

Date: Monday 25 November 2024 at 4.00 pm

Venue: Conference Room 6, Dunedin House, Columbia Drive, Thornaby, Stockton on Tees TS17 6BJ

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**
- 2 Apologies for Absence**
- 3 Declarations of Interest**
- 4 Minutes** (Pages 7 - 10)
- 5 External Audit - Audit Progress Report 2023/24** (Pages 11 - 26)
- 6 Anti-Fraud and Corruption Strategy** (Pages 27 - 38)
- 7 Treasury Management Mid Term Review** (Pages 39 - 50)
- 8 Annual Report of the Audit Committee (For Discussion)** (Pages 51 - 56)
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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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AUDIT AND GOVERNANCE COMMITTEE

A meeting of Audit and Governance Committee was held on Monday 30 September 2024.

Present: Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Mick Stoker and Cllr Katie Weston.

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

Also in attendance:

Apologies: Cllr Paul Rowling, Cllr Emily Tate and Cllr Laura Tunney.

AGC/27/24 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/28/24 Declarations of Interest

There were no Declarations of Interest.

AGC/29/24 Minutes

Consideration was given to the minutes from the meeting held on the 29th July 2024 for approval and signature.

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

AGC/30/24 Health & Safety Report

The Health & Safety report provided an update on the health, safety and wellbeing performance of the Council for the period 1st July 2024 to 30 August 2024.

Members noted the slight change in the layout of the report with a new Audit Assurance column included. Officers highlighted the low number of accidents and assaults reported in this period which were much improved when compared to other periods.

Work was underway to improve some Fire Safety arrangements which had been highlighted in the report. Members agreed that a focus on Fire Safety arrangements was necessary due in part to a block of flats in Billingham which were found to have unsatisfactory fire arrangements in place.

Officers agreed and assured members that an external Fire Officer had now been put in place to review that particular instance.

Members agreed to note the report.

AGC/31/24 External Audit Backstop Arrangements

Officers presented the External Audit Backstop Arrangements report which outlined the immediate actions the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system were taking, which were designed to address the backlog and put local audit on a sustainable footing.

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 was 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

It was also noted in the report that while there would 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 remained a high priority.

Officers reassured members that the Council had always achieved unqualified opinions from the auditors on its accounts. With the most recent set of accounts for 2022/23 completed and the required audit opinion had been issued in May 2024, which would mean the backstop arrangements for that year would not be applicable to the Council.

The actions the Government had introduced to tackle the backlog, while vital, would not provide a long-term sustainable solution to the wider local audit system. The Government would be working with partners to on how best to achieve a long-term solution.

The potential first year where backstop arrangements may apply for Stockton would be for the 2023/24 financial year. It is hoped the Council can 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.

Members noted the month extension to the original deadline which was outlined in the report and agreed that it was a welcome change. Some Members enquired of Officers if there was any stigma attached to a 'Disclaimed Opinion'. Officers were able to explain that though it could affect the Council this was unlikely due to many other authorities also having disclaimed opinions, and the Council would be able to explain why the opinion was given.

Members agreed to note the report.

AGC/32/24 External Audit - Audit Strategy Memorandum 23/24

The purpose of the report was to summarise the audit approach of Forvis Mazars, highlight significant audit risks and areas of key judgements. Officers from Forvis-Mazars talked through the report with Members, highlighting some sections which would be of interest.

The Audit timeline was shown in the report, with Officers informing members that all Planning and risk assessment work had been completed. The next part of the timeline was the Field work section, which Officers had begun working on. Officers planned to have completed the bulk of the field work shortly but expected to a possible delay until January 2025 for the Pension Fund Assurances.

The Value for Money section of the report was also highlighted to Members, with Officers reminding members that Forvis Mazars had not commented on the arrangements but inspected them for any significant weakness. No significant weaknesses had been identified in the arrangements.

But a possible risk in Children Services over spend had been identified, Officers of the Council were aware, and Members were reminded that a Children Services projected overspend was a widespread issue for many local authorities.

Members Agreed to note the report.

AGC/33/24 Risk Management Update

The purpose of Risk Management Update report was 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.

As had been discussed in previous meetings the layout of the report had been altered for would be continued to be monitored, to allow members to scrutinise the data more effectively.

Officers took members through the report noting that many of the items covered in the report would be familiar to members. With them either being covered in the Powering Our Future programme or being highlighted in previous meetings of the Audit Committee.

Some of the areas highlighted by Officers were as follows:

- Residents Cost of Living, which can be contributed to the cost-of-living crisis affecting the whole country. Plans were in place for the Council to provide any relief it was able to.
- Waste Management was a concern as outlined the report, the authority has poor levels of recycling which are in the process of being improved.
- The number of Children in care was also higher than it had been previously, this had been brought to members attention in the previous meetings and was a national issue.

Members Agreed to note the report.

AGC/34/24 Internal Audit Update Report

Members were presented with the Internal Audit Update Report which is intended to inform members of the progress of audit testing and the forward plan of testing, with resources available to meet the plan. Officers highlighted the new format of the report to members which had incorporated reporting on themes.

The report outlined six sections as being red, members were reminded that controls rated as red were reviewed every three months. This could give the impression that the same issues were being raised each quarter whilst recommendations were being implemented, Officers then monitor any progress of the implementation. Areas which had previously been reported red but were making good progress are waste & recycling targets, effective sourcing of child placement and the Joint Strategic Needs Assessment. The remaining red controls were related to staff completion of mandatory information governance training in the regeneration and inclusive growth department and a requirement to review information sharing protocols with occupational health partners.

Members agreed to note the report.

AGC/35/24 Work Programme 2024 - 2025

Members agreed to note the work programme.



Audit Progress Report

Stockton-on-Tees Borough Council

25 November 2024

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Audit progress

01

Purpose of this report

To provide an update on progress of the Council's 2023-24 audit. 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: 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).

Update on the 2023/24 Financial Statements Audit

Our audit work is ongoing and we have made good progress across areas of the accounts. There are currently no matters of which we are aware that would require modification of our audit opinion at this stage. However, this is subject to the timely and satisfactory completion of remaining audit work.

The backstop date for 2023/24 audits is for completion by 28 February 2025, and in order to prevent the audit opinion from potentially being affected, it is essential that we stay on track for audit completion in February 2025. We will work with management on a plan for the provision of the remainder documentation to ensure that we have sufficient amount of time to conclude on the work. The latest status of our audit work and key outstanding items are set out on the next slide.

Our audit findings on any potential adjusted and unadjusted misstatements, including recommendations on internal control deficiencies will be reported on in our Audit Completion Report.

Status of our audit

Journals

We are awaiting evidence from management to support our journals testing. To date, we have not identified any issues.



Status

Defined benefit pension valuation

The expected timing for the receipt of the Teesside Pension Fund auditor assurance remains to be January- February 2025. As such, we anticipate to be able to conclude on the pensions work during that period.



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

Valuation of property, plant and equipment and Investment property

We experienced some initial delays in the provision of information, and the following matters are critical to the completion of our work which still remain outstanding:

1) The latest Fixed Asset Register to support:

- The performance of audit reconciliations;
- Any adjustments made;
- Any additional samples required for PPE in-year movements (additions, disposals, depreciation);
- Year-end valuations.










2) Responses to queries already raised with the valuers and management, covering valuations performed in-year and the recording of those in the accounts;





3) Management's assessment on assets which 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;

4) Accounts review comments raised on disclosures. All of the above will specifically have an impact on capital reserves disclosures. Therefore, our audit work on those is ongoing.

Status of our audit

Income and Expenditure (including cut-off)	
Work in these areas remains ongoing.	
Grants	
Work remains ongoing.	
Payroll	
Work has been completed, subject to final review.	
Debtors and Creditors	
Work substantially complete with some queries to resolve with management.	
Heritage Assets	
Work has been completed, with an expected adjustment to be made to account for an addition in year. The work completed is yet to be subject to final audit review.	
Provisions and contingencies	
Our work remains ongoing. Working paper to support disclosures remains outstanding.	
Leases	
Sample testing is ongoing.	
Management's assessment on the impact of IFRS 16 and proposed disclosures of the anticipated impact remains outstanding.	

