

## **Audit and Governance Committee**

A meeting of Audit and Governance Committee was held on Monday 24th November 2025.

**Present:** Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Eileen Johnson, Cllr Ross Patterson and Cllr Mick Stoker

**Officers:** Andy Bryson, Andrew Barber Nora Natova (Forvis-Mazars) and Junita Agyapong John Devine

**Also in attendance:**

**Apologies:** Cllr Carol Clark, Cllr Mohammed Mazi and Cllr Emily Tate

### **AGC/19/25 Evacuation Procedure**

Members noted the evacuation procedure.

### **AGC/20/25 Declarations of Interest**

There were no declarations of interest.

### **AGC/21/25 Risk Register Update and Audit Activity**

Members were presented with the Risk Register Update and Audit Activity report, which was to inform members of the current status of the Council's Strategic risks. The strategic risk registers primarily focussed on the achievement of objectives over the longer-term and could take a number of years to materialise.

Assessment was based on the information currently available and was used to evaluate the potential future state of the risk and as such would be regularly reviewed as further information became 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 a wider assessment of risks; other examples include financial certainty or potential changes that may be outside of the council's control.

The focus of the report was to update members on changes in risk levels since September, a key feature of the way in which the current risk status is assessed is the use of a colour rating system. A brief explanation was provided in the report.

- 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.

A full list of the strategic risks and their current status was included within the papers, Officers then briefed members on the Internal Audit Activity Report.

The purpose of the Internal Audit Activity Report was to inform members of the progress of audit testing to date and to present a forward plan for testing and resources. When a section is noted as red it doesn't mean that the Council is failing in that area but that they could impact the Council in the future if not dealt with.

Members were made aware of several sections through Officers highlighting them, such as the red marked section for DBS rechecks which was due to a manager being off for a period of time and some being rechecks being delayed. Another was the retention of Fit to Work Note which was due to them not being logged electronically.

Officers also informed members that a new audit system was being adopted by the Council, this could mean that the information presented to members might change going forward.

Members AGREED to note the report.

### **AGC/22/25 Treasury Mid Term Report**

The Treasury Mid Term Report informed members of the performance against the treasury management and prudential indicators set in the 2025-26 Treasury Management & Capital Strategy reports approved by the Council in February 2025.

Officers highlighted several sections of the report to Members:

- Borrowing was being kept to short term loans due to the prevailing thought that interest rates will be dropping soon. Officers explained that they wouldn't want to lock the Council into long term high-interest rate loans.
- The number of long-term loans had decreased. Partly due to the above short term loan strategy and Officers taking the opportunity to pay back loans early when able to.
- Table four of the report showed that the Council had decreased its number of investments. Officers explained that this was due to increased fluctuations in the market. The Council objective is to minimise risk when investing.
- Officers anticipated an interest rate cut in December and another two cuts in 2026.

Members asked Officers about the investment strategy, which Officers explained that they have to take the lowest amount of risk to strike a reasonable balance or best use of the Council's funds.

Members AGREED to note the report.

### **AGC/23/25 Annual Report of the Audit Committee**

Members were presented with a report that informed them of the work of the Audit & Governance Committee during the period 1st October 2024 to 30th September 2025.

The Annual Report produced by the Chairman of the Audit & Governance Committee had 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 demonstrated how the Audit & Governance Committee had fulfilled its key functions and how it was fully committed to helping improve the Council's governance and control environments.

RESOLVED that the report be noted.

#### **AGC/24/25 External Audit - Audit Progress Report**

Forvis-Mazars presented their Audit Progress Report to members. Officers reported that they had made good progress with the Council's accounts, and to date, there were no material matters to report to members.

However, the exact timing of the receipt of assurances required from the auditors of the Teesside Pension Fund is still uncertain, but it was expected to be received in the new year.

Officers informed members that they plan to present their Audit Completion Report and Final Auditor's Annual Report at the February 2026 Audit and Governance Committee meeting.

Members AGREED to note the report.

#### **AGC/25/25 External Audit - Auditor's Draft Annual Report**

Members were presented with Forvis-Mazars Auditor's Draft Annual Report, which summarised the work they had undertaken as the auditor for Stockton On Tees Borough Council for the year ended 31 March 2025.

Forvis-Mazar's audit was conducted in accordance with the requirements of the code, and international standards on Auditing (UK) (ISAs). The purpose of the audit was to provide a reasonable assurance to users that the financial statements were free from material error.

Officers noted that due to the report being a draft that the issue date of the audit report was blank currently, but they were confident that they would be able to present the full report at the next meeting.

The Value for Money section of the report was broken down into three sections, and they were, Financial Sustainability, Governance and Improving economy, efficiency and effectiveness.

There were no identified risks or significant weaknesses highlighted for Governance and Improving economy, efficiency and effectiveness. But in the Financial sustainability section of the report Officers highlighted the ongoing pressure and need to manage the 2025/26 budget in line with the revised MTFP.

From initial enquires Forvis-Mazars expected to see similar pressures, and a further deficit to be reported in 2024/25 from the last update in December 2024 the Council projected an overspend of £6.6m. Officers were forecasting an overspend in 2025/26 mainly owing to the continued pressure in Children's and Adult Services which was the case for most local authorities.

Forvis-Mazars was satisfied from discussions with Council Officers and reviews of reports that the Council have an understanding of the drivers of these pressures. Work had been undertaken to deliver financial sustainability such as the Powering Our Future Programme which had identified savings of £5.8m by 2026/27, with further work ongoing to identify the remaining savings (£2.3m). This would leave the Council with a budget gap of £0.9m by 2027/2028 as per the most recent MTFP update in February 2025. Additional savings were anticipated from transformation work within Children’s Services and mitigation work to reduce external pressures in relation to cost of children in care.

Officers also noted that the Council had been reviewing its existing senior management arrangements in place where continuous reviews for further improvements in existing processes are in progress. This had allowed the Council to collate better quality data which had been used for more accurate forecasting of future costs and understanding growth in demand.

The strain from the Dedicated Schools Grant (DSG) deficit was also touched on in the report. As of 31st March 2025, the Council had reported a cumulative DSG deficit of £6.72m. There currently was a statutory override in place which requires the Council to ‘ring-fence’ the DSG deficit from its general fund, which means that it does not have to consider it when setting a balanced budget. Central Government has signalled its intention to extend the period that the override covers to 31st March 2028, but without action to address the cumulative deficit at the end of this period there is a risk that the Council will be unable to set a balanced budget.

The Council have agreed to a detailed DBV plan with a number of mitigations which, if successful, would reduce the cumulative deficit to nil by the 2028 deadline.

Members AGREED to note the report.

**AGC/26/25 Any Other Business**

There was no other business to bring to members attention.

**AGC/27/25 Forward Plan 2024/2025**

Members noted the forward plan.

Chair: .....