

**AUDIT COMMITTEE**

A meeting of the Audit Committee was held on Thursday, 6 February 2025.

**PRESENT:** Councillors J Ewan (Chair), B Hubbard (Vice-Chair), I Blades, D Branson, D Coupe, G Wilson and L Young.

**ALSO IN ATTENDANCE:** Councillor J McTigue (present as observer)  
T Backhouse (Forvis Mazars)  
M Kirkham (Forvis Mazars).

**OFFICERS:** C Benjamin, A Humble, A Johnstone, C Lunn, K Rowe, N Spencer and C Walker.

**APOLOGIES FOR ABSENCE:** None.

24/58 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

24/60 **DECLARATIONS OF INTEREST**

MEMBER	TYPE OF INTEREST	ITEM/NATURE OF INTEREST
Councillor D Coupe	Non-Pecuniary	Member on Board of Directors of Border to Coast
Councillor J Ewan	Non-Pecuniary	Member of Teesside Pension Fund
Councillor B Hubbard	Non-Pecuniary	Member of Teesside Pension Fund

24/61 **MINUTES - AUDIT COMMITTEE - 5 DECEMBER 2024**

The minutes of the Audit Committee meeting held on 5 December 2024 were submitted and approved as a correct record.

24/62 **MINUTES - AUDIT COMMITTEE - 12 DECEMBER 2024**

The minutes of the Audit Committee meeting held on 12 December 2024 were submitted and approved as a correct record.

24/63 **ANNUAL ASSURANCE REPORT - DECISION MAKING**

The Director of Legal and Governance Services presented a report, the purpose of which was to provide the Committee with an annual update in relation to the Council's decision-making process.

The Director noted several points, which included the following:

- The appendices attached to the report set-out a list of Executive decisions/ officer delegated decisions that had been taken.
- Sections 3.3 and 3.4 of the report referred to the Council's Constitution. A review of the Constitution was currently underway, with work being overseen by the Constitution Committee and an associated working group. Recommendations would be made to full Council in due course, though the intention was to have the review completed by the AGM in May 2025.
- Section 3.20 referred to officer delegated decisions. It was explained that work was currently taking place with regards to an Officer Scheme of Delegation, which would provide the necessary support to officers.

A Member referred to the review of the Constitution and queried whether consultants were being paid for this work. In response, Members were informed that due to a reduction in resources in the department, an interim Solicitor had been appointed to undertake the work. The intention, going forward, was to have a Governance Solicitor position incorporated into the departmental structure. The Member queried the cost associated with the review of the Constitution; the Director advised that further information would need to be sought.

A Member referred to page 33 of the agenda pack and an Executive decision taken in relation to the 2024/2025 Transport and Infrastructure Capital Programme - decision no. 24; it was queried what infrastructure was being improved. In response, the Director advised that this would be looked into and a response provided to the Member.

A Member referred to the Constitution Committee working group and advised that papers had not been received. The Democratic Services Officer would look into this and respond to the Member accordingly.

A Member referred to section 3.20 and queried the reasons for the work to the Officer Scheme of Delegation. In response, the Committee was advised that the existing scheme was being updated to streamline and facilitate understanding of the process.

The Chair thanked the officer for the report.

**AGREED that:**

1. **The costs associated with the review of the Council Constitution would be sought.**
2. **Regarding the query raised in respect of the Executive decision and the 2024/2025 Transport and Infrastructure Capital Programme, a response would be sought and provided to the Member directly.**
3. **Regarding the query raised in respect of the Constitution Committee working group and meeting papers, a response would be sought and provided to the Member directly.**
4. **The information, as presented, was noted.**

24/64

**BUSINESS CONTINUITY ANNUAL ASSURANCE REPORT 2024**

The Director of Legal and Governance Services submitted a report, the purpose of which was to outline the Council's approach to business continuity management and summarise activity in the past year and planned activity for 2025. This was to provide the Committee with assurance that the Council had robust arrangements in place, as required by the Civil Contingencies Act 2004.

The Head of Policy, Governance and Information outlined the content of the report. A Business Continuity Policy was now in place for Executive, in addition to the Audit Committee.

