

Date: Monday 30 September 2024 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 Ross Patterson
Cllr Mick Stoker
Cllr Laura Tunney

Cllr Paul Rowling
Cllr Emily Tate
Cllr Katie Weston

AGENDA

- | | | |
|-----------|---|-----------------|
| 1 | Evacuation Procedure | (Pages 7 - 8) |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interest | |
| 4 | Minutes | (Pages 9 - 12) |
| 5 | Health & Safety Report | (Pages 13 - 16) |
| 6 | External Audit Backstop Arrangements | (Pages 17 - 20) |
| 7 | External Audit - Audit Strategy Memorandum 23/24 | (Pages 21 - 60) |
| 8 | Risk Management Update | (Pages 61 - 68) |
| 9 | Internal Audit Update Report | (Pages 69 - 72) |
| 10 | Work Programme 2024 - 2025 | (Pages 73 - 76) |

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

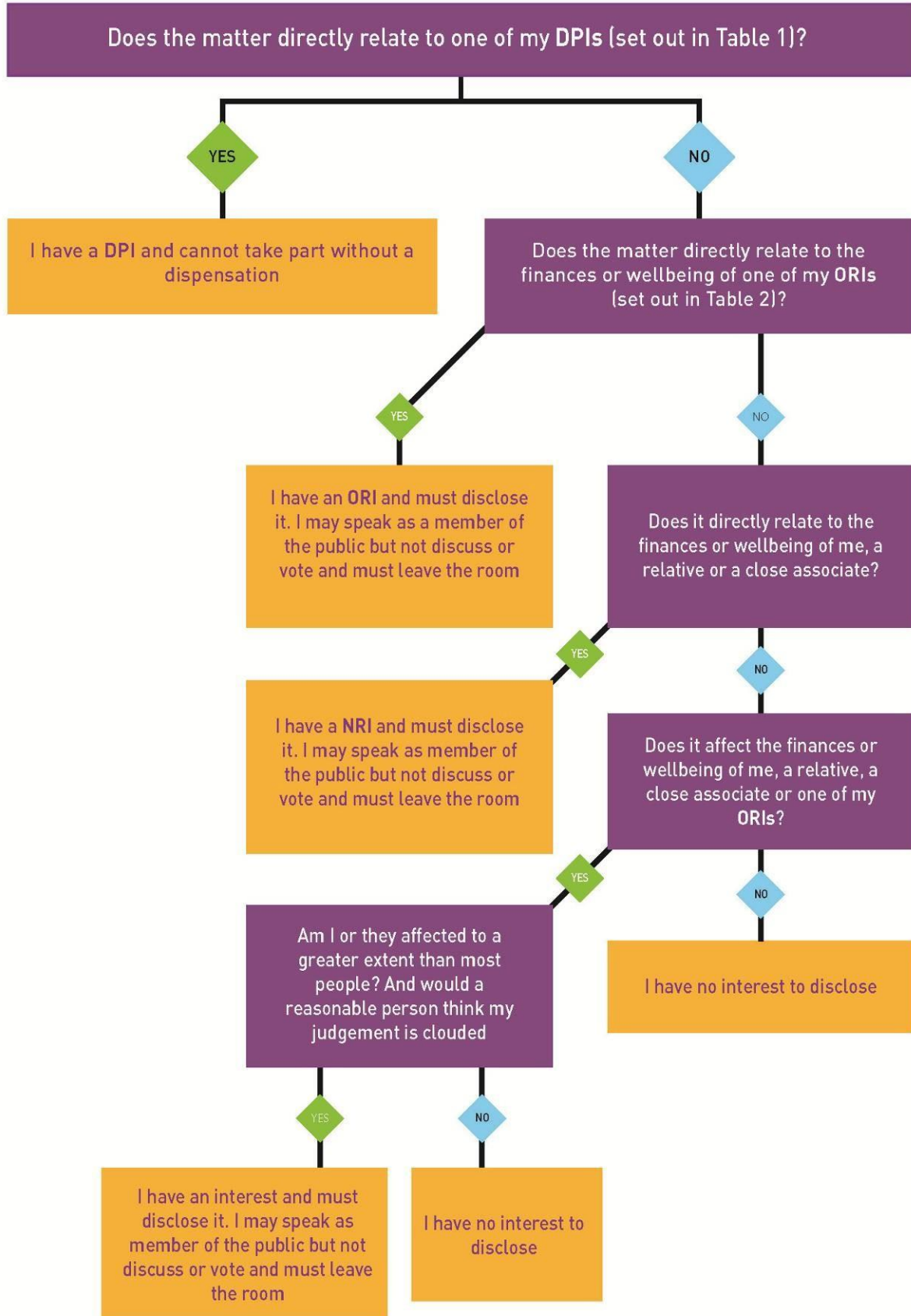


Table 1 - Disclosable Pecuniary Interests

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 29 July 2024.

Present: Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Ross Patterson, Cllr Paul Rowling, Cllr Susan Scott, Cllr Mick Stoker and Cllr Eileen Johnson.

Officers: Andy Bryson (CA), Andrew Barber (AM), Nora Natova (Forvis Mazars) and John Devine (DS).

Also in attendance:

Apologies: Cllr Emily Tate, Cllr Laura Tunney and Cllr Katie Weston.

AGC/18/24 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/19/24 Declarations of Interest

There were no Declarations of Interest.

AGC/20/24 Minutes

Consideration was given to the minutes from the meeting held on the 27th June 2024 for approval and signature.

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

AGC/21/24 Health & Safety Report

The Health & Safety report covered the period from May 2024 to Jun 2024, Officers noted that it had been a quiet period, but a lot of training had been undertaken.

There had been nine incidents of Violence & Aggression reported which was a decrease from twenty-eight in the same period in the year previous. While 17 incidents of general Health & Safety had been reported, these were classified as generally being slips or trips.

Members asked about the new format which was mentioned the report and if it had come through the Powering Our Future programme. The new format was undertaken by the service and was unconnected the to the Powering Our Future programme.

Members Agreed to note the report.

AGC/22/24 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 2023.

The main topics of discussion were as follows:

The Councils borrowing and investments were highlighted by Officers, two medium term loans had been taken out to cover the capital programme. The two loans were entered into via the Public Works Loan Board (PWLB). One was for a 7 year period and the second was for 5 years.

Short term loans had also increased in the year after other short-term loans had matured during the year, there was a requirement for cash flow purposes to enter into these loans during the last months of the financial year.

Members enquired why it was required during the last months of the financial year, which Officers explained is due to Council tax only being collected for the first 10 months of the year.

The report showed that the Council had complied fully with the CIPFA Code of Practice, and the Councils approved Treasury Management Strategy.

Members expressed their gratitude to Officers for making the report and hoped that members of the public would read the reports brought to the Audit & Governance Committee. To better inform them of the real financial position of the Council instead of the rumours which are circulated on social media.

Members Agreed to note the report.

