukrainian nationals and their families seeking refuge from the war, with individuals being granted three-year visas to stay in the UK, with full access to public services, benefits, and other support.

Any adult is able to act as a sponsor, providing they pass eligibility checks conducted by the Home Office and local authorities. Sponsors must commit to hosting for a minimum of six months and can claim thank you payments from government for providing suitable accommodation for Ukrainians to live in of £350 per month for the first 12 months, and then £500 for the next 12 months. In addition, the local authority where the sponsor is based receives a one-off payment of £10,500 per arrival (reduced to £5,900 for all arrivals after 31 December 2022) to help with support and integration needs.

The scheme is jointly run by the Department for Levelling Up, Housing & Communities (DLUHC) and the Home Office, who established a joint taskforce in March 2022. The Home Office primarily leads on operational matters relating to the processing of visas and checks on the suitability of the sponsor. DLUHC leads on all aspects of the scheme from the point of arrival of Ukrainians into the UK, working closely with local authorities and devolved governments.

Scope of the report

The first people to arrive in the UK under the scheme are now halfway through their permitted stay, and the emergency phase of the UK government's response to the Ukraine refugee crisis has come to a close. This report aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned. The report sets out:

- how the scheme was set up at speed and the scheme objectives
- arrival numbers and the checks conducted on applicants and sponsors
- the funding provided
- challenges and future risks with the scheme

This investigation does not seek to examine and report on the value for money of the scheme.

<https://www.nao.org.uk/reports/investigation-into-the-homes-for-ukraine-scheme/>

5. Reducing the harm from illegal drugs – October 2023

Scope of the report

It is almost two years since the government introduced its latest drugs strategy and less than 18 months remain in the current funding period to March 2025. This report examines whether the government is well positioned to achieve the strategy's 10-year ambitions. It covers:

- the development of the 2021 drugs strategy, its objectives and funding
- progress in implementing the strategy
- the approach to achieving the strategy's long-term outcomes

It is too early to conclude whether the 2021 strategy will reduce the harm from illegal drugs. It will take time for new funding and interventions to address a complex set of issues, and many of the indicators used to measure progress lag behind activity. This report therefore assesses whether departments are making the planned progress in implementing the strategy, and whether the JCDU has an effective approach to understanding the impact it is having and managing the risks to achieving the strategy's aims. It does not examine the effectiveness of interventions at the local level.

Conclusions

In 2021 the government estimated that the harm caused by illegal drugs costs society £20 billion each year. Its 2021 drugs strategy, led by the cross-government Joint Combating Drugs Unit, has provided new impetus to efforts to address these harms, and committed £900 million to 2024-25.

The strategy has established new partnerships across central and local government, and local authorities are taking steps to rebuild the workforce that was lost over the past decade. But these measures alone will not address all of the barriers to achieving a long-term reduction in drug use, deaths and related crime. The issues are complex and will require a sustained long-term response.

To inform government's response, the JCDU and relevant departments need to develop a deeper understanding of the impacts of government spending, working closely with local service providers to understand and help address the practical challenges they face. The JCDU and departments need to be realistic about what is achievable in the first three years and assess how to adapt their approach to achieve the strategy's 10-year outcomes.

In doing so, the JCDU should seek to provide confidence to local government that this is a long-term commitment. It must also urgently develop a plan to reduce the demand for illegal drugs. The current lack of emphasis on preventing illegal drug use means that departments risk only addressing the consequences, rather than the causes, of harm. The government will only achieve value for money if it builds on the initial momentum of the new strategy and develops a longer-term, funded plan that delivers a joined-up, holistic response.

<https://www.nao.org.uk/reports/reducing-the-harm-from-illegal-drugs/>

6. Reforming adult social care in England, 10 November 2023

This report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.

This report examined:

- key pressures and challenges in adult social care in England
- DHSC's response to increasing pressures in adult social care during 2022
- how DHSC is delivering reform and progress against its commitments

DHSC's 10-year vision for adult social care reform was broadly welcomed by the sector as a step forward. But rising inflation compounded long-standing pressures and led DHSC to reprioritise money and activity to provide local authorities and care providers with some much-needed financial stability.

