

AUDIT AND GOVERNANCE COMMITTEE

A meeting of Audit and Governance Committee was held on Monday 27 November 2023.

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

Officers: Andy Bryson, Martin Skipsey and John Devine.

Also in attendance: Cllr Eileen Johnson (Observer) and Gavin Barker (Mazars)

Apologies: Cllr Emily Tate and Cllr Laura Tunney.

AGC/32/23 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/33/23 Declarations of Interest

There were no declarations of interest.

AGC/34/23 Minutes

Consideration was given to the minutes from the meeting held on the 25 September 2023 for approval and signature.

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

AGC/35/23 Health & Safety Report

Officers presented the Health & Safety Report to members noting the updated layout for members convenience. The report and future reports would show the various areas of risk and number of incidents and training delivered for each area.

Sections of the report were highlighted by Officers for Members attention. Some of the sections highlighted were Violence & Aggression, which had 73 incidents reported. This was noted as being a reduction from the 96 incidents reported in the year previous.

Another section highlighted was Culture in which work had been done to refresh the H&S policies, and Officers had developed a specific introduction programme for new managers. Officers were confident that both tasks would help to ensure a H&S culture would be embedded.

Members praised the new layout of the report noting that it was easier to follow, Members also asked how much of the training shown in the report was delivered in person or virtually. Officers informed members that each section would be handled differently but usually a mixture of both ways. An example was given for the Asbestos

training the Council provided to workers, with the initial sessions being classroom based but refresher courses being held online.

Members AGREED to note the report.

AGC/36/23 Risk Register Update and Audit Activity

Members were presented with the Corporate Risk Register Update and Internal Audit Activity Report.

The Committee was reminded that quarterly reports on the Corporate Risk Register was presented for the purpose of reviewing the key 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. As a reminder, risks were scored on a scale of one to five for both 'impact' and 'likelihood'.

The main topics discussed were as follows:

- From the last quarter two red controls had been identified, the first referred to the achievement of recycling targets. This had been previously reported to members. While the second control referred to how learners were recorded by the Learning & Skills service in relation to funding.
- Another area highlighted by Officers was the Assurances by Theme which was represented by a graph in the report. Officers were happy to report there was nothing of particular concern to bring to Members attention.

Members AGREED to note the report.

AGC/37/23 External Audit - Progress Report

Mazars reported that the Audit for 2020/21 had been completed, the audit certificate had been issued on 15th September 2023. The audit certificate formally closed and concluded the 2020/21 Audit.

The Audit for 2021/22 had been substantially completed with the audit completion report being issued in November 2022, however following the resolution of the previous issues which Mazars had updated Members on, a further national issue had arisen.

The new national issue was related to the impact of the delay in the 2021/22 audit work. The previous delays had resulted in the triennial revaluation of the Teesside Pension Fund being available with more up to date information for management to reflect in the 2021/22 financial statements. The way forward took time as the delay was unprecedented, the way forward was agreed as the following:

- Authorities (Including the Council) obtained updated IAS19 valuation reports and amended the 2021/22 financial statements for the new figures.

- Pension Fund auditors were to complete testing on the reliability and accuracy of the updated pension fund membership data.

Unfortunately, Mazars were unable to be provided with the full results of the testing until September 2023. But there were significant discrepancies the membership data used by the fund and that indicated by testing. Mazars informed Members that only around 27% of audit opinions had been able to be issued by mid-July 2023 due to this delay. Mazars told members that the delays outlined above had been unprecedented, While also stating that it was their priority to bring the audit to a conclusion as soon as possible.

The Mazars report went on to state:

It is important to note that in relation to the 2021/22 audit of the financial statements:

- We still anticipate issuing an unqualified audit opinion;
- The delays are nothing to do with management or those charged with governance, and are national issues beyond the Council's control;
- The issues causing the delays are all in relation to technical accounting issues, none of which will have an impact on the resources available to the Council or its underlying financial position.

Officers then moved onto the 2022/23 Audit update. Reminding members that the Audit Strategy Memorandum for the 2022/23 audit had been presented to the July 23 Audit & Governance Committee, which indicated the timing for completion was October 23 subject to the completion of the 21/22 audit.

The audit fieldwork for 2022/23 financial statements was substantially completed with the key outstanding areas being property, plant and equipment, and IT audit. One issue that Mazars had been working with Officers in relation to the 2022/23 financial statements was accounting for the net pension asset (this was the first time there had been a net pension asset). Through the looking at the actuarial report to see if the net asset disclosed needed to be capped at a lower level, but the actuarial report had in fact confirmed that the net asset disclosed was less than the asset ceiling and consequently a further adjustment to the 2022/23 financial statements has not been required.

Mazars informed members that they were aiming for the 2022/23 audit to be completed by December 2023. However, as for the 2021/22 audit, Mazars were anticipating a further delay in receiving the Pension Fund auditor assurance letter. Officers were working to minimise the delay with the latest estimated date to issue an opinion by 31 March 2024.

Mazars understand that nationally just one per cent of local authority accounts were signed off by 30 September 2023 and the Government, the NAO, audit suppliers and regulators were working together to find a way to clear the backlog in 2023/24, which is the first year of a new external audit contract let by Public Sector Audit Appointments Limited. Mazars would update the Audit and Governance Committee as soon as a way forward was agreed with all stakeholders as all parties recognised that the current situation in the public sector external audit market is unsustainable.

Members AGREED to note the update.

AGC/38/23 Treasury Management Mid Term Review

Members were presented with a report informing them of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2023.

Offices highlighted several sections of the report to Members:

- The first six months of the report show a decrease in the level of borrowing for the Council.
- Future borrowings is being analysed based on the capital programme and would be included in the next medium term financial plan.
- The Councils investment balances had increased throughout the year, but Officers did note that the levels fluctuate through the year.
- The final section of the report dealt with compliance and the various ways the Council had demonstrated it complied with the CIPFA Code of Practice and the Authorities approved Treasury Management Strategy.

Members noted the work done by Officers and commented on the relatively good position that the Council had found itself in, when compared to the increased number of Councils which had issued Section 114 Notices.

Members AGREED to note the report.

AGC/39/23 Annual Report of the Audit Committee

Members were presented with a report which informed the Committee of the work of the Audit and Governance Committee during the 1st October 2022 to 30th September 2023 period. The Annual Report produced by the Chairman of the Audit and 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 and Governance Committee had fulfilled its key functions and how it was fully committed to helping to improve the Council's governance and control environments. Members noted the report however the Chairman requested that Members contact him or Democratic services prior to the next scheduled meeting of the Audit and Governance Committee should they have any comments/queries.

RESOLVED that the report be noted.

AGC/40/23 Work Programme 2022/23

Member AGREED to note the work programme 2022/23