AGC/23/24 External Audit - Audit Progress Report

Officers of Forvis Mazars presented the External Auditors Progress Report to members of the Committee. The report started with an update on the 2023/24 Financial Statements Audit, and the change over of lead Officers for the Councils External Audits.

Preliminary plans had been started for the 2023/24 Audit with members advised of a broad outlined timetable in the agenda papers. Officers planned to present their Audit Strategy Memorandum 2023/24 to the Committee at the September meeting, and at this stage Forvis Mazars did not anticipate any significant changes to the overall risk profile, or audit approach since 2022/23.

The Audit completion deadline of November 2024 was expected to be missed due to expected delays in receiving the required assurances needed from the Pension Fund auditors. Forvis Mazars anticipated to receive the required assurances in January/February 2025 which would then enable them to conclude the audit.

Members Agreed to note the report.

AGC/24/24 New Risk Management Arrangements Report

The Risk Management update report was presented to Members, to inform them of the progress made in revising the Councils approach to the management of risk.

Officers explained that the current strategic risk register was primarily linked to the objectives outlined in the Council Plan. The report included a list of the proposed revised strategic risks.

These risks would be assessed by an independent Risk Review Group supported by an assurance framework, which would bring together evidence from different course to establish the status of the risk:

- Performance Information
- Finance
- Workforce
- Contracts/Partnerships
- Governance
- Independent Feedback (Incorporating Internal Audit and other external sources such as Ofsted & CQC)

The Risk Review Group would be made up for senior officers from each of the above areas who have detailed knowledge of the issues in their area and how they would relate to any risks in the risk register.

Officers also highlighted that another feature of the revised approach was a simplification of the way the current risk status was assessed. Risks would be rated using the RAG rating.

- Red - Immediate concerns, actions must be developed to mitigate some of those immediate concerns in the short-term
- Amber - Concerns identified, actions required but these can be planned over the medium term
- Green - No current concerns

The report had a note giving some more context on the rating system. Red/Amber risks may be tolerated, the concerns will still exist, but it may be decided not to take any action depending on resources/priorities, this needs to be recorded.

Members AGREED to note the report.

AGC/25/24 Risk Register Update and Audit Activity

Members were presented with the Risk Register Update and Audit Activity Report, the purpose of the report was to inform members of the progress of audit testing undertaken to date.

Officers broke down work undertaken to provide members with an updated picture of where audit resources had been employed and the results from that work. Three sections which had been highlighted as red in the report, the first was around the achievement of recycling targets. A project had been put in place to review the arrangements. The second related to the completion of the Public Health Research Assessment but a working group had been established for this to progress. The third related to a requirement to have produced a Business Continuity Plan for Adoptions Tees Valley, the final red control related to the management oversight of unregulated placements. Officers explained that arrangements were in place but because of the high demand there remained a significant pressure on placements.

The assurance by governance themes section of the report was also highlighted by Officers, it showed that the Council was over 80% assurance in all areas. 91% of

matches had been checked, with no fraud had been identified and only 2 errors had been found.

Members noted the Report.

AGC/26/24 Work Programme 2024 - 2025

Members agreed to note the Work Programme.

Agenda Item 5

AGENDA

REPORT TO
AUDIT & GOVERNANCE
COMMITTEE
30 SEPTEMBER 2024

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 July 2024 – 30 August 2024.

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	Audit Assurance	Incidents Recorded	Training Delivered	Other Comments
Asbestos Management	100%			
Culture	100%			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				
Display Screen Equipment			50	
Electrical Safety	90%			
Equipment, Machinery & Plant			See Comments	Training is delivered via on-site monitoring and "toolbox" talks, numbers currently not recorded.

Fire Safety	70%		35	Revised approach to fire risk management has been proposed in response.
Open Water and Flooding				
Gas Safety				
Hazardous Substances	100%			
Violence & Aggression		5	9	Reduction from 20 in the same period in the previous year.
Legionella	85%		5	
Lone Working				
Noise				
Manual Handling		5	20	
Working at Height	100%			
Vibration				
H&S Risk Assessment		5	7	Generally slips/trips, 1 of these was RIDDOR reportable as it led to an absence in excess of 7 days, the incident was a trip which resulted in a torn leg muscle

Current Audit Programme

5. The revised programme of audit work is now being bedded in and the first results are shown in the table above. Areas of concern are currently focussed around fire risk management which has been identified corporately as requiring improvement. There is currently a task and finish group led by the AD – Procurement & Governance to review current arrangements and put in place improvements. A small number of minor concerns have been raised with regards to Legionella management, specifically the availability of copies of risk assessments on-site.

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
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Background Papers: Health and Safety Policy 2022

Ward(s) and Ward Councillors: None

Property Implications: None

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AGENDA ITEM.

REPORT TO AUDIT & GOVERNANCE COMMITTEE

30th SEPTEMBER 2024

REPORT OF DEPUTY CHIEF EXECUTIVE & DIRECTOR OF FINANCE, PERFORMANCE & TRANSFORMATION

EXTERNAL AUDIT BACKSTOP ARRANGEMENTS

SUMMARY

As noted at previous Audit and Governance Committees there is a significant backlog of outstanding external audits. Last year, just one per cent of councils and other local bodies published audited accounts on time.

As stated in a letter provided to all local authorities from Jim McMahon (Minister of State for Housing, Communities and Local Government) on the 30th July, attached at **Appendix A**, the backlog is likely to increase again to around 1000 later this year, and without decisive action will continue to rise further.

The government is committed to overhauling the local audit system to enable taxpayers to get better value for money. A growing backlog will severely hamper necessary fundamental reforms to repair the system, and will continue to undermine local accountability and governance.

This report outlines the immediate actions the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system is taking, which are designed to address the backlog and put local audit on a sustainable footing.

RECOMMENDATIONS

To note the report.

DETAIL

The term “audit backstop” refers to a deadline to ensure that all outstanding audits are completed by a specific date. This is particularly relevant in the context of local government audits in England.

The backlog in local government audits in the UK has been caused by several factors:

- Shortage of Expert Audit Staff: There has been a significant shortage of qualified audit professionals, making it difficult to complete audits on time.
- Increased Complexity of Audits: The audits themselves have become more complex, requiring more time and resources to complete.

- **Capacity Issues:** Both audit firms and public bodies have faced capacity issues, struggling to handle the volume of work required.
- **Lack of Competition in the Audit Market:** Limited competition among audit firms has also contributed to delays.
- **Systemic Issues:** There has been a lack of a shared vision and coordination within the local audit system, further complicating efforts to address the backlog.

These factors combined have led to a significant delay in the publication of audited accounts, impacting transparency and accountability in local government financial reporting.