Status

-  Likely to result in a material adjustment or a significant change to disclosures in the financial statements.
-  Potential to result in a material adjustment or a significant change to disclosures in the financial statements.
-  Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.
-  Work on value for money arrangements

Status of our audit

Collection fund

Our work is ongoing.



Narrative report and accounts disclosures

Our work is ongoing. We are working with management to address our initial comments on the accounts and relevant amendments which may be required to disclosures.



Value for money

Work is ongoing.



Audit Quality Procedures and Closure

Review and closure processes, including checking the final draft of the financial statements and completion of our work on Whole Government Accounts. This includes review of post-year end minutes to obtain assurance over completeness of areas such as provisions and contingent liabilities for events after the reporting period disclosures.



Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

02

Publications and other updates

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	NAO report: Support for children and young people with special educational needs	The NAO has published its report Support for children and young people with special educational needs.
2	Draft Code of Audit Practice laid in Parliament	A draft of the new Code of Audit Practice was laid in Parliament on 9 September 2024 and has now been published on the NAO website. Subject to Parliament’s approval, the Code will come into force in late autumn 2024.
3	Local Audit Reset and Recovery Implementation Guidance	The NAO has published the Local Audit Reset and Recovery Implementation Guidance on its Code and guidance pages Guidance and information for auditors - National Audit Office (NAO).
4	NAO report: Improving educational outcomes for disadvantaged children	The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England.
5	NAO report: The effectiveness of government in tackling homelessness	The NAO has published its report The effectiveness of government in tackling homelessness.
6	NAO report: DWP customer service	The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service.
7	NAO report: The condition and maintenance of local roads in England	The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance.

1. NAO report: Support for children and young people with special educational needs

The NAO has published its report Support for children and young people with special educational needs. This report assesses how well the current system is delivering for children and young people (from birth to 25 years) in England identified as having SEN. It also looks at DfE's progress in addressing the underlying challenges to providing a sustainable system that achieves positive outcomes for children. This report:

- describes the support available, outcomes achieved for those with SEN, DfE funding, and DfE's strategic approach;
- examines DfE's actions to restore confidence and create a sustainable system.

[Support for children and young people with special educational needs - NAO report](#)

NAO Publications

2. Draft Code of Audit Practice laid in Parliament

A draft of the new Code of Audit Practice was laid in Parliament on 9 September 2024 and has now been published on the NAO website, as required by Schedule 6 of the Local Audit and Accountability Act 2014. Subject to Parliament's approval, the Code will come into force in late autumn 2024.

<https://www.nao.org.uk/wp-content/uploads/2024/09/code-of-audit-practice-draft.pdf>

The new Code was developed following a consultation in February/March 2024. It is intended to support measures taken by the Ministry of Housing, Communities & Local Government (MHCLG) to address the current backlog of local government audits. MHCLG has also laid regulations to introduce statutory deadlines for publication of audited accounts, which is intended to work alongside the draft Code.

3. Local Audit Reset and Recovery Implementation Guidance

The NAO has published the Local Audit Reset and Recovery Implementation Guidance on its Code and guidance pages Guidance and information for auditors - National Audit Office (NAO). Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) are prepared and published by the NAO on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

LARRIG guidance has been issued by the C&AG and published by the NAO to enable auditors (and preparers of accounts) to begin planning its implementation. The guidance will come into effect as statutory guidance to auditors as soon as the relevant legislation underpinning the guidance comes into force, subject to Parliamentary approval. For the purposes of these LARRIGs, these are the Accounts and Audit (Amendment) Regulations 2024, and the 2024 Code of Audit Practice.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

National publications and other updates

4. NAO report: Improving educational outcomes for disadvantaged children

The NAO has published its report Improving educational outcomes for disadvantaged children which examines whether the Department for Education (DfE) is achieving value for money through its funding to support the attainment of disadvantaged children in educational settings in England, from early years to the end of key stage 4 (the end of compulsory schooling). It assesses:

- whether DfE has a coherent approach to support the attainment of disadvantaged children, and its progress against its objectives;
- how DfE understands the attainment of children and how it evaluates what works to effectively allocate resources; and
- the accountability arrangements and support DfE provides schools and early years providers to ensure value for money.

The report concludes that each year, DfE spends around £60 billion to support all children across schools and early years settings. For 2023-24, this included an estimated £9.2 billion focused on supporting disadvantaged children and narrowing the attainment gap between them and their peers, with half of this comprising disadvantage elements of its core funding for schools.

Despite this investment, disadvantaged children performed less well than their peers across all areas and school phases in 2022/23. The gap in children's attainment had been narrowing before the COVID-19 pandemic, which then had a detrimental impact. The gap continues to widen for key stage 4, which is when children leave school, and, while the attainment gap for those finishing primary school narrowed slightly in the past year, it remains wider than it was a decade ago.

DfE has evidence to support some of its interventions and uses this to help schools and early years providers to make decisions. However, it does not yet understand the outcomes resulting from a significant proportion of its expenditure on disadvantaged children. It also does not have a fully integrated view of its interventions, or milestones to assess progress and when more may need to be done.

This, and the lack of sustained progress reducing the disadvantage attainment gap since 2010/11, means that DfE cannot demonstrate it is achieving value for money. To make progress, and secure value for money, it should build more evidence of what works, look strategically across its interventions and how it allocates its funding, and work effectively across government to address the wider factors to make progress on this complex issue.

[Improving educational outcomes for disadvantaged children](#)

5. NAO report: The effectiveness of government in tackling homelessness

The NAO has published its report *The effectiveness of government in tackling homelessness*. Note: On 9 July 2024, the Department for Levelling Up, Housing & Communities (DLUHC) was renamed the Ministry of Housing, Communities & Local Government (MHCLG). The report refers to DLUHC throughout, as that was the name in use at the time of fieldwork.

This report follows on the NAO's last report on homelessness in 2017 – around six months before Homelessness Reduction Act (HRA) 2017 came into force. The report assesses value for money in terms of whether DLUHC is working with government departments and local authorities in a way that maximises government's ability to tackle homelessness. Specifically, it looks to establish whether DLUHC: has a good understanding of the nature of homelessness; is delivering appropriate system leadership; and supports local authorities well.

The report concludes that homelessness is a highly complex issue affected by a wide range of social and economic factors, and by government policy in areas such as housing, welfare and asylum. Statutory homelessness has increased significantly in recent years, meaning that more people are finding themselves either with no stable place to live or in temporary accommodation provided by their local authority.

Providing temporary accommodation alone cost local authorities over £1.6 billion in 2022-23, but it varies in quality and there are gaps in regulation, while some of it – such as B&Bs being used for households with children – is unsuitable. Dealing with homelessness is creating unsustainable financial pressure for some local authorities.

The situation has worsened since the NAO last examined the issue in 2017. Despite the introduction of HRA 2017, homelessness numbers are at a record level and expected to increase. While DLUHC has developed much better homelessness data and stronger links with local authorities, the government still has no strategy or public targets for reducing statutory homelessness, and DLUHC is falling behind on key programmes to improve housing supply. Funding remains fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

Until these factors are addressed across government, DLUHC will not be able to demonstrate that it is delivering optimal value for money from its efforts to tackle homelessness.

[The effectiveness of government in tackling homelessness](#)

6. NAO report: DWP customer service

The NAO has published its report DWP customer service which examines whether the Department for Work & Pensions (DWP) has an effective approach to customer service. The evaluative criteria used to assess value for money included whether DWP:

- has a clear framework for monitoring customer service, such as clear objectives, measures and performance reporting;
- has provided good customer service over recent years in relation to four key areas – satisfaction, payment accuracy, payment timeliness and telephony; and
- has clear plans to improve customer service

The report concludes that DWP has a responsibility to provide good customer service, not least because its customers cannot switch to an alternative welfare provider if they are unhappy with the service they receive. Its customers include some of the most vulnerable in society, who rely on DWP for the accurate and timely payment of the benefits to which they are entitled.

