# Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 28th September 2026.

**Present:** Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Carol Clark, Cllr Mohammed Mazi, Cllr Mick Stoker, Cllr John Coulson (Sub for Cllr Vickers) and Cllr Barbara Inman (Sub for Cllr Johnson)

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

**Also in attendance:**

**Apologies:** Cllr Eileen Johnson, Cllr Ross Patterson and Cllr Marcus Vickers

## AGC/14/26 Livestreaming

The Chair announced to those present that the meeting would be live streamed.

## AGC/15/26 Evacuation Procedure

The Evacuation Procedure was noted.

## AGC/16/26 Declarations of Interest

There were no declarations of interests.

## AGC/17/26 Minutes

The Minutes of the previous meeting held on Monday 29th June 2026 were agreed as a true record and signed by the Chair.

## AGC/18/26 Internal Audit Activity Report

Members were presented with the Internal Audit Activity Report that informed members of the progress of the audit testing and present a forward plan of testing and the resources available to meet the plan to support the assessment of risk.

Officers highlighted two red controls in the first section their report, they were related to an ongoing issue regarding the uploading of fit notes to the payroll system. The second related to waste and recycling targets being achieved. The fit note issue had been raised with managers who were able to produce the documents when requested but had not uploaded correctly. With regards to the waste and recycling targets that was due to the changed waste collection process that was not currently recognised in the figures that were available, Officers expected the figures to improve. Both red controls were considered as low impact.

The levels of assurance shown in the report to Members were mostly green across the board, this showed that actions had been taken to reduce levels of risk as they had

occurred. Officers were confident that those risk levels which had increased would be addressed. From the breakdown and root cause analysis it was clear that there were no singular causes for changes in the risk environment. This suggested that there were no underlying fundamental issues to be brought to the committee's attention.

Officers also discussed three red controls in the High Impact section of the report which had been highlighted in the report, the first was related to SEND which members would be aware of from previous meetings. The second related to some delays in completing full bridge inspections, progress had been made and would be reviewed again in six months and the third was due to out-of-date internal documentation. The documents hadn't been updated to reflect some data sharing arrangements however the relevant data protections were in place.

For the Medium Impact section there were two red controls. The first related to the completion of mandatory information governance training in Children's services, the risk was decreasing and the completion numbers were increasing but still below the target.

Members AGREED to note the report.

**AGC/19/26 Risk Register Management Report**

Members were presented with the Risk Management Update report, the purpose of the report 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 information currently available and was used to evaluate the potential for future risk and as such would be regularly reviewed as more information became available. The assessment of the risk should not be used as an indication of current performance it was just one element considered as part of the wider assessment of risks, other examples included financial certainty or potential changes that may be outside of the Councils control.

Officers explained that there had been no changes since the last report presented to members, they reported that the highlighted risk were stable and were confident that improvements would be made through projects like "Powering Our Future".

Members AGREED to note the report.

**AGC/20/26 Treasury Management Outturn Report 2025/26**

Members were presented with the Treasury Management Strategy annual report for 2025/26. The purpose of the report was to inform members of the performance against the treasury management and prudential indicators set in the treasury management strategy approved by Council in February 2025.

The Council operates under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code.

Officers informed members that as of 31st March 2026 the Council had net borrowing of £138.32m which arose from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes was measured by the Capital Financing Requirement (CFR), while usable reserves and working capital were the underlying resources available for investment.

The Authority pursued its strategy of keeping borrowing and investments below its underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. At the year end the Council had an under borrowed position of £24m.

Officers went on to state during the year; long term loans had increased by £7.56m and short-term loans by £10.64m. This along with the reduction in cash and cash equivalents of £8.7m resulted in a net increase in borrowing of £26.89m. Overall total borrowing increased from £150.78m as on 31st March 2025 to £168.97m as of 31st March 2026.

The Dedicated Schools Grant was also discussed with Members, this was to explain the statutory override in England that requires local education authorities that incur expenditure on their school's budget in excess of the Dedicated Schools Grant (DSG) received to charge this deficit to an unusable reserve instead of their revenue account. Cash is therefore leaving authorities' bank accounts on schools' expenditure without revenue cash coming in to pay for it. Other things being equal, this creates a cash shortfall.

At the end of the 2025/26 financial year the Council had an overall accumulative deficit of £17.1m on its DSG. The Council has to cash flow this deficit, and any borrowing requirements and costs associated with borrowing incurred include this deficit. The cost of borrowing cannot be charged to the DSG under current regulations, so these costs are charged to the Council's general fund. The cost of this borrowing in year was up to £500k.

Part of the report was touched on the CIPFA's 2021 Prudential Code which states 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.

The Authority currently holds £14.890m in commercial investments (2024-25 £18.322m) that were purchased prior to the change in the CIPFA Prudential Code. The Authority, as part of the updated code, in the future will need to review the options for exiting these investments if there is an economical case to do so.

Officers explained the total borrowing position of the Authority outlined in table 3 of the report. As of 31st March 2026, the Council held £168.97m of loans, an increase of £18.19m from the previous year.

The investment section of the report outlined the Authorities investment activity, The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances fluctuated due to timing differences between income and expenditure. The year end investment position was shown in table 4 of the report, it showed that total investments had decreased from £36.15m on 31/03/2025 to £30.63m on 31/03/2026.  The Council also held £15.109m in non-treasury

investments which generated £0.917m of investment income after taking account of direct costs in 2025/26, representing a rate of return of 6.16%.

The Chief Financial Officer reported that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Members thanked Officers for their work on throughout the year and for the report.

Members AGREED to note the report.

**AGC/21/26 External Audit Progress Report 25/26**

Officers from Forvis Mazars presented an Audit Progress Report to Members, the purpose of the report was to provide an update to the Council on the 2025/26 Audit.

On receipt of the draft financial statements Forvis-Mazars had undertaken a review identified no matters to indicate a change in their planned audit approach. Their external audit was currently in progress and Officers stated that at this time there were no identified significant issues. Officers explained that they had experienced delays in receiving responses from management on Forvis-Mazars's valuation of land and buildings work ((including judgements made and approach to indexation in line with the new amendments to the Code). Officers were currently working through the paper which had been provided 9th September 2026 to assess the appropriateness of the approach taken by the Council.

Officers anticipated that the Teesside Pension Fund assurance would be received by the end of December 2026, with the backstop date being 31st January 2027. It was also noted that Officers were unable to progress their Value for Money work as they were currently awaiting the Councils Value for Money self-assessment.

Members AGREED to note the report.

Chair: .....