The backlog in local government audits has several significant impacts on local councils and their operations:

- **Reduced Transparency and Accountability:** Delays in publishing audited accounts hinder transparency and accountability for local government spending, which can affect public trust.
- **Financial Uncertainty:** Without timely audits, councils may face difficulties in financial planning and management. This can lead to challenges in budgeting and allocating resources effectively.
- **Increased Borrowing Costs:** Councils with delayed audits might experience issues with their credit ratings, making it more expensive to borrow money for essential projects and services.
- **Operational Disruptions:** The backlog can cause operational disruptions as councils may need to allocate additional resources to address audit issues, diverting attention from other important tasks.
- **Risk of Governance Issues:** Delayed audits increase the risk of governance or financial issues being identified too late, potentially leading to more severe problems down the line.
- **Impact on Other Public Services:** The backlog in local government audits can also have knock-on effects on other areas of government spending, such as the NHS and central government.

These impacts highlight the importance of resolving the audit backlog to ensure that local councils can operate effectively and maintain public trust.

BACKSTOP ARRANGEMENTS

On the 10th September the Government laid in Parliament two pieces of legislation which gave effect to the backstop proposals, the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General, a draft Code of Audit Practice 2024.

The legislation included backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. It is the aspiration of the Government and key local audit system partners that, in the public interest, local audit recovers as early in this five-year period as possible.

This means if the auditors are unable to complete their work by the backstop dates, disclaimed opinions could be required. This should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter. The proposed backstop dates are:

- Financial years up-to-and-including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

While there will be modified and disclaimed opinions, auditors' other statutory duties including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports remain a high priority.

The Council has always achieved an unqualified opinion from the auditors on its accounts. With the most recent set of accounts for 2022/23 completed and the required audit opinion was issued in May 2024 so the backstop arrangements for that year are not applicable to the Council.

The action to tackle the backlog, while vital, does not provide a long term sustainable solution to the wider local audit system. There will need to be a significant reform to overhaul the current system. The Government is working with partners to explore how best to achieve this.

The potential first year where backstop arrangements may apply for Stockton is for the 2023/24 financial year. It is hoped the Council will avoid any backstop requirements but as in previous years, issues outside of our control such as audit assurance on the pension fund may impact timeframes.

For financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give the Council more time to ensure they are producing high-quality accounts. This in turn will benefit auditors while still ensuring publication shortly after financial year end.

AUDIT FEES

Issuing a disclaimed or modified audit opinion and a subsequent return to being able to fully complete audits will require differing levels of work by auditors. Public Sector Audit Appointments Ltd (PSAA) will set scale fees and determine fee variations where the auditor undertakes substantially more or less work than assumed by the scale fee and will consult with bodies where appropriate.

In doing so PSAA will apply the following principles: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the

appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion.

Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

Name of Contact Officer: Andy Bryson
Post Title: Chief Accountant
Telephone No.: 01642 528850
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Audit Strategy Memorandum

Stockton-on-Tees Borough Council – Year ending 31 March 2024

30 October 2024

Audit and Governance Committee
Stockton-on-Tees Borough Council
Municipal Buildings

Church Road
Stockton-on-Tees
TS18 1LD

30 September 2024

Dear Audit and Governance Committee Members

Audit Strategy Memorandum – Year Ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Stockton-on Tees Borough Council for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Stockton-on Tees Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 07881 283 527.

Yours Faithfully,



[James Collins \(Sep 20, 2024 12:04 GMT+1\)](#)

James Collins

Forvis Mazars

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- 06** Audit fees and other services
- 07** Confirmation of our independence
- 08** Materiality and misstatements

- A** Appendix A – Key communication points
- B** Appendix B - Current year updates, forthcoming accounting and other issues
- C** Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

This document is to be regarded as confidential to Stockton-on-Tees Borough Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Engagement and responsibilities summary

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Stockton-on- Tees Borough Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of active consultations in place that could impact upon both the Council's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Committee in due course.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Governance Committee as Those Charged With Governance, of their responsibilities.

The Director of Finance, Transformation & Performance and Deputy Chief Executive is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Director of Finance, Transformation & Performance and Deputy Chief Executive use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management, internal audit, other key individuals, where relevant, as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stockton-on-Tees Borough Council's internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

02

Your audit engagement team

Your audit team

James Collins
Director and Engagement Lead
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0191 383 6331

Nora Natova
Engagement Manager
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0191 383 6359

David Hurworth
Assistant Manager and Team Lead
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0191 383 6300

In addition, an Engagement Quality Reviewer (EQR) has been appointed for this engagement.

03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

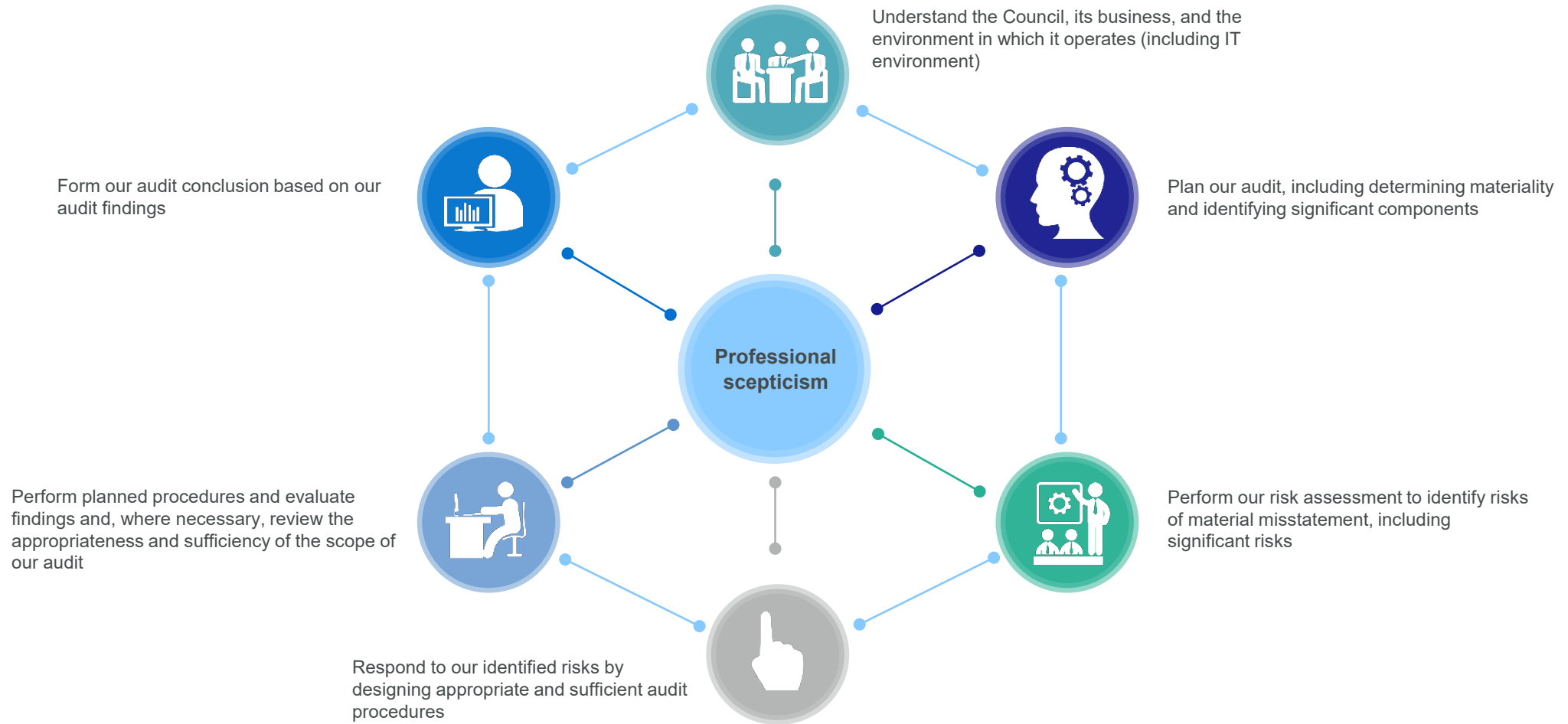
Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