Faced with growing demand and a challenging operational context, DWP's customer service has fallen short of the expected standards over recent years, particularly for certain benefits, such as Personal Independence Payment (PIP). It is generally not meeting its performance benchmarks or standards for customer satisfaction, payment timeliness and answering calls to its in-house telephone lines.

There are some areas of strong performance with, for example, the proportion of State Pension customers satisfied with the service they receive consistently above DWP's benchmark of 85%, and Universal Credit performing well on payment timeliness and telephony.

But there are also areas of poor performance, in particular payment timeliness for PIP with only 52% of claims processed in line with the 75-day standard in 2023-24 – although this represents a considerable improvement compared with previous years.

DWP recognises that it needs to transform its services to be a customer-focused organisation. Its modernisation plans are based on a good understanding of the issues that need to be addressed and are necessarily ambitious. However, the scale and complexity of the plans mean delivery is risky, and DWP is unlikely to achieve in the short term the improvements that are needed.

DWP must now set out how it will assess whether its actions to improve customer service are working and how it will track progress towards its goals. This will provide assurance on value for money and help DWP keep its plans on track so that it can consistently provide a good service to those people who rely on it.

[DWP customer service](#)

7. NAO report: The condition and maintenance of local roads in England

The NAO has published its report The condition and maintenance of local roads in England which examines whether the Department for Transport (DfT) is ensuring value for money through its funding provision for local road maintenance, and whether it is effectively fulfilling its role in supporting local authorities to deliver local road maintenance. The NAO has assessed whether:

- DfT understands the condition of local roads in England;
- DfT is using its data and information to inform its funding decisions; and
- DfT is supporting local authorities effectively through providing guidance on asset maintenance.

The report concludes that local roads are a vital part of local transport infrastructure, used every day by millions of people. Despite their importance, the condition of local roads is declining and the backlog to return them to a good state of repair is increasing.

DfT has provided between £1.1 and £1.6 billion of capital funding each year to local authorities and has set out plans for additional funding through to 2034. Given the fiscal constraints, it is essential that DfT secures maximum value from the funding it has available.

However, at present DfT does not have a good enough understanding of the condition of local roads and does not use the limited data it does have to allocate its funding as effectively as possible. It does not know whether the funds it allocates are delivering improvements in road condition, and has not updated its guidance to local authorities, to share good practice and help them make the most of their limited funds, for some years.

Managing the local road network is becoming increasingly complex – for example, as climate change and autonomous vehicles demand more from it – and the additional funding that DfT has secured provides an opportunity to equip local authorities to better meet these challenges.

If DfT is able to address the issues in its current approach it will be much better placed to improve the value for money of funding in this area and secure an improved and more resilient local roads network.

<https://www.nao.org.uk/reports/the-condition-and-maintenance-of-local-roads-in-england/>

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AGENDA ITEM

REPORT TO AUDIT COMMITTEE

25 NOVEMBER 2024

REPORT OF DIRECTOR OF CORPORATE SERVICES

ANTI-FRAUD AND CORRUPTION STRATEGY 2024-25

SUMMARY

The purpose of this report is to advise Members of the Anti-Fraud and Corruption arrangements for the period 2024-2025.

RECOMMENDATION

1. That the Audit Committee approves the Anti-Fraud and Corruption Strategy (**Appendix A**).

DETAIL

1. Estimates suggests in excess of £300m is being lost to fraud in local government. With the pressures faced by our services it is imperative that we are able to ensure the funds we have are not being lost to fraudsters.
2. The Chartered Institute of Public Finance and Accountancy (CIPFA) take the lead on providing advice and guidance to the sector on managing the fraud risk. They also co-ordinate annual surveys of fraudulent activity detected across local government.
3. A Code of Practice on Managing the Risk of Fraud and Corruption was published by CIPFA in October 2014. The code has 5 distinct strands:
 - Acknowledge Responsibility
 - Identify Risks
 - Develop a Strategy
 - Provide Resources
 - Take Action
4. The attached strategy has been developed in line with the code of practice with each of the 5 themes addressed. The format of the strategy has been redefined from previous versions to improve the visual appeal of the strategy and make it more effective.

5. The strategy is endorsed by senior management with a foreword provided by the Director of Finance, Development and Regeneration as the responsible finance officer and the Chair of the Audit Committee reflecting the importance of tackling fraud within the authority.
6. At the core of the code is understanding our fraud risk and ensuring we provide adequate resources to address the areas of greatest risk.
7. Based on the results of local counter fraud activity and the national estimates of where fraud occurs it would appear the resources we have available and where they are deployed are commensurate with the current level of risk exposure. There are a number of emerging risk areas (specifically social care and procurement), work will be undertaken from existing resources to assess the risk posed and whether there is a need for additional controls in those areas.
8. There are a significant number of promotional materials available to support counter fraud efforts. Included in the strategy are a number of actions around raising awareness and ensuring everyone understands the risk of fraud therefore helping to prevent fraud occurring and where it does to ensure it is reported and appropriate action is taken.
9. The audit plan supports the fraud risk assessment process providing advice and guidance where controls need to be improved. Good practice suggests continuous monitoring is an effective process for detecting fraud early. Much of the work within the audit plan is moving towards continuous monitoring not only to improve the efficiency and effectiveness of the audit service but also to support the early detection of fraud reducing its impact.

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

None.

COMMUNITY STRATEGY IMPLICATIONS

None

CONSULTATION

N/A

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E-mail: a.barber@stockton.gov.uk



Anti-Fraud and Corruption

Strategy November 2024

Foreword

Garry Cummings – Director of Finance, Development & Regeneration

Welcome to Stockton Borough Council's Anti-Fraud and Corruption Strategy. Fraud and corruption is estimated to cost the public sector £20.3bn a year in the UK with estimates in the region of £2.1bn in local government alone. Nationally, Council Tax Fraud continues to be an area where significant fraud occurs and Social Services and Procurement fraud have been identified as the areas of greatest risk. Clearly this is an unacceptable waste of taxpayers money and each of us has a role to play in preventing this waste and ensuring those funds are available to deliver services to our residents.

This document will outline some of the good work that is already taking place as well as looking at ways we can improve our systems and processes to prevent future waste. We have relatively low levels of fraud detected locally but we mustn't rest on our laurels and we will continue our work to tackle Council Tax fraud and will look to further develop the work we do to tackle fraud in nationally emerging areas such as Social Services and Procurement. With your help and support we can ensure all available resources are directed to the delivery of services rather than benefitting criminals.

Barry Woodhouse – Audit Committee Chair

As a councillor and chair of the audit committee I see every day the commitment of our staff to ensure services are delivered to the very best of our ability to our residents. It is disheartening that despite all of our efforts more could be done if funds were not being diverted away from vital services into the hands of criminals. We have in place a robust governance framework to help reduce the risk of fraud but as ever it is you, our staff who have the most vital role to play by being vigilant and conscious of the fact that fraud may be occurring. Together we can ensure funds are used in the right way to continue to deliver the very best services to our residents.

Fraud – this is defined by the Fraud Act 2006

“A person shall be guilty of fraud if he

- dishonestly makes a false representation, or
- dishonestly fails to disclose to another person information which he is under a legal duty to disclose, or
- occupies a position in which he is expected to safeguard or not to act against the financial interests of another person and dishonestly abuses that position

AND

- intends to make a gain for himself or another or to cause loss to another or expose another to a risk of loss"

The Council recognises that as well as causing financial loss, fraud is also detrimental to the provision of services, and damaging to the reputation of, and confidence in, the Council, public bodies in general and reputable businesses.

The Council is clear that it will not tolerate any impropriety by employees, elected Members or third party organisations.

Understanding the Fraud Risk

Current Status

The Council has a responsibility to protect public funds for which we are responsible. Fraud on public funds is unacceptable therefore the Council is committed to minimising the risk of fraud, corruption and misappropriation. Development of an anti-fraud culture is part of improving resilience to fraud, through raising awareness, clearly defined responsibilities, robust reporting mechanisms and a suitably resourced anti-fraud strategy.

