

AUDIT AND GOVERNANCE COMMITTEE

A meeting of Audit and Governance Committee was held on Monday 30 September 2024.

Present: Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Mick Stoker and Cllr Katie Weston.

Officers: Andy Bryson, Andrew Barber, Nora Natova (Forvis Mazars) and John Devine.

Also in attendance:

Apologies: Cllr Paul Rowling, Cllr Emily Tate and Cllr Laura Tunney.

AGC/27/24 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/28/24 Declarations of Interest

There were no Declarations of Interest.

AGC/29/24 Minutes

Consideration was given to the minutes from the meeting held on the 29th July 2024 for approval and signature.

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

AGC/30/24 Health & Safety Report

The Health & Safety report provided an update on the health, safety and wellbeing performance of the Council for the period 1st July 2024 to 30 August 2024.

Members noted the slight change in the layout of the report with a new Audit Assurance column included. Officers highlighted the low number of accidents and assaults reported in this period which were much improved when compared to other periods.

Work was underway to improve some Fire Safety arrangements which had been highlighted in the report. Members agreed that a focus on Fire Safety arrangements was necessary due in part to a block of flats in Billingham which were found to have unsatisfactory fire arrangements in place.

Officers agreed and assured members that an external Fire Officer had now been put in place to review that particular instance.

Members agreed to note the report.

AGC/31/24 External Audit Backstop Arrangements

Officers presented the External Audit Backstop Arrangements report which outlined the immediate actions the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system were taking, which were designed to address the backlog and put local audit on a sustainable footing.

On the 10th September the Government laid in Parliament two pieces of legislation which gave effect to the backstop proposals, the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General, a draft Code of Audit Practice 2024.

The legislation included backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. It was the aspiration of the Government and key local audit system partners that, in the public interest, local audit recovers as early in this five-year period as possible.

This means if the auditors are unable to complete their work by the backstop dates, disclaimed opinions could be required. This should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter. The proposed backstop dates are:

- Financial years up-to-and-including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

It was also noted in the report that while there would be modified and disclaimed opinions, auditors' other statutory duties including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports remained a high priority.

Officers reassured members that the Council had always achieved unqualified opinions from the auditors on its accounts. With the most recent set of accounts for 2022/23 completed and the required audit opinion had been issued in May 2024, which would mean the backstop arrangements for that year would not be applicable to the Council.

The actions the Government had introduced to tackle the backlog, while vital, would not provide a long-term sustainable solution to the wider local audit system. The Government would be working with partners to on how best to achieve a long-term solution.

The potential first year where backstop arrangements may apply for Stockton would be for the 2023/24 financial year. It is hoped the Council can avoid any backstop

requirements but as in previous years, issues outside of our control such as audit assurance on the pension fund may impact timeframes.

For financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give the Council more time to ensure they are producing high-quality accounts. This in turn will benefit auditors while still ensuring publication shortly after financial year end.

Members noted the month extension to the original deadline which was outlined in the report and agreed that it was a welcome change. Some Members enquired of Officers if there was any stigma attached to a 'Disclaimed Opinion'. Officers were able to explain that though it could affect the Council this was unlikely due to many other authorities also having disclaimed opinions, and the Council would be able to explain why the opinion was given.

Members agreed to note the report.

AGC/32/24 External Audit - Audit Strategy Memorandum 23/24

The purpose of the report was to summarise the audit approach of Forvis Mazars, highlight significant audit risks and areas of key judgements. Officers from Forvis-Mazars talked through the report with Members, highlighting some sections which would be of interest.

The Audit timeline was shown in the report, with Officers informing members that all Planning and risk assessment work had been completed. The next part of the timeline was the Field work section, which Officers had begun working on. Officers planned to have completed the bulk of the field work shortly but expected to a possible delay until January 2025 for the Pension Fund Assurances.

The Value for Money section of the report was also highlighted to Members, with Officers reminding members that Forvis Mazars had not commented on the arrangements but inspected them for any significant weakness. No significant weaknesses had been identified in the arrangements.

But a possible risk in Children Services over spend had been identified, Officers of the Council were aware, and Members were reminded that a Children Services projected overspend was a widespread issue for many local authorities.

Members Agreed to note the report.

AGC/33/24 Risk Management Update

The purpose of Risk Management Update report was to inform members of the current status of the Council's strategic risks. The strategic risk register primarily focusses on the achievement of objectives over the longer-term and could take a number of years to materialise.

As had been discussed in previous meetings the layout of the report had been altered for would be continued to be monitored, to allow members to scrutinise the data more effectively.

Officers took members through the report noting that many of the items covered in the report would be familiar to members. With them either being covered in the Powering Our Future programme or being highlighted in previous meetings of the Audit Committee.

Some of the areas highlighted by Officers were as follows:

- Residents Cost of Living, which can be contributed to the cost-of-living crisis affecting the whole country. Plans were in place for the Council to provide any relief it was able to.
- Waste Management was a concern as outlined the report, the authority has poor levels of recycling which are in the process of being improved.
- The number of Children in care was also higher than it had been previously, this had been brought to members attention in the previous meetings and was a national issue.

Members Agreed to note the report.

AGC/34/24 Internal Audit Update Report

Members were presented with the Internal Audit Update Report which is intended to inform members of the progress of audit testing and the forward plan of testing, with resources available to meet the plan. Officers highlighted the new format of the report to members which had incorporated reporting on themes.

The report outlined six sections as being red, members were reminded that controls rated as red were reviewed every three months. This could give the impression that the same issues were being raised each quarter whilst recommendations were being implemented, Officers then monitor any progress of the implementation. Areas which had previously been reported red but were making good progress are waste & recycling targets, effective sourcing of child placement and the Joint Strategic Needs Assessment. The remaining red controls were related to staff completion of mandatory information governance training in the regeneration and inclusive growth department and a requirement to review information sharing protocols with occupational health partners.

Members agreed to note the report.

AGC/35/24 Work Programme 2024 - 2025

Members agreed to note the work programme.