Audit scope, approach, and timeline

Risk-based approach

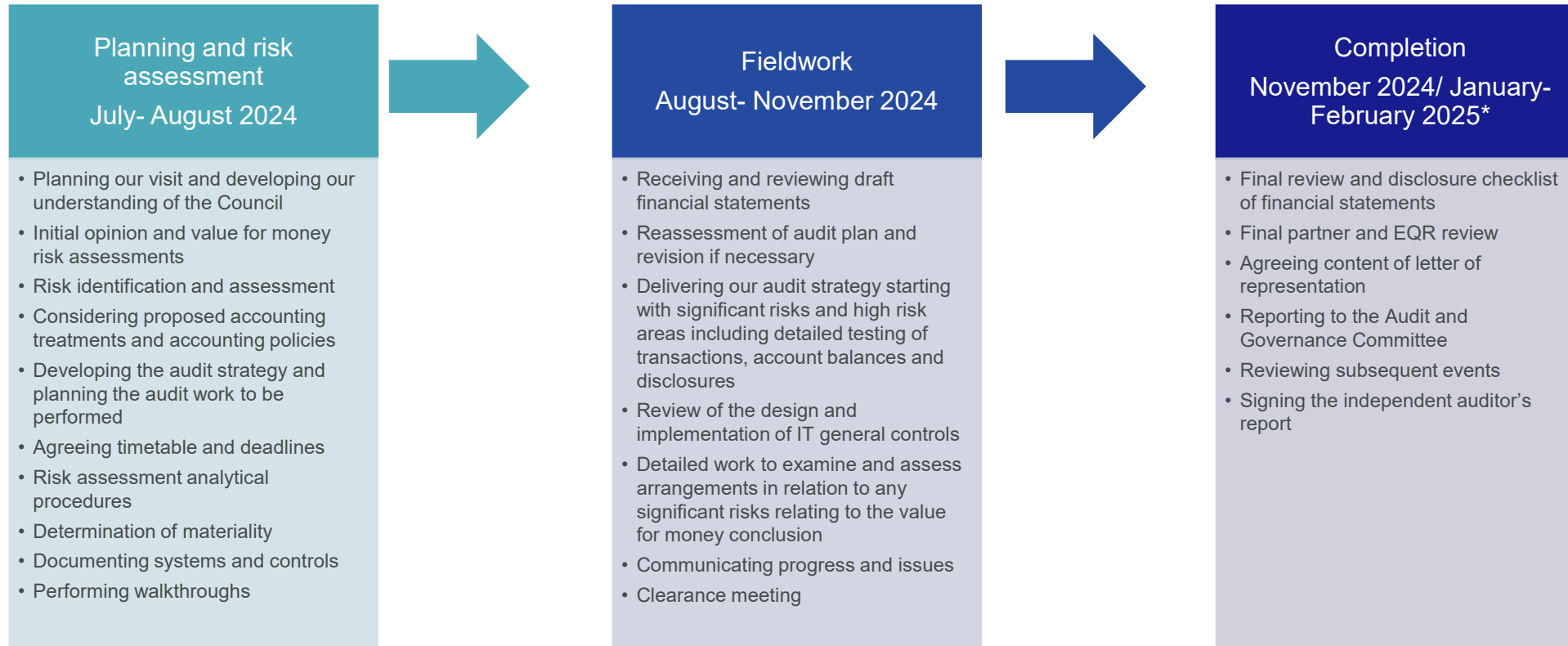
Page 11



Audit scope, approach, and timeline

Audit timeline

Page 32



* Expected timing for the receipt of Pension Fund auditor assurance

Management’s experts and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management’s expert	Our expert
Pension Fund Net Asset	Actuary (Hymans Robertson)	We use the National Audit Office (NAO)’s consulting actuary (PWC) to provide us with assurance over the assumptions used by the Actuary.
Property, plant and equipment valuation	Internal valuer from the Council and external valuers for specific assets where required (District Valuer Service, HVS and Knight Frank)	If required, we will engage our in-house valuation experts dependent on whether any specific valuation issues arise throughout the course of the audit.
Investment Property (Hampton by Hilton Hotel)	HVS	If required, we will engage our in-house valuation experts dependent on whether any specific valuation issues arise throughout the course of the audit.
Financial instrument disclosures	Arlingclose	Not assessed as being required.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any service organisations which impact on the production on the financial statements which have an impact on our audit.

Audit scope, approach, and timeline

Group audit approach

We are responsible for the audit of the group financial statements, which consolidate the Council's single entity accounts with the components of Stockton Borough Holding Company Limited and Stockton Hotels Company Limited. In 2023/24, the component transactions are expected to be around 1% of the group based on operating expenditure and are consequently not significant components. Although the transactions between the Council and the rest of the group are not expected to be material in value, as group accounts have been produced for transparency, we are required to set a group audit materiality more detail of which can be found on page 30 of this report.

Our group audit approach for 2023/24 will include:

- analytical procedures at group audit level supplemented by tests of detail if appropriate;
- undertaking reasonableness checks on the information to be included in the statements in relation to the entities. We will also assess the controls that management have put in place over the information to be included in the group accounts and assess the potential impact on our audit work;
- updating our understanding of how the Council prepares its group statements and manages the consolidation process; and
- the audit of the group financial statements, ensuring appropriate consolidation adjustments and disclosures of the information provided by the other entities.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