The national picture suggests that whilst the number of cases per individual authority may be relatively low it is likely there are frauds in a number of the other categories where we have not detected any fraud to date. The highest level of fraud across the public sector relates to procurement, adult social care, insurance and council tax/business rates (excluding housing on the basis we do not have any housing stock). Welfare benefit fraud cases are referred to the Single Fraud Investigation Service for investigation. Instances of procurement fraud can be costly. Losses in relation to adult social care can also be financially significant, however the average value in the other areas tends to be relatively low. The Council does tend to focus its efforts in the areas where the highest numbers currently exist so the potential value of frauds not currently being actively pursued will be relatively low. A significant number of grants have been paid in relation to COVID there was an increased risk of fraud in relation to these grants however robust pre/post payment checks have been in place to minimise the risk. This was confirmed by BEIS during their verification checks.

The results from the last round of the National Fraud Initiative data matching exercise did not identify any cases of fraud.

Current Risk		
Impact	Likelihood	Score
2	1	2

How we Tackle Fraud

Detection

We have well established systems and processes in place to detect fraud if it does occur..

- The Council will use all legal and cost effective means to detect fraud, corruption and bribery including working with other organisations in national data matching schemes e.g. the National Fraud Initiative, Housing Benefit Matching Service, HMRC Taxes Management Act Returns. This may require the lawful sharing of information.
- Risk based Internal Audit Plan that ensures areas with a high risk of fraud are reviewed at least annually.
- Elected Members, staff and external stakeholders are expected to report suspected fraud, corruption or bribery promptly in accordance with Section 7 of this Strategy.

Prevention

One of our core aims is to prevent fraud occurring in the first instance and have systems in place to prevent fraud.

- The establishment of adequate internal control systems to prevent fraud is the responsibility of Management.
- The Managing Director, Senior Management Team and Service Managers are responsible for assessing the effectiveness of internal control systems in relation to fraud, corruption and bribery.
- Internal Audit coverage is sufficient to provide annual assurance to the Council's Audit Committee and supports managers by assessing controls in relation to the prevention of fraud.
- Awareness raising with staff around the importance of maintaining adequate control systems.

Respond

We have plans and processes in place to respond to suspected fraud.

- All instances of suspected fraud must be notified to Internal Audit service to enable the completion of annual returns and to form evidence to support the Annual Governance Statement.
- Investigation will be conducted by the most appropriate section as detailed below:
 - Fraud involving employees will be investigated in accordance with the Council's Disciplinary Procedures by a nominated Investigation Manager with support from the Internal Audit Service. (See Appendix A)
 - Allegations of improper conduct made against members will be managed by the Monitoring Officer.
 - Other fraud committed against the council will be considered on a case by case basis to determine the most appropriate section to undertake the investigation.
- The Council will adhere to the provisions of the Regulation of Investigatory Powers Act (RIPA) and Money Laundering Legislation.
- Any decision to involve the Police in any investigation of fraud will be taken by the Section 151 Officer in consultation with the Chief Executive and the Monitoring Officer.
- The outcome of the investigation of fraud against the council will be reported appropriately to ensure systems and procedures are amended and to act as a deterrent.
- The Council recognises the need to ensure that its investigation process is not misused. Any abuse such as the raising of malicious allegations by officer/members will be dealt with as a disciplinary matter.

- Sanctions – Including recovery of proceeds (POCA, Civil Law, Pensions)

Policy Framework

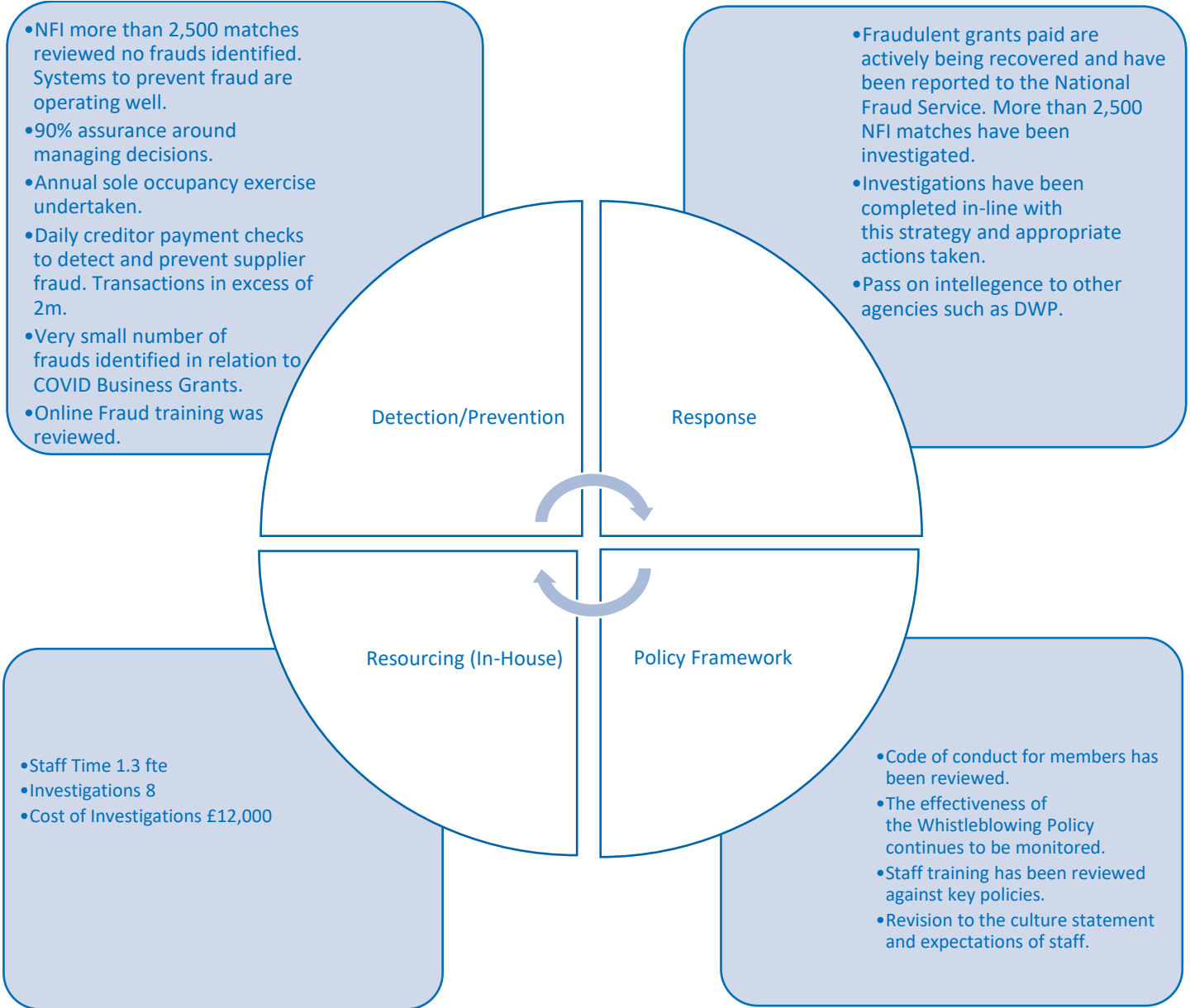
To support our efforts in tackling fraud we have in place a comprehensive policy framework.

- Codes of Conduct for Members and Employees;
- Protocol for members on Gifts and Hospitality;
- Confidential Reporting (“Whistleblowing”) Policy and Complaints Procedures;
- Contracts Procedure Rules;
- Standing Orders and Financial Procedural Rules;
- ICT Security Policies;
- Robust internal control systems, processes and reliable record keeping;
- Effective Internal Audit;
- Effective Recruitment procedures;
- Disciplinary Policy and Procedures;
- The Regulation of Investigatory Powers (RIPA) Procedure;
- Induction and Training.
- Fraud Response Plan

Fraud Management in Action

What have we done?