A discussion ensued in relation to plans concerning natural disasters, with specific reference made to flooding. A Member commented on changing floodplains and the potential impact that this could have on the town. Members heard that where staff were presently located, there were no potential issues. There were emergency plans for the town in place, but no specific plans for Council buildings as it was a different discipline. The Member indicated that this would be raised at a future meeting of the Corporate Health and Safety Committee; a separate discussion with the Risk and Health and Safety Manager was also suggested. Details of the points raised at this meeting would be provided to the Risk and Health and Safety Manager, for information. In response to a query from a different Member, it was confirmed that no Council records were stored in basement areas below sea level.

A Member queried if there was a Lead Officer dealing with the arrangements that were in place. The Head of Policy, Governance and Information advised that this sat within their remit.

A Member referred to the term 'massive financial losses' and queried what would constitute this. In response, it was explained that the Risk Register definition would be applied, which referred to losses of over £3m.

A Member referred to the fuel plan and queried the type of fuel being referenced. In response, it was explained that in the event of petrol and/or diesel ever being restricted, a plan was in place to help deliver critical functions. It did not refer to gas and electricity.

In response to a query from a Member regarding agreement of the 2024 Business Continuity Plan, it was explained that this had been agreed by the Mayor in December 2024 at an Individual Executive Member Decision-making meeting. The decision sat within the Mayor's portfolio; the report was available in the public domain.

A Member referred to the Local Government Association (LGA) incident response exercise and queried the outcome. In response, it was explained that the result had been positive. Feedback had been shared with the Leadership Management Team (LMT) but would not be released publicly for operational reasons.

A Member referred to ICT Services and queried the position of the Windows 10/11 update that was currently taking place. A Member provided an account of his experience; an update of the current position would be sought from ICT Services.

A Member referred to service attacks and the recent attempts of outsiders to interrogate the Council's ICT system. In response, it was explained that lessons had been learnt and work continued to progress in relation to this disruption.

In response to a query regarding the use of an off-site location, it was explained that a secure network had been established off-site to ensure business continuity in unforeseen circumstances. For example: access to paper-based documents in the event of ICT failure.

Members were of the view that they had been provided with sufficient information to be assured that the arrangements in place to manage business continuity within the Council were sufficient to ensure compliance with legal requirements, and the Local Code of Corporate Governance.

The Chair thanked the officers for the report and their contributions to the meeting.

**AGREED that:**

- 1. The Committee had been provided with sufficient information to be assured that the arrangements in place to manage business continuity within the Council were sufficient to ensure compliance with legal requirements, and the Local Code of Corporate Governance.**
- 2. In relation to the discussion held around flooding, the Democratic Services Officer would relay the comments raised to the Risk and Health and Safety Manager, for information.**
- 3. Further information regarding the Council's current Windows 10/11 update would be sought and provided to Members.**
- 4. The information, as presented, was noted.**

24/65

**LOCAL CODE OF CORPORATE GOVERNANCE**

The Head of Governance, Policy and Information presented a report, the purpose of which was to report the outcome of the annual review of the Council's Local Code of Corporate Governance (LCCG).

It was explained that, because no changes had been made in the past year to the CIPFA / SOLACE guidance document 'Delivering Good Governance', no changes were being proposed to the Council's current LCCG.

A copy of the current LCCG was shown at Appendix 1 of the report.

**NOTED**

24/66

**HR ASSURANCE ANNUAL PRESENTATION**

The Council's HR Manager and Organisational Development Manager delivered a HR Annual Assurance presentation to the Committee.

The presentation covered the following topics:

- 2024 in review;
- Recruitment workshops;
- Staff networks;
- Absence management;
- Top absence reasons;
- Turnover by year;
- Reasons for leaving;
- Organisational development;
- Coaching;
- Mentoring programme;
- Induction programme;
- Work experience programme 2025;
- Insights programme; and
- Next steps.

A Member referred to an Occupational Flu Vaccine Scheme that had been delivered in partnership with Public Health, and to other matters such as workplace stress. It was queried whether workplace schemes to address such issues could be extended to include Elected Members. In response, the Committee heard that, in terms of the Flu Vaccine Scheme, Public Health was currently looking at funding options to assess whether this could be further rolled out. Any resulting communications could go to Elected Members. It was explained that Elected Members had been supported with other matters, such as mental health; the Council's help service, which was delivered via telephone and face-to-face appointments, was delivered by Alliance. It was acknowledged that increased promotion could be undertaken to reach Elected Members.

