

AUDIT AND GOVERNANCE COMMITTEE

A meeting of Audit and Governance Committee was held on Monday 26 February 2024.

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

Officers: Gavin Barker (Mazars), Andy Bryson, Andrew Barber, Martin Skipsey and John Devine.

Also in attendance: Cllr Eileen Johnson (Observer)

Apologies: .

AGC/41/23 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/42/23 Declarations of Interest

There were no Declarations of Interest.

AGC/43/23 Minutes

Consideration was given to the minutes from the meeting held on the Monday 27th November 2023 for approval and signature.

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

AGC/44/23 Annual Governance Statement Action Plan Update

Members received an update relating to the Annual Governance Statement Action Plan Update Report. The report updated members on progress made against the action plan which was contained in the Council's Annual Governance Statement for 2022/23.

Some of the highlighted sections of the report were the progress made on the Review and Update of the Risk Management Strategy, with a new approach to Risk Management agreed at CMT. A New Risk Register was produced identifying strategic risks and emerging risks.

Another was the review and updating of the hotel company governance arrangements, which a review of the current hotel governance arrangements had been undertaken by Womble Bond Dickinson. The recommendations from that review included:

- The need to produce a comprehensive Shareholder Agreement that defines 'reserved matters' where the Council must provide consent to the Holding Company and Hotel Company for certain matters.

- The Requirement to provide both financial and operating information in respect of the hotel's operation on a regular basis.
- The requirement to provide clarity and training for the Councils officer who is tasked with supporting the Councils role as shareholder – the shareholder representative, and
- Provide a mechanism for the Shareholder Representative to maintain a strategic relationship between Councils Executive and the company.

Members AGREED to note the report.

AGC/45/23 Risk Register Update & Audit Activity

Members were presented with the Corporate Risk Register Update, Assurance and Activity Report.

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'.

The main topics discussed were as follows:

That work had been undertaken to make the look of the report changed to make it easier for Members to understand.

There had been two red indicators identified in the last period, which the first related to the Councils achievement of recycling targets, which had been previously identified as red. The second relates to the completion of the Public Health Joint Strategic Needs Assessment.

The National Fraud Initiative had 91% of matches checked, no fraud had been identified and only one error identified. This provided members with another form of assurance that the controls in place were operating effectively.

RESOLVED that the update report and audit activity report be noted.

AGC/46/23 Internal Audit Charter

Members were presented with a report which advised the Committee of the Internal Audit Charter and proposed approach to delivering the audit service for the coming financial year 2023 – 2024.

The Audit & Risk Manager reaffirmed to Members how the Audit Service would be delivered and confirmed the rights of access to Council documents. The Council met all the standards as set out in the statutory guidance.

RESOLVED that the report be noted.

AGC/47/23 Annual Report of the Audit Committee (Final)

Members were given a verbal update from Mazars on the status of the 2022/23 Audit and the work which had been completed on the 2023/24 Audit.

Mazars had made substantial progress on completed work for the 2022/23 Audit but had to wait for an update from the Pension Fund Assurance which had advised that the update would be available in March 2024. Mazars were hopeful that they would be available for the May meeting.

The 2023/24 Audit still had outstanding issues which prevented the completion of the Audit. One issue was linked to assurances from the National Auditor which were expected to be available in October 2024.

Mazars highlighted that a backstop date for which all Audits from 22/23 and older, must be completed by had been identified as September 2024. And where those Audits could not be completed by the backstop date work would be done to have some form of qualification made. But this would not be the case for Stockton Council due to the work already completed.

The backstop dates for the 2023/24 accounts had also been fixed as the end of May 2025. The completion dates for the next three years Audits had also been identified as the end November of each year. But Mazars were hopeful that they would never be in a position to need the use of the backstop dates.

RESOLVED to note the update.

AGC/48/23 External Auditors - Verbal Update

Members were given a verbal update from Mazars on the status of the 2022/23 Audit and the work which had been completed on the 2023/24 Audit.

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RESOLVED to note the update.

AGC/49/23 External Auditors - Auditors Annual Report 2021/22

Mazars presented their Annual Report for 2021/22, the purpose of their audit was to provide reasonable assurance to users that the financial statements were free from material error. Mazars do this by expressing an opinion on whether the statements were prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as of 31 March 2022 and of its financial performance for the year then ended. Mazars audit report, issued on 20 December 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Draft accounts were received from the Council by 11th July 2022, which was in advance of the revised statutory deadlines and were of a good quality. The accounts were supported by high quality working papers and Mazars received the full cooperation from the Finance team in responding to their queries on a prompt basis.

Mazars noted significant difficulties which arose during the audit, the completion of the audit was delayed for two reasons, neither of which were under the control of Stockton On Tees Council.

- **Pension Fund Assurance Letter** – This was not received from the auditor of the Teesside Pension Fund until 22 March 2023.
- **Infrastructure** – Guidance was issued by CIPFA on 11th 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 the Government in December 2022 should be addressed.

Due to the delay in relation to the above new information was now available to update the pension disclosures in the financial statements in that the triennial revaluation of the Teesside Pension Fund which had been completed in March 2022, which had needed to be reflected in the 2021/22 financial statements.

This required the Council to obtain an updated report from the actuary, and Mazars to carry out some additional procedures, which included requiring the Pension Fund auditor to test the membership data used in the triennial revaluation and report to Mazars on the results of the testing. The Pension Fund auditor reported to Mazars in September 2023, but there were a number of issues which Mazars had to follow up on. Mazars was able to issue their unqualified audit opinion on 20th December 2023, with no further matters to report.

Mazars commentary on the Councils Value for Money Arrangements were split into three categories, Financial sustainability, Governance and Improving Economy, Efficiency and Effectiveness. For the categories Mazars asked puts forward whether there had been any identified risk of significant weakness? Actual significant weakness identified, and if there were any other recommendations made.

Members thanked Mazars for their work on the Audit and report.

RESOLVED that the report be noted.