

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Friday 28 April 2023.

PRESENT: Councillors B Hubbard (Chair), J Platt (Vice-Chair), C Hobson and T Mawston

ALSO IN ATTENDANCE: P Jeffrey (Internal Auditor) (Veritau), M Rutter (External Auditor) (Ernst Young) R Smith (Internal Auditor) (Veritau) and M Thomas (Internal Auditor) Veritau

OFFICERS: C Benjamin, A Humble, S Lightwing and J Weston

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors T Higgins, D Rooney and M Storey

22/75 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

22/76 **MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 10 AND 16 MARCH 2023**

The minutes of the Corporate Affairs meetings held on 10 and 16 March 2023 were submitted and approved as a correct record subject to the following amendment:

10 March 2023 – M Rutter, EY, to be added to the attendance.

22/77 **STATEMENT OF ACCOUNTS 2020/2021**

A report of the Director of Finance (S151 Officer) was presented, the purpose of which was for Members of the Committee to approve the Audited Statement of Accounts for 2020/21, following completion of the external audit.

Members were asked to note the final audit results reports from EY on the Council and Teesside Pension Fund accounts, which summarised the various issues and adjustments required since the audit commenced in June 2021. Also included as appendices to the submitted report were letters of representation for both sets of accounts. These were assurances from the Chief Finance Officer and the Chair of the Committee in relation to the various matters that underpinned the accounts and the processes adopted.

The draft Statement of Accounts for 2020/21 was presented to the Corporate Affairs and Audit Committee on 5 August 2021 and provided details of the Council's financial position, performance and cash flows at 31 March 2021, as well as how it had performed against its revenue and capital budget plans. Significant issues included within the financial statements were also discussed for information at that point in time.

Further updates were provided to the Committee on progress during the audit, principally on the 31 March, 9 June and 22nd July 2022 when EY's audit results report and an updated Statement of Accounts were presented. These reports explained the various delays experienced so far on the audit of the accounts and why the statutory date had not been met.

At the meeting on 22 July 2022, the Committee approved the audited statement of accounts subject to; the annual governance statement being finalised and agreed by the Mayor, the Chief Executive and the Director of Finance, and the Highways Infrastructure Assets issue, which had been raised during the audit being resolved.

Since then, the Annual Governance Statement had been revised and signed by appropriate officers. CIPFA and Central Government had issued a statutory over-ride in respect of highways infrastructure, up to 2024/25, for those local authorities who could not presently comply with the local authority code of practice in this area.

Over time, several other issues had been identified. The briefing note produced for the Committee on 8 February 2023 gave more details around the considerations for changes to

the insurance provision, highways infrastructure and the going concern assessment re financial sustainability. These had either required changes to the financial statements, additional narrative disclosure, or both, to reflect the fact that the accounts were almost two years past the account's preparation date.

In recent weeks, a couple of further issues had needed to be considered as to whether they had an impact on the accounts for 2020/21. These related to the triennial revaluation of the Pension Fund at 31 March 2022, and the decision made by Executive in January to wind-up Middlesbrough Development Company. Any changes required for the items identified were included with the Audited Statement of Accounts and were also noted in the external auditors' final audit results reports.

Although the audit of the accounts was now complete for the 2020/21 financial year and these would provide a robust base for subsequent financial years accounts, the audit certificate could not yet be issued by EY. This was because work was still on-going in relation to the value for money qualification on Governance. This position was noted within the audit opinion to the Council's accounts.

The External Auditor highlighted the following issues in the updated Audit Report:

- Infrastructure – the reporting framework had been temporarily amended and the Council was in compliance. The framework would change in 2024/2025 and the Council would need to use that time to ensure future compliance.
- Going concern disclosure – the financial position of the Council had been okay and reserves relatively high. However, this had naturally unwound and in particular Children's Services had an overspend. Some levels of savings were needed. Value for Money would be a focus through the next two audits to ensure the Council was managing those areas.
- Insurance changes – these were mainly numerical changes.

The Committee would be informed once the audit certificate had been received and the audit process for the year was complete.

A query was raised in relation to the increase in audit fees which had doubled. It was clarified that the increase was due to additional work and higher cost individuals working on the governance issues at the Council as well as the challenges around infrastructure and multiple going concern assessments. All of these factors had contributed to a significant increase in the amount of audit effort.

The Chair thanked the Auditors and Officers for their work.

AGREED as follows that:

1. Following the completion of the external audit on the financial statements the Audited Statement of Accounts for 2020/21 was approved.
2. The final audit results report on the accounts from the external auditor and the letters of representation were noted.

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INTERNAL AUDIT REPORT: SENIOR MANAGEMENT REVIEW

A report of the Head of Financial Planning and Support (Interim S151 Officer) was presented to provide Members of the Corporate Affairs and Audit Committee with an overview of the final report of an internal audit of Senior Management Reviews undertaken by Veritau. The audit had been commissioned, following discussions with the Chair and Vice-Chair of Corporate Affairs and Audit Committee, in May 2022 by the then Director of Finance (S151 Officer).

It was agreed that the audit would look at any restructures that primarily affected members of senior management, since 2015/16. The purpose of the audit was to establish whether savings proposed as part of those restructures had been achieved, where applicable.

The audit had now been completed and a report prepared for comment by management. A copy of the confidential audit report had been provided to all Members of the Committee.

The report highlighted a number of key findings and recommendations arising from the audit. Appendix 1 to the submitted report contained a summary of the key findings and the actions proposed by management to address them. There was a focus on ensuring that in the future there was increased transparency and reporting of Senior Management Reviews, the savings arising from them and achievement of any non-financial objectives identified.

AGREED that the findings of the internal audit report on previous Senior Management Reviews and the proposed management response for future reviews was received and noted.

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ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

The Chair thanked the Vice Chair, Committee Members and Officers for their contributions during the last four years. As it was their last meeting as Middlesbrough Councillors, the Chair also thanked Councillors C Hobson and T Mawston, commenting that they had been fantastic servants to their residents and to the Council.