A Member referred to stress and noted this as being one of the top reasons for absence between 2021-2024. It was queried what work was being undertaken to address this. In response, the Committee heard that several initiatives had taken place, including the relaunch of Mental Health First Aiders – 72 were currently trained; working with business partners and managers to identify potential support activities and programmes to help build resilience; offering counselling services; and formally building health and wellbeing into the annual appraisal framework.

A Member referred to the staff network and the terminology/ description associated with race, religion and belief. It was suggested that the website description be amended to 'non-religious beliefs' to reflect that individuals may still hold moral and other beliefs, if not religious ones. In response, the HR Manager advised that this would be fed back to the relevant working group(s) and any required changes arising from that would be implemented.

A discussion ensued in relation to stress, anxiety and depression. Consideration was given to different trigger points; recording this on HR systems; the stigma associated with these; and the activities that had been undertaken to help raise awareness in traditional work areas, such as depots and warehouses. In response to a query, it was explained that engagement work with different outside bodies, such as Alliance and Andy Mans Club, had been undertaken to help reach as many diverse groups as possible. A Member congratulated the officers for the work that had been undertaken in supporting staff. Further consideration was given to the management of stress, specifically in instances where the cause was senior personnel and the impact that this could potentially have if a Member of staff had a grievance. The HR Manager outlined the procedures for assisting in these circumstances.

A Member referred to staff networks and commented how positive these were in terms of supporting and investing in staff. A discussion ensued in relation to the transformation programme and the impact that change had had on some staff over the last couple of years. It was indicated that redundancies had been minimised, but change was difficult for some. Staff surveys had been carried out to ascertain how employees felt; the questions set did need to be general, but also needed to include free text to encourage engagement. In terms of the outcome of those surveys, although the results were positive in that those responding had felt valued at work, the response rate itself was low - 21%. Work was taking place to improve this and there was optimism that the response rate would increase next year.

In response to a query from a Member regarding sickness statistics; the number of calendar days staff were absent from work; and how Middlesbrough compared to other Local Authorities in the North East, it was explained that a conversion rate was used. An agreement was in place with NEREO for benchmarking to be undertaken on behalf of the 12 North East Local Authorities. The last set of statistics indicated that Middlesbrough's average was 13 days, whereas NEREO's benchmarked average was 11 days. The HR Manager would obtain further details of the conversion rate and other Local Authorities' performance for the Audit Committee.

**AGREED that:**

- 1. In relation to the comments raised regarding the staff network and terminology/ description associated with race, religion and belief, the HR Manager would feed these back to the relevant working group(s) and action any subsequent changes, as required.**
- 2. Further information regarding staff sickness statistics, and in comparison to other North East Local Authorities, would be obtained for the Audit Committee.**
- 3. The information, as presented, was noted.**

24/67

**AUDIT PROGRESS REVIEW - FORVIS MAZARS**

Auditors from Forvis Mazars were present at the meeting to provide a progress update in respect of the 2023/24 Audit.

With regards to the Council accounts 2023/24, the auditors raised the following points:

- As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, the auditors indicated that completion of the audit, as originally planned, in advance of the backstop date of 28 February 2025, would not be achievable. Consequently, it was anticipated that a disclaimed opinion would be issued for the 2023/24 accounts.
- When an opinion was disclaimed the auditor did not express an opinion on the financial statements and, consequently, no assurance was provided on the financial statements.
- Amendments were currently being made to the accounts for 2023/24. Once the accounts had been completed and the signed forms received, subsequent work to close the accounts would be undertaken.
- The auditors would continue to work closely with officers to take the necessary steps to rebuild assurance over future accounting periods.

With regards to the Teesside Pension Fund accounts 2023/24, the auditors explained that, because of the change to the backstop arrangements and the amount of work required within a condensed period, despite their best efforts to obtain evidence for a safe and modified opinion, this could not be achieved. In their view, the effects of the resulting lack of assurance was both pervasive and material to the financial statements as a whole. As a result, the auditors intended to issue a disclaimer of opinion on the Pension Fund's financial statements. The auditors were keen to notify the Audit Committee of the position to ensure that Members were made fully aware of the situation.

