

AUDIT AND GOVERNANCE COMMITTEE

A meeting of Audit and Governance Committee was held on Thursday 30 May 2024.

Present: , Cllr Stefan Houghton (Vice-Chair), Cllr Paul Rowling, Cllr Susan Scott, Cllr Emily Tate and Cllr Laura Tunney.

Officers: Andy Bryson, Andrew Barber and John Devine.

Also in attendance: Gavin Barker (Mazars)

Apologies: Cllr Barry Woodhouse (Chair), Cllr Ross Patterson, Cllr Mick Stoker and Cllr Katie Weston.

AGC/1/24 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/2/24 Declarations of Interest

There were no Declarations of Interest

AGC/3/24 Minutes

Consideration was given to the minutes from the meeting held on the Monday 26th February 2024 for approval and signature.

RESOLVED that the minutes be approved and signed as a correct Record by the Chair.

AGC/4/24 Health & Safety Report

Officers presented the Health & Safety Report to Members, highlighting the change in format of the report to aid members. Which would be expanded on when the information displayed in the report tables would be broken down by risk areas.

Highlighted in the report by Officers were the 22 audits that had been issued and that there were no concerns to bring to Members attentions.

Also noted was item 4 of the report which showed the main Health & Safety Risks and the training delivered around the various categories.

Members enquired of how the training was presented, and if it was either through face-to-face teaching or virtual learning. Officers explained that any inductions for new officers would be face to face, but that other training was done on a case-by-case basis as some training would be more practically delivered remotely.

AGREED to Note the report.

AGC/5/24 Risk Register Update and Audit Activity

Members were presented with the Corporate Risk Register Update, Assurance and Activity Report. Officers stated that a review would be done on the Councils arrangements on identifying and monitoring risks, with a report on the subject to be brought to a future meeting for members to review.

Parts of the report were highlighted by Officers for Members attention, these were in section three of the report highlighted in red. The sections identified were familiar to members as they had been highlighted in previous meetings but due to ongoing work, they were unable to be moved from red to green.

Officers were asked if the vacancy which the team had notified members of previously had been filled. They were assured that it had, and that the new member of the team was integrating into the team well.

Members AGREED to note the report.

AGC/6/24 Internal Audit Annual Report

Officers presented the Annual Internal Audit Report to members, the introduction of the report stated:

Under the Accounts and Audit Regulations 2015, the Council is required to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. For the purposes of the 2023/24 opinion the standards for proper practices for internal audit are laid down in the CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (PSIAS).

The relevant body must conduct a review, at least once a year, of the effectiveness of its system of internal control and this is reported in the Annual Governance Statement. The opinions given in this report provides independent and objective assurance on the overall adequacy and effectiveness of the Council’s system of internal control and should be used to inform the preparation of the Annual Governance Statement.

Officers highlighted section two of the report which showed that the assurance levels were all over 80%. The Internal Audit Service also supports continuous improvements by making recommendations to improve the controls in place. With the majority of recommendations having either been implemented or in the process of being implemented. This was shown in the recommendation section of the report. Members asked that in the section in this report if an explanation could be provided for each of the recommendations.

Which Officers were happy to expand on those recommendations which were not publicly sensitive.

Members Agreed to note the report.

AGC/7/24 Draft Annual Governance Statement

Members were presented with a report of the Council’s Draft Annual Governance Statement for 2023/24.

The Accounts and Audit Regulations 2015 require all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement to accompany its Statement of Accounts. The deadline for completion of the draft Statement of Accounts for 2023/24 is 30 September 2024 at which point they are subject to the external audit process.

The final Annual Governance Statement will be presented for approval by this committee alongside the audited Statement of Accounts.

A further requirement of the regulations state that the Statement should be signed by the Managing Director and the leading Member of the Council, following approval by the Committee. A key objective of this signing off process is to secure corporate ownership of the statement's contents.

The Annual Governance Statement includes an acknowledgement of responsibility for ensuring that proper arrangements are in place around the governance of its affairs and an indication of the level of assurance that the system provides. The statement also includes a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of this framework, including the system of internal control, and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

The Council's Annual Governance Statement for 2023/24 was included with the main report. At this time the Council had not identified any significant issues that were not being addressed within the Statement.

Members AGREED to note the report.

AGC/8/24 External Auditors - Audit Certificate, 2021/22 Audit

Mazars presented the Audit Completion Certificate for Stockton On Tees Borough Council for the year ending 31 March 2022. Members were aware of the reasons that the completion certificate had been delayed as Mazars had kept them updated with the national technical issues which had caused the delay.

Members Agreed to note the certificate.