The diagram below provides details on the actions that have been taken to manage the risk of fraud.



On-Going Actions

We have actions in place to ensure the risk of fraud is managed effectively and we have steps in place to improve our management of this risk further.

- **Anti-Fraud Strategy**
 - Anti-Fraud Strategy to be updated and presented to Audit Committee for approval.
 - Progress against the Anti-Fraud Strategy and Action Plan to be reviewed quarterly as informed by the risk assessment process.
 - Review related policies e.g. Confidential Reporting and ensure these are up to date and consistent with the Anti-Fraud Strategy.
 - Maintain an Internet and Intranet presence for the updated Anti-Fraud Strategy, linked policies and fraud reporting mechanisms
- **Fraud Risk Assessment**
 - Fraud and Corruption risk considered as part of the Strategic Risk Register.
 - Quarterly monitoring and update of identified controls, actions and current status.
 - Assess the extent to which Senior Management identify and monitor fraud risks and increase senior management ownership as necessary.
 - Reporting fraud risk to Members in line with the Risk Management policy.
- **Data Matching**
 - Participation in NFI data matching exercises and review of potential matches in high risk areas.
 - Increase resources available to review high priority matches identified.
- **Continuous Audits and the Use of Data Analytics**
 - Expand the use of IDEA and the programme of continuous auditing.
 - Fraud specific controls included in the programme of controls testing.
 - Increased sharing and matching of internal and/or cross boundary data to develop local counter fraud exercises.
- **Audit Work**
 - Results of the Fraud and Corruption risk assessment to inform the work of Internal Audit, including systems audit work, proactive fraud and corruption checks (compliance) and fraud awareness activities.
 - More probing and directed audits to be conducted in key areas of fraud risk.
 - Fraud Audits to consider management controls over fraud.
 - Consider fraud as part of every audit.
 - Issue annual audit opinion on the internal controls related to fraud.
- **Awareness Campaigns**
 - Review campaign materials available online e.g. “Take Five to Stop Fraud” and determine how we can use these locally.
 - Use of Briefings, KYIT to publish awareness campaigns, particularly during national fraud awareness weeks.

- Publication of Fraud Information
 - Maintain a register for recording fraud information.
 - In line with requirements of the Local Government Transparency Code 2015 the following should be reported on an annual basis:
 - Number of occasions the authority has used powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.
 - Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.
 - Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
 - Total amount spent by the authority on the investigation and prosecution of fraud.
 - Total number of fraud cases investigated.

Key Contacts

Internal Audit

Stockton on Tees Borough Council
16 Church Road (Room 135)
Stockton on Tees
TS18 1TX

01642 526176

internalaudit@stockton.gov.uk

Role:

Investigate employee fraud.

Investigate fraud in schools.

Collate statistics.

Maintain the Anti-Fraud & Corruption Strategy.

Co-ordinate NFI Exercise

Council Tax Support Investigation Team

Revenues & Benefits Service
PO Box 410
Stockton on Tees
TS23 2YD

0800 854 440 (Housing Benefit)

01642 393829 (Council Tax Support)

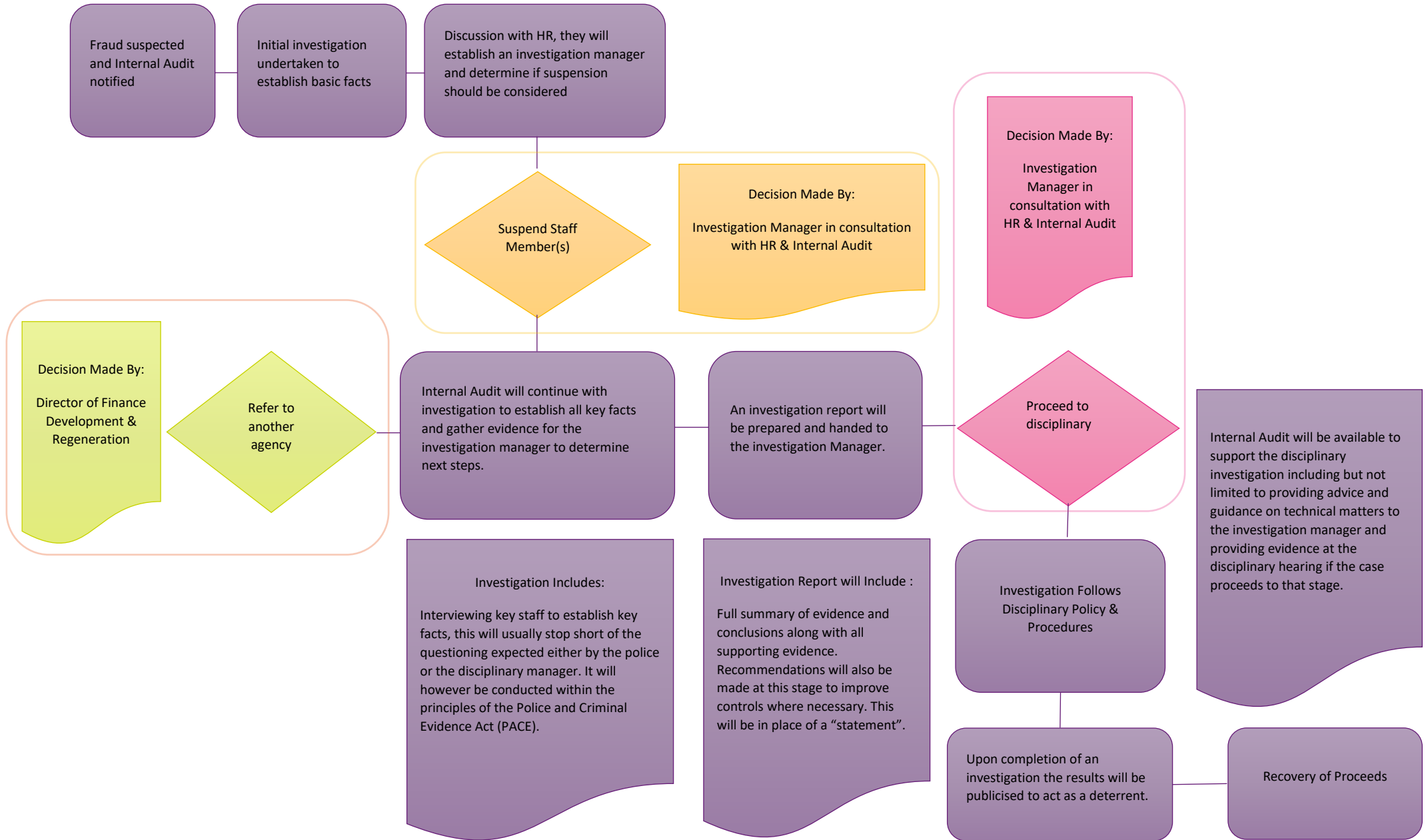
Benefits.Fraud@stockton.gov.uk

Role:

Investigate Council Tax Support Fraud.

Liaise with Department for Work and Pensions.

Internal Investigation Flowchart



AGENDA ITEM xx

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

25 NOVEMBER 2024

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

TREASURY MANAGEMENT STRATEGY MID YEAR REPORT 2024/25

SUMMARY

This report informs Members of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2024.

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's Treasury Management Strategy for 2024/25 was approved by Council on 21st February 2024. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

External Context

Arlingclose Stockton's Treasury Management advisors have provided us with the following commentary on the external environment.

Economic background: UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

Financial markets: Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2024, the Authority had net borrowing of £86.61m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Actual £m
General Fund CFR	189.99
Less: Other debt liabilities	-5.55
Borrowing CFR	184.44
Less: Usable reserves	-103.5
Less: Working capital	5.67
Net Borrowing / (Investments)	86.61

The treasury management position at 30th September 2024 and the change over the six month period is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	30.9.24 Balance £m
Long-term borrowing	89.75	1.40	91.15
Short-term borrowing	18.64	-8.62	10.02
Total borrowing	108.39	-7.23	101.16
Long-term investments	-13.03	0.05	-12.98
Short-term investments	0.00	0.00	0.00
Cash and cash equivalents	-8.75	-4.58	-13.33
Total investments	-21.78	-4.54	-26.32
Net Borrowing	86.61	-11.76	74.85

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.

Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

At 30th September 2024 the Authority held £101.16m of loans, a decrease of £7.23m since 31st March 2024. This is due to the repayment of a short term loan that has not been replaced and the repayment of principal on long term loans. Outstanding loans on 30th September 2024 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.24	Q2	30.9.24	30.9.24	30.9.24
	Balance	Net	Balance	Weighted	Weighted
	£m	Movement	£m	Average	Average
		£m		Rate	Maturity
				%	(years)
Public Works Loan Board	55.13	-2.22	52.91	2.92	15.32
Banks (LOBO)	37.00	0.00	37.00	4.79	36.70
Local Authorities	16.26	-5.00	11.26	7.50	3.68
Others (fixed-term)	0.00	0.00	0.00	2.50	2.79
Total borrowing	108.39	-7.23	101.16	3.81	21.84

LOBO loans: At the 30th September the Authority held £37m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

No banks exercised their option during the first six months of the year but in early November 2024 FMS bank asked if the authority would like to repay £21m of loans held with them at no additional cost. These two loans had an original maturity date of 2077 and to reduce future interest rate risk and cost to the authority these two loans were repaid. The authority has funded these repayments by securing a short term loan in the local to local market.

Over the medium term it is estimated the authority, based on the current capital programme and the fact the authority has internally borrowed over the previous years will be required to undertake significant borrowing. In the higher rate environment that we are currently operating in this will mean higher costs of borrowing. Future borrowing requirements and

financial requirements are currently being analysed and information will be provided as part of future MTFP and Treasury reports.

Treasury Investment Activity

CIPFA revised TM Code defines treasury management investments as those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances fluctuated due to timing differences between income and expenditure. The investment position at the end of September is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	30.9.24 Balance £m
Banks & building societies (unsecured)	-0.40	0.32	-0.08
Government (incl. local authorities)	0.00	0.00	0.00
Property Fund	-13.03	0.05	-12.98
Shares / Cash	-0.05	0.00	-0.05
Money Market Funds	-8.30	-4.90	-13.20
Total investments	-21.78	-4.53	-26.32

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.925% and 5.19% and money market rates between 4.8% and 5.3%.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return %
31.03.2024	4.89	A+	100%	1	5.07%
30.06.2024	4.76	A+	100%	1	5.17%
30.09.2024	4.78	A+	100%	1	5.10%
Similar LAs	4.65	A+	60%	100	5.09%
All LAs	4.6	A+	61%	11	4.90%

*Weighted average maturity

Externally Managed Pooled Funds: £12.98m of the Authority’s investments are held in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. The fund generated a return of £0.683m (4.56%) during 2023/24, and has generated £0.342m (4.58%) in dividend payments for the first six months of the year. This income is being used to support the medium term financial plan.

Because the Authority’s externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

The Authority has set up a reserve of £1.7m to mitigate the impact of the statutory override not being extended and unrealised losses on pooled investment funds are required to be recognised.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council also held £18.213m of such investments in;

- directly owned property £17.970m
- loans to local businesses £0.039m
- other £0.204m

These investments generated £0.902m of investment income for the Council after taking account of direct costs in 2023/24 representing a rate of return of 5.02%.

MRP Regulations

On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets). The changes to MRP guidance are not expected to have a significant impact on your Authority.

Compliance

The Deputy Chief Executive & Director of Finance, Transformation and Performance reports that all treasury management activities undertaken during the first half of the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	Maximum in Year £m	30.9.24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied? Yes/No
Borrowing	111.67	101.16	204.80	219.80	Yes
PFI and Finance Leases	4.54	4.54	4.54	4.54	Yes
Total debt	116.21	105.70	209.34	224.34	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

Sector	Counterparty limit	Sector limit	Maximum	30.9.24 Actual	Complied? Yes/No
The UK Government	Unlimited	n/a	£8,200,000	£0	Yes
Local authorities & other government entities	£5,000,000	Unlimited	£0	£0	Yes
Secured investments	£5,000,000	Unlimited	£0	£0	Yes
Banks (unsecured)	£2,500,000	Unlimited	£460,000	£80,000	Yes
Building societies (unsecured)	£2,500,000	£5,000,000	£0	£0	Yes
Registered providers (unsecured)	£2,500,000	£12,500,000	£0	£0	Yes
Money market funds	£5,000,000	Unlimited	£25,000,000	£13,200,000	Yes
Strategic pooled funds	£15,000,000	£25,000,000	£13,030,000	£12,982,000	Yes
Real estate investment trusts	£5,000,000	£12,500,000	£0	£0	Yes
Other investments	£2,500,000	£5,000,000	£0	£0	Yes

Treasury Management Prudential Indicators

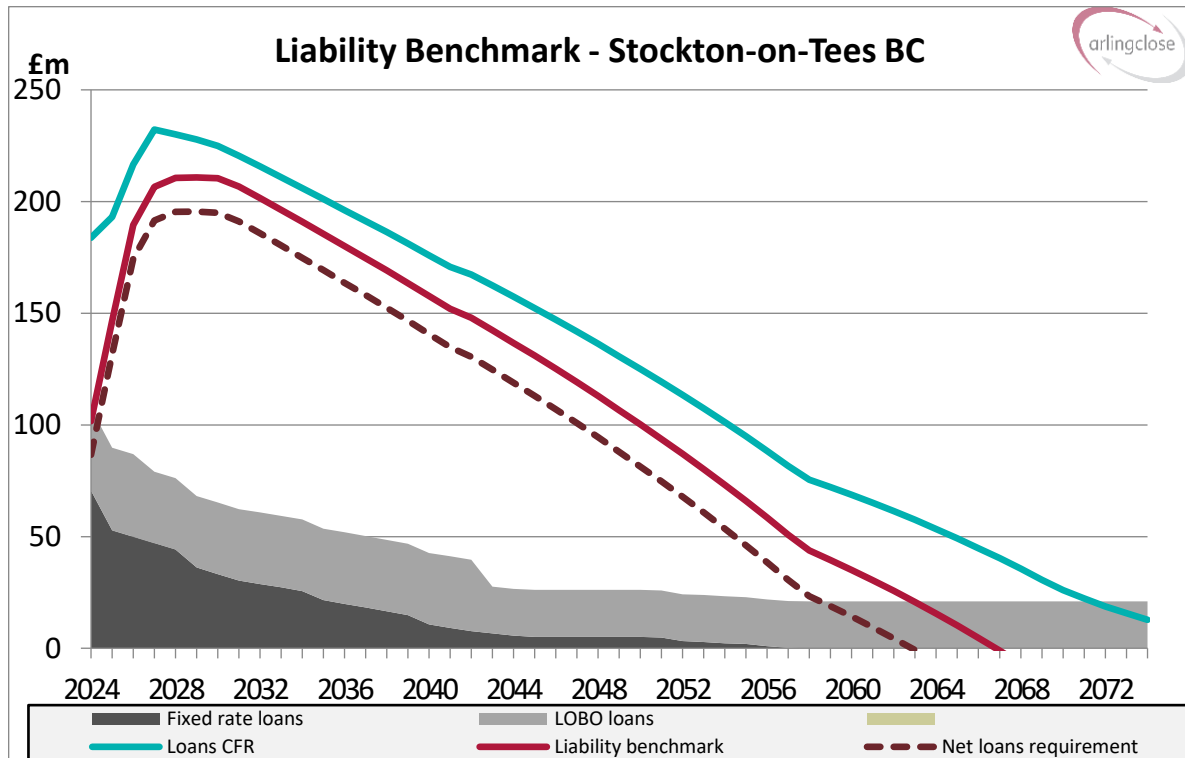
As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark: This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at a level required to manage day-to-day cash flow.