A Member expressed disappointment with this update, but acknowledged that the auditors were on a particularly difficult timescale with this task. In response to a query regarding the assistance received from Council officers, it was explained that officers had been tested in highly unusual circumstances, with effectively three separate audits being completed together. The support provided by officers had been well received.

A Member commented on the potential impact of this situation on other organisations and employers in the pension scheme, such as Cleveland Fire Brigade. In response, this point was acknowledged; it was indicated that work was taking place to design procedures to help mitigate the impact.

A Member referred to resources and queried whether the Council had enough staff to undertake the required work for the auditors. In response, it was explained that in an ordinary year, yes – there was sufficient staff. However, the work required this year had presented

significant challenge, with several audits taking place with two different audit providers. The timescales had conflicted and this had presented issues. Going forward, proposals for additional staff had been made as part of the Council's budget setting process, which full Council would be considering on 19 February 2025. However, it was explained that should the proposals be approved, further challenges of recruiting appropriately qualified personnel may be experienced.

A Member referred to dangerous cladding and the national audit report and queried the Council's current position in relation to this. Although not a matter for the Audit Committee, reference was made to a report that would be taken to full Council. Further information would be obtained and forwarded to the Member.

A Member expressed disappointment with this update and queried whether there were any other Local Authorities with pension funds in a similar situation. In response, it was anticipated that others would also receive disclaimed opinions.

A Member queried the backstop date for the 2024/25 accounts. In response, the Committee was advised that this would be 27 February 2026.

The Chair thanked the auditors for their attendance and contributions to the meeting.

**AGREED that:**

- 1. A response to the cladding query would be obtained and forwarded to the respective Member.**
- 2. The information, as presented, was noted.**

24/68

**PROCUREMENT ASSURANCE REPORT 2023/24**

The Director of Finance and Transformation submitted a report, the purpose of which was to provide a summary of the Council's procurement activity over the last financial year, including compliance with Contract Procedure Rules, practice changes and contracts awards.

The Specialist Commissioning and Procurement Manager highlighted the following:

- The financial thresholds worked to were set by the government. These had increased following a bi-annual uplift in January 2024; the light touch regime threshold had and would not increase. In relation to Brexit arrangements, contract values were required to be inclusive of VAT.
- From 1 April 2023 to 31 March 2024, the Procurement and Commissioning Team had been involved and supported service areas with 325 procurement activities, which had equated to approximately £29,028,719 worth of contracts being awarded in the year. It was noted that the £29m was not the annual contract spend in the financial year, it was the total contract value of all contracts awarded in that period. This activity was broken down into the procurement routes as follows:
  - 76 – Quotations;
  - 10 – Tenders;
  - 79 – Exemptions;
  - 60 – Dynamic Purchasing System (DPS) further competitions;
  - 98 – Direct Awards/Further Competitions via Framework Agreements; and
  - 2 – Provider Selection Regime (PSR).
- The new Procurement Act 2023 was due to go live at the end of October 2024, but was then delayed until 24 February 2025. The new act would bring significant change which officers were now preparing for and had been involved in a range of training and workshops that the Government had been holding.
- With regards to the North East Purchasing Organisation (NEPO), Middlesbrough Council paid a small member fee of £46,000 annually. However, in return, the Council received a rebate of approximately £140,000 per annum due to the flexible procurement solutions available through membership of the organisation.
- In 2023/24, about 25% of the Council's procurements utilised a NEPO framework. Without this investment, the Council would require additional resource in the procurement team to meet the demands of the procurement activity of the Local

Authority. Middlesbrough Council had annual conversations with NEPO to review the available frameworks and discuss opportunities for future commissioning plans.