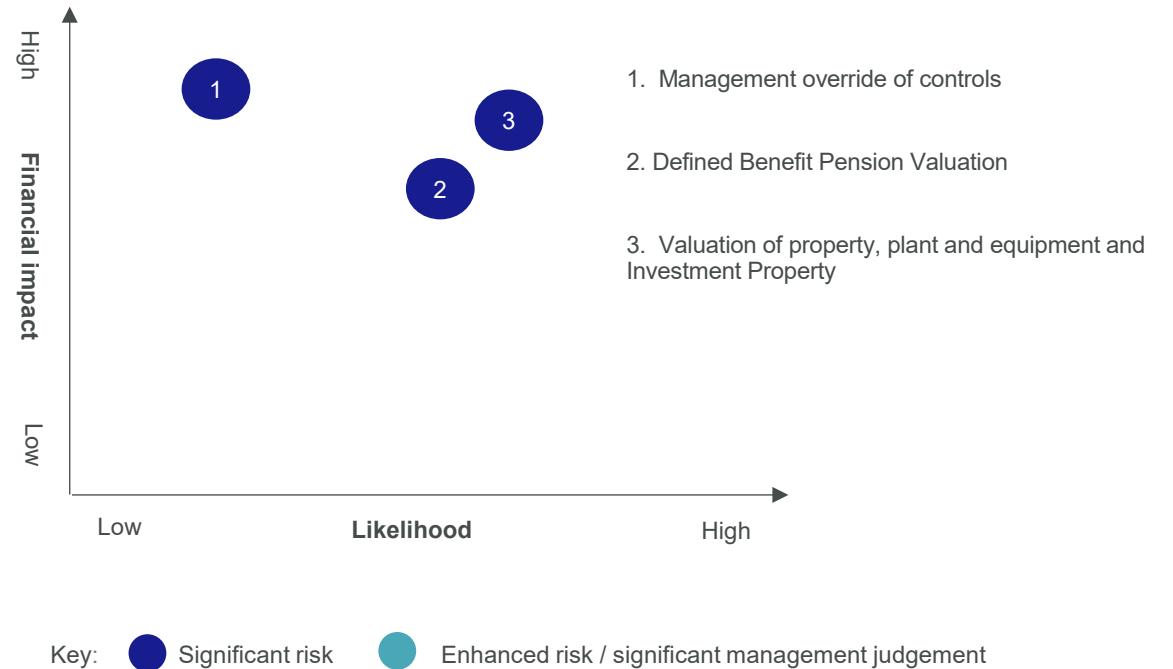
- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	●	●	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Defined benefit pension valuation £0 (2022/23 £101.742m)</p> <p>The 2023/24 financial statements are expected to contain material pension entries in respect of the retirement benefits, and in particular, a change from a net pension deficit, to a net pension asset. This has been limited at £0 due to the asset ceiling in 2023/24.</p> <p>The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	●	●	●	<p>In relation to the valuation of the Council's pension fund asset, we will:</p> <ul style="list-style-type: none"> Critically assess the competency, objectivity and independence of the Council's Actuary, Hymans Robertson; Liaise with the auditors of the Teesside Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; Review the appropriateness of the Pension Asset valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; Agree the data in the IAS 19 valuation reports provided by the Funds' Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; Ensure that the asset ceiling treatment is correctly accounted for in line with the CIPFA code, IAS 19 and IFRC 14; and Ensure all required disclosures are reflected in the accounts and relevant notes, in particular any changes in disclosures relating to the asset ceiling.

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of property, plant and equipment £405.104m (2022/23 £383.380m) and Investment Property £17.970m (2022/23 £16.558m)</p> <p>The 2023/24 financial statements are expected to contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE).</p> <p>PPE valuations involve a high degree of estimation uncertainty due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of significant risk.</p> <p>Similarly to PPE, the Council has also obtained a specialist valuation of its largest investment, the Hampton by Hilton Hotel (£11.9m). The scope of our valuations work will therefore also include Investment Property.</p>	●	●	●	<p>We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings (including investment property) . We will:</p> <ul style="list-style-type: none"> • Assess the scope and terms of engagement with the Valuer; • Assess the competence, skills and objectivity of the Valuer; • Assess how management use the Valuer's report to value land and buildings included in the financial statements; • Test the accuracy of the data used in valuations; • Challenge the Council's and Valuer's assumptions and judgements applied in the valuations; • Review valuation methodology used, including the appropriateness of the valuation basis; • Consider the reasonableness of the valuation by comparing the valuation output with market intelligence; • Challenge management where assets have not been re-valued in year as part of the Council's rolling programme, to ensure there have been no material changes to the assets' values; and • Ensure all required disclosures are reflected in the accounts and relevant notes.

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit and Governance Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit and Governance Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to the Audit and Governance Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

We do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

05

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

<p>Planning and risk assessment</p>	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none"> • NAO guidance and supporting information; • information from internal and external sources including regulators; • knowledge from previous audits and other audit work undertaken in the year; and • interviews and discussions with officers and Members.
<p>Additional risk-based procedures and evaluation</p>	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
<p>Reporting</p>	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"> • significant weaknesses identified and our recommendations for improvement; and • emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p>Value for Money arrangements- Adult and Children’s services</p> <p>The Council developed a three-year Medium Term Financial Plan(MTFP) which was agreed by Cabinet in February 2023.</p> <p>During 22/23, we confirmed that the MTFP was developed on reasonable assumptions including forecast funding streams, identification of budget pressures and savings targets required and ability to draw from the budget support reserves if required. The MTFP recognises the ongoing pressure the Council faces and the potential impact on service delivery.</p> <p>The March 2024 outturn notes a £7m overspend which is largely driven by increasing costs, as well as demand, in particular in Children’s and Adult services. While actions are being taken to manage the overspend with the Council’s Powering our Futures Programme integral to identifying opportunities for resolving the gap we need to complete additional work to determine if this is evidence of a significant weakness in the Council’s arrangements.</p>	●	●	●	<p>We will review the Council’s Powering our Futures Programme with a focus on actions taken in the areas where financial pressures are growing, such as Children’s and Adult’s services. This would include obtaining evidence to support the actions taken by the Council to address the overspends and any future budget gaps.</p>

06

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees exclusive of VAT for the audit of Stockton-on-Tees Borough Council for the year ended 31 March 2024, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined below.

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Code Audit Work	£347,758	£145,634*

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Housing Benefits Subsidy Assurance	£TBC**	£13,515
Teachers' Pensions	£TBC**	£5,385




*The 2022/23 fee was subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA funded the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies"

** At the date of drafting this report we have not been formally engaged by the Council to complete assurance work.

Confirmation of our independence

07

Confirmation of our independence

	Requirements	We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.
	Compliance	We are not aware of any relationship between Forvis Mazars and Stockton-on-Tees Borough Council that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of Stockton-on-Tees Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.
	Non-audit and Audit fees	We have set out a summary any non-audit services provided by Forvis Mazars (with related fees) to Stockton-on-Tees Borough Council in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC’s Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with James Collins in the first instance.

Prior to the provision of any non-audit services, James Collins will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit and Governance Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group and single-entity financial statements, we consider that gross expenditure at the surplus/ deficit level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross expenditure at the surplus/ deficit level for the group financial statements, and a materiality threshold of 2% of gross expenditure at the surplus/ deficit level for the Council's single entity statements.

As set out in the tables alongside, based on currently available information we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £11.345m (£11.076m in the prior year), and performance materiality to be in the region of £9.076m (£8.861m in the prior year).