The sector remains challenged by chronic workforce shortages, long waiting lists for care and fragile provider and local authority finances. Although there are some early signs of improvement in some of these, it remains to be seen whether these trends will continue and at what cost.

Two years into its 10-year plan, DHSC has delayed its charging reforms, scaled back system reform, and is behind on some aspects of its revised plan. It has a long way to go if it is to deliver its ambitions. If DHSC is to successfully reform adult social care, it will need to manage some significant risks, including its own capacity and that of local government to resume charging reform activity alongside system reform.

To maximise its chances of succeeding, DHSC will need to make sure it understands how the different strands of its reforms relate to each other, and the cumulative impact on local authorities and other stakeholders. It must be clear what the critical steps are, manage delivery against those closely and put in place governance needed to manage delivery risks effectively.

Adult social care reform has been an intractable political challenge for decades, and in 2019 DHSC raised expectations that it would be addressed. Working with the sector, DHSC now needs to demonstrate how it is delivering on these plans.

Link to further information:

<https://www.nao.org.uk/reports/reforming-adult-social-care-in-england/>

7. Resilience to flooding, 15 November 2023

NAO last reported on government’s management of flood risk in November 2020. In this report, we look at the government’s long-term ambition “to create a nation more resilient to future flood and coastal erosion risk” and, in the more immediate term, whether Defra and EA are delivering value for money after two years of the capital programme. To do this, we have assessed Defra’s progress against the backdrop of its 2020 policy statement and EA’s 2020 strategy. We also assess EA’s performance in maintaining existing flood defence assets.

The report covers:

- the government’s long-term ambition and objectives and Defra’s governance, understanding and management of flood risk
- progress on the capital programme to build new flood defences and risks to future delivery
- EA’s performance in maintaining flood defence assets

To combat the growing dangers from flooding, the government has doubled its capital funding in England for the six years to 2027. To manage the larger capital programme and record levels of investment, Defra has intensified its scrutiny and is taking steps with EA to develop a more granular understanding of flood risk.

However, the capital funding is forecast to deliver protection to far fewer properties by 2027 than was promised when the capital programme was launched. Due to underspending in the first two years of the programme, EA will need to achieve record levels of investment in the remaining four years of the programme to spend the full £5.2 billion allocated to the programme. There is a risk that value for money will be further eroded if projects are accelerated or new projects are introduced too quickly to meet this level of investment.

On top of this, EA’s maintenance of its assets is not optimising value for money. For the lack of £34 million in annual maintenance funding for 2022-23, more than 200,000 properties are at increased risk of flooding. At the same time, EA underspent by £310 million in the first two years of the capital programme. Neither Defra nor EA assessed whether using some of this underspend to meet the shortfall in its maintenance budget in 2022-23 would have provided better value for money than deferring it to later in the capital programme.

The government acknowledges that building new flood defences and maintaining existing ones is no longer enough and that a wider range of interventions is now needed to build resilience against increasing flood risk. Although the government’s vision for flood resilience stretches to the year 2100 and EA has a number of strategic objectives for 2050, it has not set a target for the level of flood resilience it expects to achieve and has not mapped out any solid plans beyond 2026 to bridge the gap between its shorter-term actions and long-term objectives. This will make it difficult for the government to make rational and informed decisions about its priorities, measure its progress or plan effective investment for the long term.

Link to further information:

<https://www.nao.org.uk/reports/resilience-to-flooding/>

8. PSAA announces the number of audit opinions completed for the 2022/23 audits (10 October 2023)

At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.

Local government bodies are required to publish accounts with an auditor's certificate or opinion by 30 September or to explain the reasons for non-publication. At the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years.

The cumulative position of 918 delayed audit opinions emphasises how important it is that there is a successful conclusion to the intensive ongoing work to find a solution to the backlog, and to ensure that it does not recur. PSAA is making every effort to support this work in collaboration with fellow members of the Local Audit Liaison Committee.

Steve Freer, PSAA's Chair said,

'The scale of the backlog of local audit opinions is becoming more and more serious. It is now very clear that an extraordinary intervention of some sort is urgently required to put the system back on track. Hopefully, current work to develop a solution can be concluded quickly, enabling details of the planned solution to be announced and implemented as soon as possible.