- OPEN was the Council's new tendering portal and had gone live in October 2024. It was developed and fully maintained directly by the NEPO team. The new portal had been in development for a considerable period and the benefits of the system would develop as the system matured, and officers worked to understand how it could best meet the Council's needs. The first quotation had been published via the system and, in next year's report, the Committee would receive more detail on how the system was working and had developed over time.
- NEPO continued to work on the North East Environmental, Social and Governance (ESG) model which was being developed and would deliver the North East's priorities. Over the course of the next year, Middlesbrough's social value would be developed.
- With regards to purchasing cards, it was explained that since the last report, a number of actions had taken place that had seen a significant move away from their usage. These had included a full Directorate review of all purchasing card holders, which had identified which staff should continue to hold a card; those where cards should be cancelled; and identified new cardholders. The Purchasing Card Policy had been updated and data dashboards rolled out to all Directors and Heads of Service.
- Regarding a Supplier Incentive Programme (SIP), this was the Council's early payment programme that gave suppliers the opportunity to be paid earlier than standard practice.
- The SIP gave suppliers the option to be paid as soon as the invoice was authorised. The aim was to complete this within 10 days - the normal payment term was 30 days. Suppliers paid a small pre-agreed rebate which was applied as the invoice was paid. The rebate was proportionate to the number of days the authority accelerated the payment by and was only applied if the invoice was paid earlier than 30 days.
- The SIP programme had been operational since May 2022, with savings of over £40,000 up to 31 March 2023 being achieved. As part of SIP, the Council had Free Pay, which allowed the Council to identify and pay early, without rebate, local suppliers who were classified as being a Small and Medium sized Enterprise (SME). Appendix 2 showed a summary of Free Pay performance in the current year and showed how the Council had paid £6m within three working days, which was a proactive approach by the Council in supporting its local suppliers.

A Member referred to section 3.5 of the report, which focused on local spend data. It was felt that because the 40% target had consistently been achieved, this could be raised to 50% to offer an increased challenge. In response, the Specialist Commissioning and Procurement Manager indicated that the achieved 49%, 48%, 50% and 51% rates were excellent progress as, previously, performance had sat between circa. 35-43%. The Member wished to encourage an increased target to achieve greater expenditure within the Tees Valley.

A Member referred to unclaimed VAT and queried work taking place in this regard. In response, it was explained that work was currently underway with the VAT officer and service areas to set required categories and spends. A Member queried whether documentation/receipts with VAT details would assist officers. In response, it was explained that suppliers registered with banks as level 1, level 2 or level 3. Suppliers at levels 2 and 3 did not always require receipts, but for good practice this was encouraged. In terms of level 1 suppliers, it was the Council's responsibility to claim valid VAT receipts.

A Member referred to section 3.3.2 of the report, which indicated that the number of active purchase cards had reduced. There were currently 194 active cards: of those, 179 were for Council staff and 15 were for maintained School staff. It was queried whether these numbers were still accurate. In response, the Committee was advised that, at one stage, there were between 400-500 active cards, which demonstrated the reduction in their usage. The Specialist Commissioning and Procurement Manager advised that these figures, i.e. the current number of active purchase cards and how much this figure had reduced over time, would be checked.

A Member referred to section 3.5.3 of the report and queried whether there were any up to date figures available, as those detailed in the report ended at March 2024. In response, the Specialist Commissioning and Procurement Manager indicated that the current position for the last three quarters would be available. Following a short discussion, Members felt it prudent to wait until figures for the full year were available and able to be presented at a future meeting.

A Member referred to fraudulent activity and queried the processes involved in instances where this was suspected. In response, Members were advised that where fraudulent spend was suspected, an investigation would be undertaken and reported to internal audit and the Director of Legal and Governance Services. If anything was found to have occurred, disciplinary action would be taken. Suspected fraud could be identified in several ways, including: transactions that card holder(s) did not recognise; whistleblowing; or if a transaction was felt to be illegitimate.

A Member referred to the scrutiny of receipts and queried how this was undertaken. In response, the Committee was informed that the dashboard could be searched and receipts analysed. Officers constantly reviewed card usage. It was noted that the Council's Purchasing Card Policy was currently being updated to provide clearer guidance to those with cards and ensure that they were being used correctly.

The Chair thanked the officer for her attendance and contribution to the meeting.

**AGREED that:**

- 1. The current number of active purchase cards, and how much this figure had reduced over time, would be checked.**
- 2. The information, as presented, was noted.**

24/69

**WORK PROGRAMME (STANDARD ITEM)**

A copy of the current work programme for the Audit Committee had been circulated for information. This was a live document that was updated after each meeting.

**NOTED**

24/70

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

None.