AGENDA ITEM: 13

REPORT TO AUDIT & GOVERNANCE COMMITTEE

REPORT OF THE CHAIRMAN OF THE AUDIT AND GOVERNANCE COMMITTEE

30th NOVEMBER 2026

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 2025 to 30th September 2026.

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 2022.

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 Marcus Vickers,
Cllr Ross Patterson,
Cllr David Reynard,
Cllr Carol Clark,
Cllr Eileen Johnson.
Cllr Mohammed Mazi.

The Audit and Governance Committee met 4 times during the reporting period, 24th November 2025, 23rd February 2026, 29th June 2026, 28th September 2026.

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 Chief Financial Officer and the Director of Corporate Services, the Chief Accountant, Assistant Director Procurement and Governance and the 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 the Internal Audit Charter. The purpose of this report was to advise Members of the Internal Audit Charter and proposed approach to delivering the audit service for the coming audit year 2026-2027.
- Received the Internal Audit Activity Report which informed them of the progress of audit testing to date and presented a forward plan of testing and the resources available to meet the plan to support the assessment of risk.
- Received and approved the Internal Audit Annual Report as required by the Global Internal Audit Standards (GIAS). 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.
- Received a report on supplementary work undertaken by internal audit which was exempt from publication.

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 Audit Strategy Memorandum for the year ending 31 March 2026. 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 Draft Annual Report which summarised the work they had undertaken as the auditor for Stockton for the year ending 31st March 2025.
- Received an update on the External Audit Certificate for 2024/25 where Officers from Forvis-Mazars explained to members that when the Accounts for 2024/2025 were signed off they had been unable to sign off the Audit Certificate. Forvis-Mazars had been waiting for confirmation from the National Audit Office which had been received and this would now enable them to sign off the Audit Certificate.
- Received the Audit Completion Report for the 2024/25 financial year. This document summarised the external auditor's findings from the annual audit of the 2024/25 accounts. Forvis Mazars were anticipating issuing an unqualified opinion, without modification.

Annual Statement of Accounts

The Audit and Governance Committee:

- Approved the Annual Financial Statements for 2024/25.
- Received and reviewed the draft Annual Statement of Accounts for the 2025/26 financial year.
- Members were presented with the Directors Report, Independent Auditors Report and Financial Statements for the year ended 31 March 2025 for both Stockton Borough Holding Company Limited (SBHC) and Stockton Hotels Limited (SHC)
- Members were presented with a proposal to exclude the Group Accounts element from the Council's Annual Statement of Accounts from the 2025/26 financial year.

Treasury Management

The Audit and Governance Committee:

- Received a 2025/26 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2025.

- Received the Treasury Management Annual Report for 2025/26 that informed members of the performance against treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2025.

Risk Management

The Audit and Governance Committee:

- Received quarterly reports from the Assurance Manager on developments within the Corporate Risk Registers for the purpose of reviewing the strategic risks that had been identified as having the potential to deflect services from achieving their objectives over the next 12 months and beyond. The report also set out the actions being taken to ensure that the risks, and possible adverse outcomes, were minimised.

Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2025/26 for consideration and comments.
- Received the final Annual Governance statement for 2024-25
- Officers presented the Company Governance - Shareholder Agreement report to members, the report provided Members with an update on the development of a consolidated shareholders' agreement covering Stockton Borough Holding Company Ltd (HoldCo) and Stockton Hotels Company Ltd (HotelCo).

Health and Safety

The Audit and Governance Committee:

- The Health & Safety Report provided an update to Members on the e health, safety and wellbeing performance of the Council for the period 1 January 2026 – 31 May 2026.

Chairman's Conclusion

As we come to the end of the final 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. We saw changes to the Committee during the year with Cllrs David Raynard and Marcus Vickers joining us and getting up to speed with some very complex issues.

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. Once again, we have received a positive opinion from the external Auditors. From the information received and reviewed the committee has not identified any issues that are not already being managed effectively that required escalation.

There is still a significant backlog of outstanding external audits as reported to previous years Audit and Governance Committees, as Authorities and other local bodies did not publish audited accounts on time.

Three backstops for Financial Years up to and including 2027/28 to allow the system to recover were

2025/26: 31 January 2027
2026/27: 30 November 2027
2027/28: 30 November 2028

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 however changes to their external auditors will hopefully ease the situation.

The reorganisation of the Council's management structure has proved successful with improvements in efficiencies and the service provision monitored, whist ensuring a work / life balance is maintained.

Like many other Councils we still face extreme pressures on budgets from Children's and Adult Services however the external Audit report confirmed that the Council MTFP was developed on "reasonable assumptions" and recognises the assumptions made therein.

The Audit and Governance Committee of new authority year following the elections will probably have some different members and will face many of the challenges of the past and of course the risk evaluations of the many new ventures undertaken by this administration. This of course will hopefully include the acquisition of the retail area of Billingham Town Centre and the mitigation of risk of all Council ventures in future.

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 I must record our gratitude personally, as a committee and a Council. We as a Council owe a debt of gratitude for the professionalism and dedication of our Finance and Audit and Governance staff who diligently work to ensure this Council remains on a safe and sound financial footing.

I also personally give thanks for the support and advice given by these officers over the past four years and my tenure of the chair of this committee over many years.

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's 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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