An important strand of any solution must be to address the root causes of so many delayed opinions so that following its implementation the delivery of timely opinions is firmly and permanently re-established.'

Link to further information:

<https://www.psa.co.uk/2023/10/psaa-announces-the-number-of-audit-opinions-completed-for-the-2022-23-audits/>

Public Sector Audit Appointments (PSAA)

9. PSAA October 2023 Update, 17 October 2023

This edition of our quarterly e-bulletin includes an update on the 2022/23 audit opinion delivery, news on our consultation on 2023/24 audit scale fees and a summary of local audit news from elsewhere.

Content:

- 2022/23 audit opinion delivery
- Update on our consultation on the fee scale for 2023/24 audits
- Additional information for 2022/23 audits
- Contract Monitoring Data Pack: Quarter 1 for 2023/24
- Latest Annual Report and Accounts published
- Local audit news from elsewhere

Link to further information:

<https://www.psaa.co.uk/2023/10/october-2023-update/>

10. Section 114s: where are we headed next? 16 August 2023

Rob Whiteman, CIPFA CEO assesses the latest position on s114 notices (where formal action needs to be taken to balance a Council's finances), what has been done to prevent further s114 notices, whether more will occur and what the sector should do. This originally appeared as an article in the Municipal Journal on 31 July 2023.

This is an assessment of a very topical subject given the increasing number of s114 notices in recent times.

The term 'Section 114' refers to this section of the Local Government Finance Act 1988, part (3) of which sets out the duty of the chief finance officer (CFO) to "make a report under this section if it appears to him that the expenditure of the authority incurred (including expenses it proposes to occur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

Issuing the notice under Section 114(3) immediately suspends all financial activity apart from that which is necessary to maintain statutory duties; it also initiates a 21-day period for full council to consider the report and agree urgent action to start to remedy the situation.

CIPFA's guidance states that the authority's external auditors and the Department for Levelling Up, Housing and Communities (DLUHC) should also be notified and 'can step in to provide advice and support'.

These cases tend to reflect situations of financial failure and / or financial collapse. All Members of authorities need to be alert to how their organisation is managing its financial risks and taking steps to avoid any form of financial distress.

The insights in this article may be of particular interest to Members.

Link to further information:

<https://www.cipfa.org/cipfa-thinks/articles/section-114s-where-are-we-headed-next>

Department for Levelling Up, Housing and Communities
(DLUHC)

11. Letter from the Parliamentary Under-Secretary of State for Local Government and Building Safety to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament, 14 July 2023

Lee Rowley MP's letter to the Chair of the Levelling Up, Housing and Communities Committee, UK Parliament on Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.

This paper sets out the detail of proposals to address to address audit delays and clear the backlog. It was provided by the Minister to the Chair of the Levelling Up, Housing and Communities Committee, after the Minister provided evidence to the Committee in Parliament at a meeting in June.

The paper sets out the issues in some detail. The item on the next page (page 21) provides a summary of the main issues from a recent Municipal Journal article on the subject.

This is a link to the detailed paper:

<https://committees.parliament.uk/publications/40932/documents/199432/default/>

12. Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023

An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.

Quotes from this article include:

“The number of outstanding local audits dating back to 2015-16 is now too high, and is likely to increase further without action.

To do that, we recognise there will be hard decisions. Our proposals include setting a series of statutory deadlines for account preparers and auditors to clear the backlog. I know the setting of ‘backstop’ dates may result in some qualifications and disclaimers of opinion in the short term.

As others have noted too, clearing the backlog can’t be our sole focus. The return to timely audits must be sustained as part of an effective system underpinned by proportionate financial reporting, auditing and regulatory requirements; we cannot resolve a backlog one day only to see it starting to build again the next.

So, the second big endeavour is to ensure future local authority accounting and audit activity strikes a balance between maintaining the highest standards of financial reporting and the fundamental, day to day purpose of audit – to provide financial information and general assurance which is useful for taxpayers and others. That is why when it comes to debates on issues such as the accounting requirements for infrastructure assets, we need to consider our approach carefully. In the meantime, the Department for Levelling Up, Housing and Communities will seek to extend the legislative changes made in this area last year while the Chartered Institute of Public Finance and Accountancy (CIPFA) explores longer-term changes to reporting requirements for non-investment assets and pension valuations.”