	31.3.24 Actual	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
Loans CFR	184.4	193.1	216.6	232.2
External Borrowing	-108.4	-90.6	-87.8	-79.9
Internal (over) Borrowing	76.1	102.5	128.8	152.3
Less: Balance sheet resources	-97.9	-61.5	-42.1	-40.7
Investments (New Borrowing)	-21.8	41.0	86.7	111.7
Treasury Investments	21.8	15.0	15.0	15.0
New Borrowing	-0.1	56.0	101.7	126.7

Net Loans Requirement	86.5	131.6	174.5	191.6
Liquidity Allowance	15.0	15.0	15.0	15.0
Liability Benchmark	101.5	146.6	189.5	206.6

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing based on the current capital programme, minimum revenue provision on new capital expenditure based on a 50 year asset life and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Authority’s existing borrowing.



Maturity Structure of Borrowing: This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.9.24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	9.90%	25%	0%	Yes
12 months and within 24 months	4.98%	40%	0%	Yes
24 months and within 5 years	5.14%	60%	0%	Yes
5 years and within 10 years	9.22%	80%	0%	Yes
10 years and above	70.75%	100%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term Treasury Management Investments: The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26
Actual principal invested beyond year end	£13.03m	£12.98m	£14.00m
Limit on principal invested beyond year end	£60m	£40m	£20m
Complied?	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Net Income from Commercial and Service Investments to Net Revenue Stream: The Authority’s income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget
Total net income from service and commercial investments £m	£0.902m	£1.093m	£1.093m	£1.093m
Proportion of net revenue stream	0.49%	0.61%	0.59%	0.58%

The table identifies that the authority is not reliant on commercial and service investment income to maintain its core functions.

Proportion of Financing Costs to Net Revenue Stream: Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget
Financing costs (£m)	£5.1m	£6.8m	£9.1m	£10.1m
Proportion of net revenue stream	1.3%	3.8%	4.9%	5.4%

Arlingclose’s Economic Outlook for the remainder of 2024/25 (based on 11th November 2024 interest rate forecast)

In line with our forecast, Bank Rate was cut to 4.75% in November.

The MPC will continue to reduce Bank Rate, but more slowly and by less. We see another rate cut in February 2025, followed by a cut alongside every Monetary Policy Report

publication, to a low of 3.75%.

Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.

This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.

The risks around the forecasts lie to the upside over the next 12 months, but are broadly balanced in the medium term.

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AGENDA ITEM:

REPORT TO AUDIT & GOVERNANCE COMMITTEE

REPORT OF THE CHAIRMAN OF THE AUDIT AND GOVERNANCE COMMITTEE

25th NOVEMBER 2024

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

SUMMARY

This report is to inform members of the work of the Audit and Governance Committee during the period 1st October 2023 to 30th September 2024.

Introduction

This Annual Report produced by the Chairman of the Audit and Governance Committee has been prepared in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018.

The report demonstrates how the Audit and Governance Committee has fulfilled its key functions and how it is fully committed to helping to improve the Council's governance and control environments.

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

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

Functions of the Audit and Governance Committee

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

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

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

Audit and Governance Committee Membership

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

Cllr Barry Woodhouse (Chairman),
Cllr Stefan Houghton (Vice-Chair),
Cllr Mick Stoker,
Cllr Emily Tate,
Cllr Ross Patterson,
Cllr Laura Tunney,
Cllr Katie Weston,
Cllr Paul Rowling.

The Audit Committee and the Audit and Governance Committee met 6 times during the reporting period, 27th November 2023, 26th February 2024, 30th May 2024, 27th June 2024, 29th July 2024 and 30th September 2024.

Officers

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

External Audit

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

Core Activity

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

Internal Audit

The Audit and Governance Committee:

- Approved Internal Audit's Audit Plans;
- Approved the Internal Audit Charter which proposed the approach to delivering the audit services for the 2024/25 financial year.
- Considered regular reports produced by the Audit and Risk Manager highlighting progress against the audit plan and performance against key indicators and any significant issues arising during the period.
- Received and approved the Internal Audit Annual Report of the Audit and Risk Manager as required by the Public Sector Internal Audit Standards (PSIAS). The report included the Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. It is his opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.

External Audit

The Audit and Governance Committee:

- Received regular reports from Forvis Mazars with updates on progress in delivering their responsibilities as our external auditor.
- Received the External Auditors Audit Certificate 2021/22 which formally concluded the 2021/22 audit.
- Received the Audit Strategy Memorandum for the year ending 31 March 2024. The purpose of this document was to summarise Forvis Mazars audit approach, highlight significant audit risks and areas of key judgements and to provide the Council with the details of their audit team and fees.
- Received the Auditors Annual Report for 2021/22 which summarised the work Forvis Mazars had undertaken for the year ended 31 March 2022.
- Received the Auditors Draft Annual Report for 2022/23 which summarised the work Forvis Mazars had undertaken for the year ended 31 March 2023.
- Received the Audit Completion Report for the 2022/23 financial year. This document summarised the external auditors findings from the annual audit of the 2022/23 accounts.

Annual Statement of Accounts

The Audit and Governance Committee:

- Approved the Annual Financial Statements for 2022/23.
- Received and reviewed the draft Annual Statement of Accounts for the 2023/24 financial year.
- Received a report on the external audit backstop arrangements for the completion and signing of future Annual Statement of Accounts by external auditors.

Treasury Management

The Audit and Governance Committee:

- Received a 2023/24 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2023.
- Received the Treasury Management Annual Report for 2023/24 that informed members of the performance against treasury management and prudential

indicators set in the Treasury Management Strategy approved by Council in February 2023.

Risk Management

The Audit and Governance Committee:

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

Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2023/24 for consideration and comments.
- Members received an update relating to the Annual Governance Statement Action Plan Update Report. The report updated members on progress made against the action plan which was contained in the Council's Annual Governance Statement for 2022/23.

Health and Safety

The Audit and Governance Committee:

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

Chairman's Conclusion

The second year of this administration has been once again challenging both for the authority and personally and I must give my thanks to the Vice Chair and elected members of the Committee for their support and a strong commitment to the work for which they have been given responsibility. I must also recognise the contribution of substitute Councillors who stepped in for unavailable members keeping up to date with the work of the committee. The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair and supporting officers of the committee. From the information received and reviewed the committee has not identified any issues that are not already being managed effectively that required escalation.

On behalf of the Committee I attended a webinar hosted by the PSAA Local Audit Quality Forum in November. The webinar had a panel of representatives from MHCLG, the FRC, the NAO, CIPFA and PSAA respond to questions on the measures to tackle the local audit backlog in England.

This event follows on from the local audit webinar hosted by MHCLG in September. The most relevant information affecting this Committee and officers from these sessions as we were made aware of from external Auditors Forvis Mazars and our own Officers during the year was the announcement of "Backstop arrangements" as follows:

On 30 July, Minister McMahon issued a written ministerial statement to Parliament on measures to tackle the local audit backlog in England. The Government has also now laid legislation.

Key elements of the proposals:

A statutory backstop date of 13 December 2024 to clear the backlog of unaudited accounts up to and including FY 2022/23. Five further backstops for Financial Years up to and including 2027/28 to allow the system to recover:

2023/24: 28 February 2025
2024/25: 27 February 2026
2025/26: 31 January 2027
2026/27: 30 November 2027
2027/28: 30 November 2028

Also changes to the deadline for publication of 'draft' (unaudited) accounts from 31 May to 30 June for financial years 2024/25 to 2027/28 which not ideal gives a small breathing space to Local Authorities across the country.

As noted at previous Audit and Governance Committees there is a significant backlog of outstanding external audits. Last year, ninety-nine per cent of councils and other local bodies did not publish audited accounts on time. While recognising the valuable contribution made by members we must also pay tribute to the officers of this Authority who despite reduced staffing, reorganisation and a harsh financial environment have worked diligently to ensure sound fiscal controls and compliance with relevant regulations often being subjected to extra pressures due to delays in the delivery of information from external institutions yet again. Reorganisation of the Council's management structure has proved successful with officers in many cases taking on different and added responsibilities this must of course be monitored and a work / life balance must be maintained.