For the single entity statements, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £11.292m (£11.027m in the prior year), and performance materiality to be in the region of £9.034m (£8.821m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£11,345	£11,076
Performance materiality	£9,076	£8,861
Clearly trivial	£340	£332

Council's single-entity financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£11,292	£11,027
Performance materiality	£9,034	£8,821
Clearly trivial	£339	£331
Specific materiality: senior manager remuneration	25% of total remuneration	
Specific materiality: Any individual exit packages over £50k	£20	

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit and Governance Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £339k, based on 3% of overall materiality. If you have any queries about this, please raise these with James Collins.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit and Governance Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit and Governance Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with the Audit and Governance Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit strategy memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Audit and Governance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit completion Report and discussion at Audit and Governance Committee Audit planning and clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Governance Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report and the Audit and Governance meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.	Audit Completion Report and Audit and Governance Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Council's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

DLUHC consultation on addressing the local audit backlog in England

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 13 December 2024 unless a pre-defined exemption criteria has been met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and
- Setting out 'backstop' dates for each financial year up to and including 2027/28.

The announced backstop date for 2023/24 audits is for completion by 28 February 2025.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

NAO consultation on draft amendments to the Code of Audit Practice

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and

Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

Forvis Mazars

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 30 SEPTEMBER 2024

REPORT OF DIRECTOR OF CORPORATE SERVICES

RISK MANAGEMENT UPDATE REPORT

SUMMARY

The purpose of this report is to inform members of the current status of the Council's strategic risks. The strategic risk register primarily focusses on the achievement of objectives over the longer-term and could take a number of years to materialise.

Assessment is based on the information currently available and is used to evaluate the potential future state of the risk and as such will be regularly reviewed as further information becomes available. The assessment of the risk should not be used as an indication of current performance as it is just one element considered as part of the wider assessment of risks, other examples include financial certainty or potential changes that may be outside of the council's control.

RECOMMENDATIONS

It is recommended that:-







1. Members note the current position with the strategic risk register and take assurance that actions are being taken to manage these risks over the long-term.

DETAIL

1. Effective risk management is a core component of effective corporate governance. It is a planning tool that can be used to evaluate future events and make effective decisions to develop mitigating actions to reduce the impact and/or probability of those risks occurring.
2. The strategic risk register and the current status of those risks is shown below. Members are reminded that risk assessment is not a measure of actual performance. Risk management as a process is future focused and should be considered in the context of what may happen in the future. This enables actions to be taken now to mitigate those future risks.
3. As this is a strategic risk register it covers broad themes borough wide. The implication of this is that the council are not solely responsible for mitigating actions. There may be factors outside of the council's control that impact on the current risk level and as such the council alone may not be able to completely mitigate risks.

4. A key feature the revised approach is a simplification of the way in which the current risk status is assessed. Risks are rated using a RAG rating:
 - Red - Current concerns over the achievement of future objectives, actions must be developed to mitigate some of those concerns in the short-term, in order that we are able to meet future objectives.
 - Amber - Concerns identified that may impact on the future achievement of objectives, actions required but these can be planned over the medium term
 - Green - No current concerns

5. The following strategic risks are considered to have a Red Status, as stated in paragraph 2 this does not mean the council is failing in its duties but that based on the information currently available there is concern that there is an increased likelihood that we will not be able to meet our future objectives unless we implement actions now. Specific actions are detailed in Appendix A but much of the focus of the Powering Our Future programme is about managing these risks into the future:

Risk ID	Risk	Overall Status
732	Risk of failure in supporting residents to cope with the cost of living and to reduce inequality	 Red
725	Risk of failure to deliver a waste service which reduces the amount of waste to Energy From Waste whilst increasing levels of recycling.	 Red
714	Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP	 Red
567	Risk of failure to improve outcomes that support people to live healthy lives	 Red
599	Risk of failure to support vulnerable households to find suitable accommodation (including homelessness, care leavers, LD)	 Red
559	Risk of supporting children in our care to achieve appropriate outcomes in care	 Red

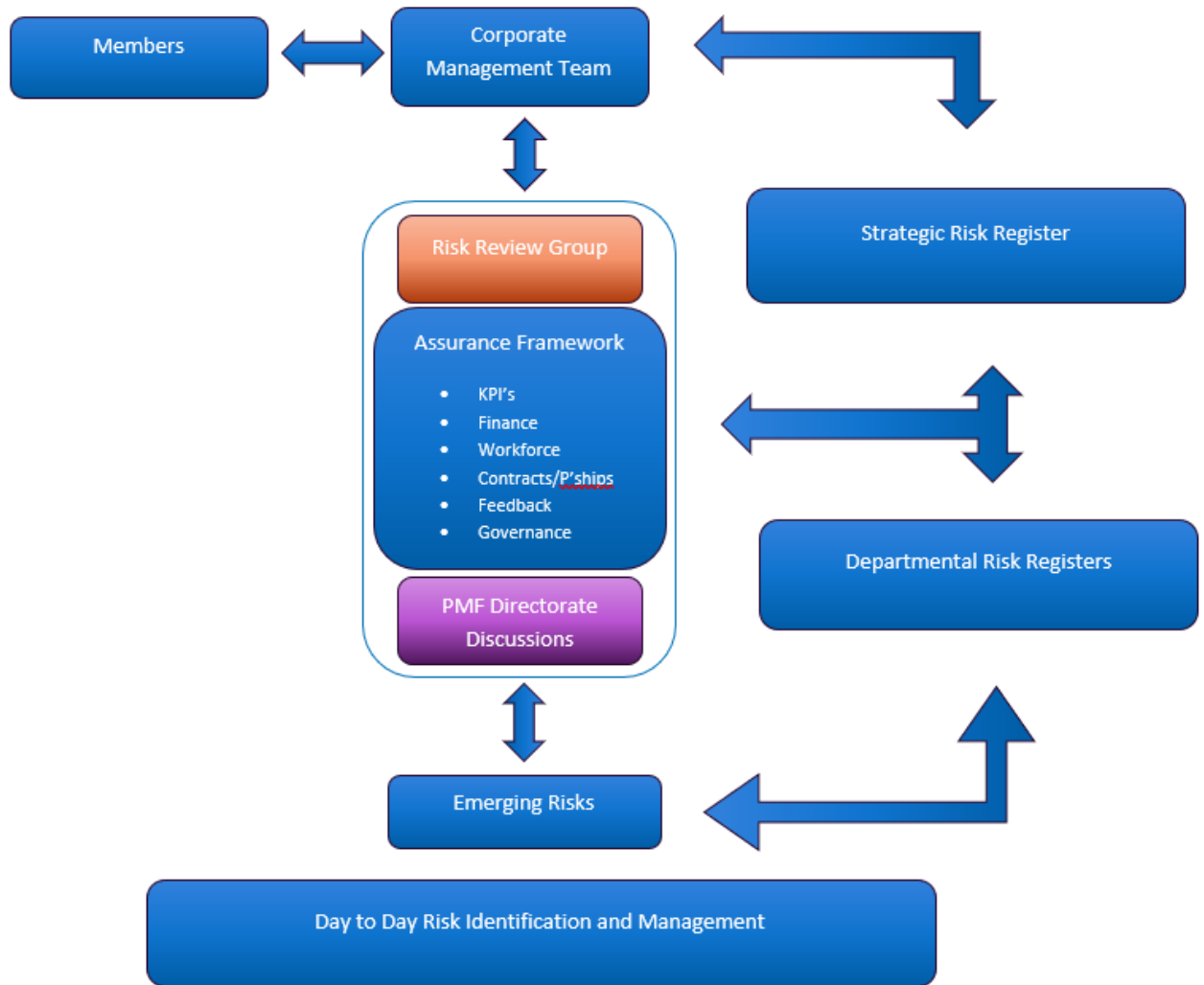
6. The following strategic risks are considered to have an Amber Status, as with those with a red status this does not mean failure but simply recognises an increased likelihood of objectives not being met into the future. Actions to mitigate these risks can be planned over the medium-term:

Risk ID	Risk	Overall Status
742	Failure to plan and deliver large scale capital projects - Regeneration Strand	Amber
560	Risk of delivering effective strategies that support care leavers to achieve appropriate outcomes	Amber
703	Risk of failure to deliver transformation projects	Amber
705	Risk of failure to effectively support our workforce to enable them to meet the challenges faced by the council and our residents	Amber
621	Risk of failure to enable a growing economy to maximise business growth, employment and to generate Business Rates and Council Tax	Amber
623	Risk of failure to enable effective highways and transport infrastructure	Amber
564	Risk of failure to establish and maintain safe systems of care for adults	Amber
565	Risk of failure to manage and deliver good quality, sustainable care and support to vulnerable adults	Amber
710	Risk of failure to maximise the use of Council owned land and property assets	Amber
723	Risk of failure to maximise the use of Council owned vehicles and transport assets	Amber
715	Risk of failure to operate good corporate governance	Amber
731	Risk of failure to plan and deliver large scale capital projects	Amber
740	Risk of failure to plan and deliver large scale capital projects - CSEC Strand	Amber
724	Risk of failure to reduce carbon emissions and contribute to reducing the impact of global warming	Amber
488	Risk of not supporting children who need help and protection	Amber
563	Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands	Amber
600	Risk of people not feeling safe in their communities	Amber

7. The following strategic risks are considered to have a Green Status, the current evaluation of the risks does not raise any concerns:

Risk ID	Risk	Overall Status
737	Risk of failure to communicate effectively with residents, communities and partners	Green
741	Risk of failure to plan and deliver large scale capital projects - Adult's & Children's Strand	Green
704	Risk of failure to provide robust and resilient ICT infrastructure and systems, making effective use of new/emerging technologies	Green
562	Risk of not supporting children maximise their potential in education	Green

8. Appendix A provides a summary of the risks by Department and the current areas of concern/actions that are being taken to manage these risks. The summary also provides examples of where we are performing well in terms of the management of the risk.
9. As a reminder to members the framework for assessing the current risk score is outlined below:



10. A revised Risk Management Strategy will be presented to members at a future meeting.

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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Finance, Transformation & Performance

Risk ID	Risk	Overall Status
714	Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP	Red
742	Failure to plan and deliver large scale capital projects - Regeneration Strand	Amber
703	Risk of failure to deliver transformation projects	Amber
731	Risk of failure to plan and deliver large scale capital projects	Amber
740	Risk of failure to plan and deliver large scale capital projects - CSEC Strand	Amber
741	Risk of failure to plan and deliver large scale capital projects - Adult's & Children's Strand	Green
704	Risk of failure to provide robust and resilient ICT infrastructure and systems, making effective use of new/emerging technologies	Green

- Highest risk area - **£9m budget gap**
 - POF & Transformation Programme identify a planned approach to maintain a balanced MTFP, however some capacity issues have been identified & are being addressed
 - Programme & Project Management arrangements established & being embedded (confirming governance, process & capacity)
- **Capital Programme Delivery**
 - PMO – covers Capital Programme Management. Arrangements established & being embedded. Need to ensure consistency in approach
 - Project risks managed through CPB (including / to note: Preston Park Contingency & Billingham Beck Bridge)
- Green rating for **Robust & Resilient ICT infrastructure** and effective use of new technologies

Corporate Services

Risk ID	Risk	Overall Status
705	Risk of failure to effectively support our workforce to enable them to meet the challenges faced by the council and our residents	Amber
715	Risk of failure to operate good corporate governance	Amber
737	Risk of failure to communicate effectively with residents, communities and partners	Green

- **Supporting our workforce to meet the challenges faced by council & residents**
 - Amber risk - increasing sickness levels, use of agency staff, resource needs for staff development
 - Mitigating activity prioritised through Colleagues POF & Workforce Development Strategy
- **Corporate Governance**
 - New Performance & Risk Management arrangements being developed, need fully embedding
 - Amber risk for reports fully understanding longer-term financial implications
- **Communicating effectively with residents – rated green**
- Performance framework being developed

Regeneration & Inclusive Growth

Risk ID	Risk	Overall Status
621	Risk of failure to enable a growing economy to maximise business growth, employment and to generate Business Rates and Council Tax	Amber
710	Risk of failure to maximise the use of Council owned land and property assets	Amber

Community Services, Environment & Culture

Risk ID	Risk	Overall Status
725	Risk of failure to deliver a waste service which reduces the amount of waste to Energy From Waste whilst increasing levels of recycling.	Red
623	Risk of failure to enable effective highways and transport infrastructure	Amber
723	Risk of failure to maximise the use of Council owned vehicles and transport assets	Amber
724	Risk of failure to reduce carbon emissions and contribute to reducing the impact of global warming	Amber

- **Maximising use of council owned assets**
 - Enhanced Corporate Landlord model being developed to address existing challenges of a fragmented approach
- **Economic Growth**
 - Inclusive Growth Strategy being developed, setting out our approach to drive growth through regeneration & sector development, as well as connecting residents to economic opportunities
- **Celebrating Success**
 - Latest data for GVA Per hour worked - £42.6:
 - We continue to be higher than the NE Average – by some way (including Newcastle)
 - We are higher than Leeds & have grown at a faster rate than Leeds

- Highest risk area is **Waste Services**
 - Financial pressures relate to national policy change (inc. food waste), waste disposal & HWRC contracts
 - Poor performance for household recycling rates
 - Mitigations & future approach are informed by Scrutiny Review & implemented through the Transformation Programme
 - Timescales for transformation remain challenging & are dependent on Cabinet decision making in September
 - **Amber ratings**
 - Highways & Transport – resources are being directed at areas of greatest need to address cost pressures & insurance claims relating to pot holes. Process & delivery models being reviewed to address workforce challenges
 - Fleet Management – Transformation Review will maximise use of assets
- Carbon Emissions – acknowledged that further investment is needed to further reduce emissions. This is a tolerated risk. External factors will also have an impact

Children's Services

Risk ID	Risk	Overall Status
559	Risk of supporting children in our care to achieve appropriate outcomes in care	Red
560	Risk of delivering effective strategies that support care leavers to achieve appropriate outcomes	Amber
488	Risk of not supporting children who need help and protection	Amber
563	Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands	Amber
562	Risk of not supporting children maximise their potential in education	Green