Link to the full article:

<https://www.themj.co.uk/Rebuilding-audit/233116#>

03

Section 03:

Mazars public sector insights

Public Sector Insights

Click [here](https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights) to find and subscribe to our public and social sector articles. Or copy and paste this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights>



Recruitment crisis in the public sector

Insights from over 170 individuals across the UK public and social sector highlighted that the UK is on the cusp of a recruitment and retention crisis. Amid ongoing social and economic instability, how can we improve efforts to support our public sector workforce and effectively attract new talent?



Fiscal Pressure and inflation challenges

Over 300 individuals from across the UK public and social sector told us that the UK is at a critical juncture. Amid ongoing social and economic turmoil, decisive action is needed now to support those most in need.



Supporting vulnerable communities

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.



A global public and social sector study (2023)

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.

Contact

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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AGENDA ITEM:

REPORT TO AUDIT & GOVERNANCE COMMITTEE

REPORT OF THE CHAIRMAN OF THE AUDIT AND GOVERNANCE COMMITTEE

27th NOVEMBER 2023

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

SUMMARY

This report is to inform members of the work of the Audit and Governance Committee during the period 1st October 2022 to 30th September 2023.

Introduction

This Annual Report produced by the Chairman of the Audit and Governance Committee has 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 demonstrates how the Audit and Governance Committee has fulfilled its key functions and how it is fully committed to helping to improve the Council's governance and control environments.

The Guidance defines the purpose of an Audit and Governance Committee as follows:

- Audit & Governance Committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
- The purpose of and Audit and Governance Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Functions of the Audit and Governance Committee

The Committee's activities during the period were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the key functions as identified in the Constitution. The Audit and Governance Committee as identified in the constitution is required to:

- a) monitor the integrity of the Council's financial statements and approve the Statement of Accounts;
- b) approve the Annual Governance Statement;

- c) oversee risk management and the Council's risk registers;
- d) review any proposed changes to accounting policies and procedure rules;
- e) review the performance of the Treasury Management Strategy;
- f) approve the role and responsibilities of the Internal Audit Service (the Services' functions, aims and objectives);
- g) receive and consider the Annual Audit Letter from the Council's External Auditor;
- h) agree the programme of value for money work;
- i) approve the internal and external audit plans;
- j) review Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receive details of specific significant issues highlighted via audit work and refer to the Executive Scrutiny Committee; the Select Committees; Cabinet or Council, as appropriate, any issues arising which are key in nature;
- k) maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and consider the Council's compliance with its own and other published standards and controls; and
- l) consider details of any key ethical and wider corporate governance issues which may be referred to it.

Audit and Governance Committee Membership

The membership of the Audit and Governance Committee is as follows;

Cllr Barry Woodhouse (Chairman),
Cllr Stefan Houghton (Vice-Chair),
Cllr Marc Besford,
Cllr Mick Stoker,
Cllr Emily Tate,
Cllr Ross Patterson,
Cllr Laura Tunney,
Cllr Susan Scott,
Cllr Paul Rowling.

The Audit Committee and the Audit and Governance Committee met 5 times during the reporting period, 28th November 2022, 23rd March 2023, 31st May 2023, 31st July 2023 and 25th September 2023.

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports in accordance with the Committee's work programme. During the reporting period and on behalf of the Director of Finance, Transformation and Performance and the Director of Corporate Services, the Chief Accountant, Assistant Director Procurement and Governance, Assurance Manager and Health and Safety Manager routinely provided reports and attended the meetings.

External Audit

When required the External Auditors, Mazars, have also attended the Audit and Governance Committee meetings.