AGC/9/24 External Auditors - Annual Report, DRAFT, 2022/23 Audit

Officers presented the Draft Annual Report for the 2022/23 External Audit to Members. The report was a draft as Mazars had not yet issued their Audit opinion but expected it to be able issue it in May 2024.

In their report Mazars highlighted significant matters which had been discussed with management it was as follows:

Pension fund liability and asset

The opening net pensions liability as of 1 April 2022 was amended in the 2021/22 accounts because of the revised pensions report the Council obtained due to the triennial revaluation exercise. This resulted in a decrease of £38.3m to the Council's net pensions liability from £282.2m to £243.9m. As of 31 March 2023, the Council's net pensions liability had further changed and the actuary notified a surplus. Overall,

there has been a move from a £243.9m deficit to £101.7m surplus; a similar significant change has been noted for the other Teesside local authorities where Mazars are the auditor. This significant change arises from gross pension assets exceeding liabilities due to movements in markets for assets and changes in actuarial assumptions impacting on liabilities. Mazars considered the accounting treatment in respect of the reporting of a net asset position on the LGPS for 2022/23. This included evaluating whether the pension asset needed to be capped at a lower level.

Based on Mazars review and the receipt of an asset ceiling calculation from the actuary, no adjustment was required to the net pension asset included in the draft accounts. Mazars received the letter of assurance from the pension fund auditor on 22 April 2024 and have now completed their work. The Pension Fund auditor reported to them that the asset values submitted to the actuary were overstated by £25.009m. In addition, there was significant doubt about a further £11.85m which may also be overstated. Given the Council's share of the PF assets at the year-end is 19% of the scheme investment assets, this difference would amount to a £7m overstatement of pension assets in the financial statements which is not material to Mazars opinion on Stockton Councils accounts.

Reinforced Autoclaved Aerated Concrete (RAAC)

Mazars made enquiries of officers in respect of RAAC being present in any Council-owned buildings and obtained assurance that government department procedures were being followed and there was no indication of any material issues impacting on the Council's assets.

Mazars noted in their report to Members that no significant weaknesses had been identified in the Councils arrangements. But that all Local Authorities continued to face difficult circumstances due to national issues, however that being the case the Council was in a relatively better position than others in the local area.

Members AGREED to note the report

AGC/10/24 External Auditors - Audit Completion Report 2022/23 Audit

Mazars presented the Audit Completion Report for 2022/23. They informed members that most of the work on this Audit had been completed the previous year, but due to the technical issues related to pensions which had been discussed at previous meetings the report had been delayed.

Mazars had substantially completed their Audit in respect of the financial statements for the year ended 31st March 2023. At the time of the report Officers stated that no risks had been identified, and no significant weakness had been identified in the Councils arrangements.

Officers anticipated being able to issue an unqualified opinion, without modification on the financial statements. With the proposed audit opinion being included in appendix B of their report.

Mazars had received group instructions from the National Audit Office in respect to their work on the Councils Whole of Government Accounts submission in September 2023, they will be reported on when Mazars issue their audit opinion.

Members thanks Officers for their hard work and extended a special thanks to Gavin Barker, as this would be his last meeting with Stockton On Tees Council.

Members Agreed to note the report.

AGC/11/24 Annual Statement of Accounts 2022/23 - Final

Officers presented to Members the Councils Annual Statement of Accounts for 2022/23. The report states that it was a statutory requirement of the Accounts and Audit Regulations 2015 (as amended) that the audited 2022/23 Statement of Accounts were approved by Members of the Committee and published on the Council's website on or before 30th September 2023. In order to comply with the regulations, the Deputy Chief Executive & Director of Finance, Transformation and Performance and Chair of the Committee are required to sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

Unfortunately, the conclusion of the audit was delayed due to a number of reasons including;

- Delays in the issuing of the Teesside Pension fund assurance letter;
- Accounting for the net pension asset (the first time there has been a net pension asset). This involved obtaining an actuarial report on the calculation of the asset ceiling to see whether the net asset disclosed needed to be capped at a lower level. The actuarial report has in fact confirmed that the net asset disclosed is less than the asset ceiling and consequently a further adjustment to the 2022/23 financial statements has not been required.
- General backlog in the audit environment and prioritising the completion of the 2021/22 audit.

The recommendation outlined the report was for the Deputy Chief Executive & Director of Finance, Transformation and Performance and Chair of the Committee sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

Members Agreed the recommendation in the report.

AGC/12/24 Annual Statement of Accounts 2023/24 - Draft Prior to Audit (To Follow)

This Item was deferred until the next meeting with agreement from the Members of the Committee.

AGC/13/24 Forward Plan

The Forward Plan was NOTED