- **Highest risk - Children in our Care**
 - Cost of external placements & OFSTED Requires Improvement
 - Mitigations - Strengthening Services Improvement Plan & Governance in place; workforce issues being addressed
- **To note (amber risks)**
 - **Children needing help and protection** - agency staff impacting financial position, recruitment & retention issues persist
 - **SEND** - DSG deficit brought forward (£3.5m)
 - Mitigation - DBV part of DFE Change Programme & SBC Transformation
- **Positive performance - supporting children to maximise their potential in education**
 - Issues identified re: attendance & exclusions – being addressed through OSC-led Appreciative Inquiry

Adult's Services

Risk ID	Risk	Overall Status
732	Risk of failure in supporting residents to cope with the cost of living and to reduce inequality	Red
567	Risk of failure to improve outcomes that support people to live healthy lives	Red
599	Risk of failure to support vulnerable households to find suitable accommodation (including homelessness, care leavers, LD)	Red
564	Risk of failure to establish and maintain safe systems of care for adults	Amber
565	Risk of failure to manage and deliver good quality, sustainable care and support to vulnerable adults	Amber
600	Risk of people not feeling safe in their communities	Amber

- **Highest risk areas:**
- **Cost of living** continues to put pressure on low income households
 - Mitigations include: FSOT & Anti-poverty strategy
 - National factors beyond our control have a significant impact
- Supporting people to live **Healthy Lives**
 - Poor performance against KPIs. Mitigations inc: Health & Wellbeing Strategy and updated JSNA - will inform targeted interventions & decision making; EIP Transformation Review
 - Celebrating success – Substance Misuse practice recognised as regional good practice. Life expectancy gap is reducing for women.
 - **Emerging Risk** - Transition placement costs in adult social care and impact of cost of care in the market
- **Homelessness demand is increasing** – availability of suitable properties is limited. We continue to work with

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 30 SEPTEMBER 2024

REPORT OF DIRECTOR OF CORPORATE SERVICES

INTERNAL AUDIT ACTIVITY REPORT

SUMMARY

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 results of audit activity is noted and agree that the work for the next quarter be prioritised using the audit risk assessment methodology as outlined in the Audit Charter.

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 the results of audit work are an integral part of the assurance framework in place to assess the current risk status.
2. The overall summary shows a summary of audit results against each theme. Previously this reporting was by strategic risk, as we now have a separate report on the strategic risks of which audit work forms a part and therefore is not relevant in this update any longer.

Theme	Red	Amber	Green	Total	Assurance
	1	1	8	10	76.98
1. Accuracy of Decision Making		9	43	52	89.77
10. Accuracy of Payments		2	22	24	95.61
11. Income - Charging		2	6	8	90.00
12. Income - Payments		1	9	10	95.83
13. Cash Handling		1	1	2	66.67
14. Procurement/Sourcing	1	3	16	20	85.63
15. Physical Assets/Locations		1	25	26	99.42
16. Fraud		1	10	11	95.83
17. Business Continuity	1	1	13	15	90.14
18. Procedures		5	15	20	88.46
19. Performance Management	1	9	28	38	85.54
2. Monitoring of Decisions		2	25	27	93.56
20. ICT Infrastructure			22	22	100.00
21. Handling of Requests/Incident Response		2	9	11	86.84
3. Information Governance	1	3	50	54	95.88
4. Finance		2	28	30	97.33
5. HR - Payments			4	4	100.00
6. HR - Health & Safety			2	2	100.00
7. HR - Management		1	12	13	92.86
8. Recruitment			4	4	100.00
9. HR - Training/Qualifications/Clearances	1	4	22	27	86.57
Total	6	50	374	430	91.90

- 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 5 Red controls identified in the period. Members are reminded that testing frequencies are adjusted based on their status, controls rated as red are reviewed every 3 months. This may give the impression that the same issues are being raised each quarter whilst recommendations are being implemented, we monitor progress of implementation. Reds previously reported that are making good progress are waste and recycling targets, effective sourcing of child placements and the Joint Strategic Needs Assessment. The remaining Red controls relate to staff completing mandatory information governance training in the Regeneration and Inclusive Growth Department and a requirement to review the information sharing protocols with occupational health partners.

Theme	Red	Amber	Green	Total
	1		3	4
1. Accuracy of Decision Making		3	5	8
10. Accuracy of Payments			3	3
12. Income - Payments		1	2	3
14. Procurement/Sourcing	1	2	2	5
15. Physical Assets/Locations			2	2
16. Fraud		1	2	3
17. Business Continuity			4	4
18. Procedures		5	2	7
19. Performance Management	1	2	7	10
2. Monitoring of Decisions		1	4	5
20. ICT Infrastructure			4	4
21. Handling of Requests/Incident Response		1	1	2
3. Information Governance	1	1	7	9
4. Finance		1	9	10
5. HR - Payments			1	1
7. HR - Management		1	1	2
9. HR - Training/Qualifications/Clearances	1	3	6	10
Total	5	22	65	92

4. Planned work identifies the areas to be examined in the next period as required by the Public Sector Internal Audit Standards. Members are reminded that each control is risk assessed to determine the frequency of testing, audit work is planned and undertaken a rolling programme which prioritises controls with the highest risk rating in accordance with this methodology. I am required to report any concerns I may have that would impact on the independence of the audit service or the adequacy of resources, I can confirm that I have no concerns in either regard.
5. 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. We are aware that we are expecting one of the auditors to start Maternity Leave in October, we are looking to see how best to cover this.

Quality, Assurance & Improvement Process

Period Covered	June 2024	to	August 2024
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Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	16
Portfolio Coverage (Period)	84	92
Presentation of Annual Report (Annual)	June	*
Presentation of Activity Report	Qtrly	*

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	*
Fraud Strategy Review	31/03/2025	*
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)	8	10
Up to Date Audit Manual	March 2023	*

People		
Measure	Target	Performance
Productivity (Period)	75%	62%
Training (Per Financial Year)	20	*
Code of Conduct (Annual)	100%	*
Appraisals (Annual)	100%	*

* - To be reported as part of annual report

- NFI Progress – This exercise is due to be undertaken again in October 2024, results will be provided once they are received, expected in early 2025.

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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Telephone No: 01642 526176

Email Address: a.barber@stockton.gov.uk

Diary of Meetings & V

Date

30-Sep-24

25-Nov-24

24-Feb-25

Audit Committee Programme 2024/2025

Work Programme

Work Programme

Health and Safety report
External Audit Backstop Arrangements
External Audit - Audit Strategy Memorandum 23/24
Risk Management Update
Internal Audit Update Report
Work Programme 2024 - 2025

External Audit - Audit Completion Report 2023/24
External Audit - Auditor's Annual Report
Anti-Fraud and Corruption Strategy
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 2024 - 2025

Annual Report of the Audit Committee (Final)
Constitutional Update if required
External Audit - Audit Progress Report
Risk Register Update and Audit Activity
Internal Audit Charter
Work Programme 2024 - 2025

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