Core Activity

The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

Internal Audit

The Audit and Governance Committee:

- Approved Internal Audit's Audit Plans;
- Approved the Internal Audit Charter which proposed the approach to delivering the audit services for the 2023/24 financial year.
- Received the External Quality Assessment Peer Review; the purpose of the report was to advise Members of the results of the review of the Internal Audit Service.
- Received the Anti-Fraud and Corruption Strategy
- Considered regular reports produced by the Audit and Risk Manager highlighting progress against the audit plan and performance against key indicators and any significant issues arising during the period.
- Received and approved the Internal Audit Annual Report of the Audit and Risk Manager as required by the Public Sector Internal Audit Standards (PSIAS). The report included the Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. It is his opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.

External Audit

The Audit and Governance Committee:

- Received regular reports from Mazars with updates on progress in delivering their responsibilities as our external auditor.
- Received the External Auditors Audit Certificate 2020/21 which formally concluded the 2020/21 audit.
- Received the Audit Strategy Memorandum for the year ending 31 March 2023. The purpose of this document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and to provide the Council with the details of their audit team and fees.
- Received the Auditors Draft Annual Report for 2021/22 which summarised the work Mazars had undertaken for the year ended 31 March 2022.
- Received the Audit Completion Report for the 2021/22 financial year. This document summarised the external auditors findings from the annual audit of the 2021/22 accounts.
- Received a follow up letter to the Audit Completion Report for 2021/22 which provided an update of pending matters noted in the original Audit Completion report.

Annual Statement of Accounts

The Audit and Governance Committee:

- Approved the Annual Financial Statements for 2021/22 (subject to satisfactory conclusion to the pension fund audit assurance work).
- Received and reviewed the draft Annual Statement of Accounts for the 2022/23 financial year.

Treasury Management

The Audit and Governance Committee:

- Received a 2022/23 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2022.
- Received the Treasury Management Annual Report for 2022/23 that informed members of the performance against treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2022.

Risk Management

The Audit and Governance Committee:

- Received quarterly reports from the Audit and Risk Manager on developments within the Corporate Risk Registers to ensure the Members were aware of any emerging risks across the Council and the extent to which the Strategic Risk Management Strategy was being embedded.
- Considered and challenged the Corporate Strategic Risk Register.

Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2022/23 for consideration and comments.
- Approved the Annual Governance Statement for 2022/23.
- Received the Constitution update report which had been approved by full council in March 2023.

Health and Safety

The Audit and Governance Committee:

- Received quarterly reports detailing the regular non-responsive services provided by the Council's Health and Safety Unit to monitor, improve and to ensure compliance of the health, safety and well-being control environment.

Chairman's Conclusion

A new Vice Chair and a blend of newly elected members of the Committee and existing members have shown a strong commitment to the work for which they have been given responsibility and the committee has functioned well. The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair and supporting officers of the committee. From the information received and reviewed the committee has not identified any issues that are not already being managed effectively that required escalation.

While recognising the valuable contribution made by members we must also pay tribute to the officers of this Authority who despite reduced staffing, reorganisation and a harsh financial environment have worked diligently to ensure sound fiscal controls and compliance with relevant regulations often being subjected to extra pressures due to delays in the delivery of information from external institutions. Reorganisation of the Council's management structure is proving a seamless transition with officers in many cases taking on different and added responsibilities. All of this and the adjustment post Covid 19 to "normal" working and a return to the office environment must of course be monitored and a work / life balance must be maintained.

In conclusion I would add that our officers have worked both in the office and occasionally from home throughout the year in a challenging environment showing a commitment and dedication to the Borough's sound financial management under at times extreme pressure and for this effort we must record our gratitude as a committee and a Council.

The Audit and Governance Committee is established with comprehensive terms of reference. The Chair of the Audit and Governance Committee has prepared this annual report on the Committee's work for presentation to Cabinet and hopefully this shows that effective corporate and ethical governance is critical to an authority's performance and in demonstrating continuous improvement it is therefore, a fundamental element of the modernisation agenda. Probity, transparency and high standards are an inherent part of corporate/ethical governance.

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Audit Committee Programme 2023/2024

Diary of Meetings & Work Programme

Date	Work Programme
27th November 2023	External Audit - Progress Report 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 2023-2024
26th February 2024	Annual Financial Statements - Approval after Audit External Audit - Audit Completion Report 2022/23 Annual Governance Statement Action Plan Update 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 2023-2024