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

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

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 25 NOVEMBER 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

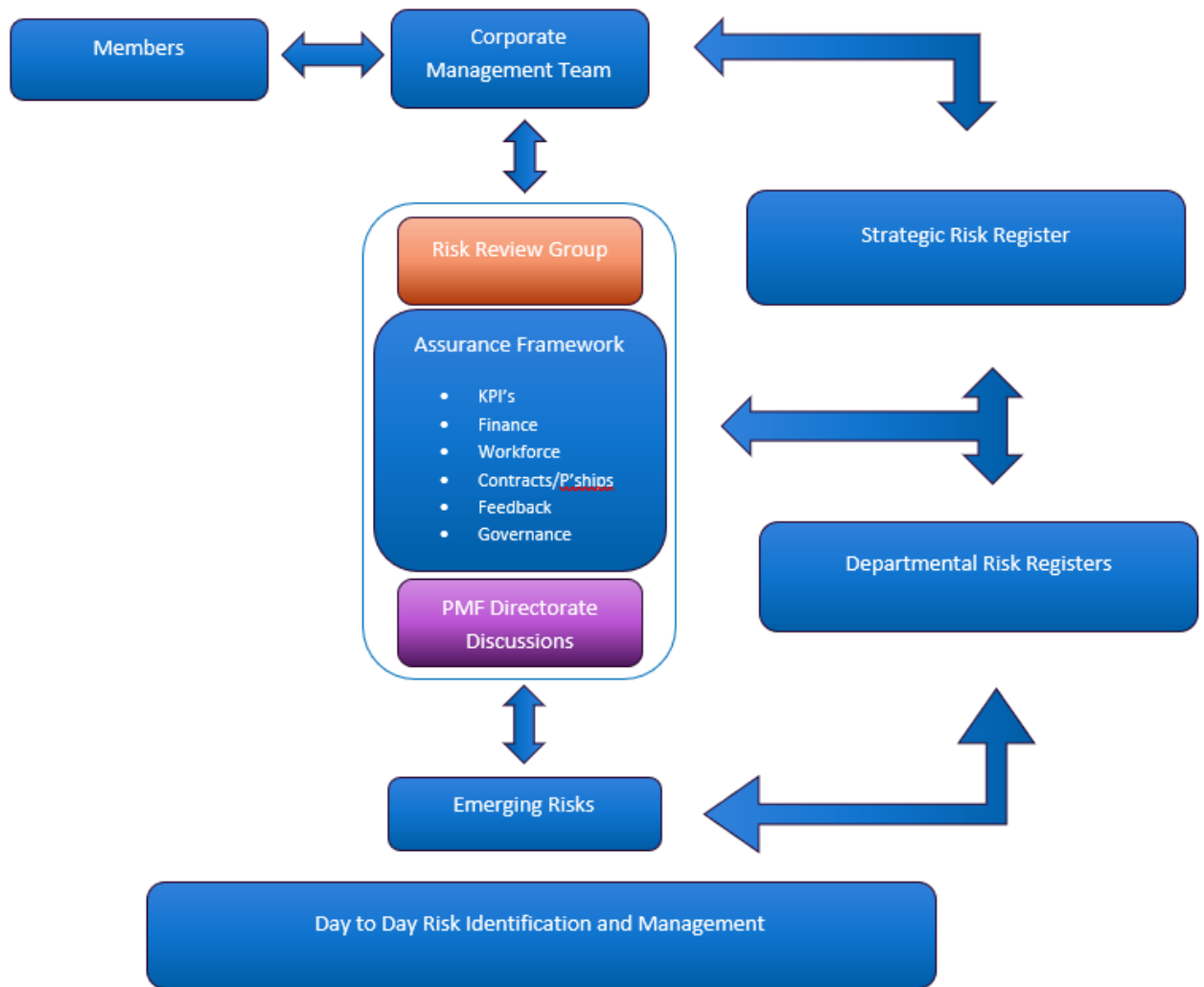
It is recommended that:-

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.
2. Members note the changes in risk and the reasons for those changes.

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 focus of this report is to update members on changes in risk levels:
 - 725 Risk of failure to deliver a waste service which reduces the amount of waste to Energy from Waste whilst increasing levels of recycling. Risk has reduced from Red to Amber. The primary cause of the reduction is the production of the results from the transformation review with a number of recommendations that support the MTFP and are expecting that proposed measures will increase recycling rates based on evidence from other authorities, subject to the result of the call-in.
 - 732 Risk of failure in supporting residents to cope with the cost of living and to reduce inequality. Risk has reduced from Red to Amber. This has largely reduced because of the longer-term commitment to the Household Support Fund and a number of initiatives that are in place.
 - 564 Risk of failure to establish and maintain safe systems of care for adults. Risk has reduced from Amber to Green. A number of KPI's have shown improvement. The results from the informal CQC style review were generally positive with an action plan put in place as a result.
6. Appendix A provides a full list of strategic risks and their current status.
7. As a reminder to members the framework for assessing the current risk score is outlined below:



8. 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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Full Strategic Risk Register

Risk ID	Risk	Overall Status
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 not supporting children in our care to achieve appropriate outcomes in care	Red
732	Risk of failure in supporting residents to cope with the cost of living and to reduce inequality	Amber
725	Risk of failure to deliver a waste service which reduces the amount of waste to Energy From Waste whilst increasing levels of recycling.	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
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
742	Risk of failure to plan and deliver large scale capital projects - Regeneration Strand	Amber
724	Risk of failure to reduce carbon emissions and contribute to reducing the impact of global warming	Amber
560	Risk of not 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
600	Risk of people not feeling safe in their communities	Amber
737	Risk of failure to communicate effectively with residents, communities and partners	Green
564	Risk of failure to establish and maintain safe systems of care for adults	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

AGENDA ITEM

**REPORT TO AUDIT &
GOVERNANCE COMMITTEE
25 NOVEMBER 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		8	47	55	91.45
10. Accuracy of Payments		1	21	22	97.17
11. Income - Charging		1	6	7	94.44
12. Income - Payments		1	12	13	96.67
13. Cash Handling		1	1	2	66.67
14. Procurement/Sourcing	1	2	16	19	90.14
15. Physical Assets/Locations		2	24	26	95.56
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	7	31	39	89.38
2. Monitoring of Decisions		2	27	29	93.58
20. ICT Infrastructure		1	22	23	98.67
21. Handling of Requests/Incident Response		2	7	9	82.76
3. Information Governance	1	4	47	52	93.99
4. Finance		2	28	30	94.85
5. HR - Payments			4	4	100.00
6. HR - Health & Safety			2	2	100.00
7. HR - Management		2	10	12	86.05
8. Recruitment			4	4	100.00
9. HR - Training/Qualifications/Clearances	2	6	21	29	79.74
Total	7	50	376	433	91.49

- 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 3 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 Children's & Community Services Departments and a requirement to review the information sharing protocols with occupational health partners.

Theme	Red	Amber	Green	Total
			1	1
1. Accuracy of Decision Making		2	5	7
10. Accuracy of Payments			3	3
13. Cash Handling		1		1
14. Procurement/Sourcing			1	1
15. Physical Assets/Locations		1		1
17. Business Continuity			1	1
18. Procedures		5	1	6
19. Performance Management			5	5
2. Monitoring of Decisions		1	4	5
20. ICT Infrastructure		1		1
3. Information Governance	1	1	2	4
4. Finance		1	5	6
9. HR - Training/Qualifications/Clearances	2	4	5	11
Total	3	17	33	53

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	September 2024	to	October 2024
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Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	8
Portfolio Coverage (Period)	56	53
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

6. 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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Audit Committee Programme 2024/2025

Diary of Meetings & Work Programme

Date	Work Programme
25-Nov-24	External Audit - Audit Progress Report 2023/24 Anti-Fraud and Corruption Strategy Treasury Management Mid Term Review Annual Report of the Audit Committee (For Discussion) Risk Register Update and Audit Activity Work Programme 2024 - 2025
24-Feb-25	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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