

## AUDIT COMMITTEE

<b>Date:</b> Thursday, 22 August 2024
<b>Time:</b> 1.30 p.m.
<b>Venue:</b> Mandela Room, Town Hall

## AGENDA

1. Welcome and Evacuation Procedure  
  
In the event the fire alarm sounds, attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.
2. Apologies for Absence
3. Declarations of Interest  
  
To receive any declarations of interest.
4. Minutes - Audit Committee - 25 July 2024 3 - 14
5. Annual Complaints and Compliments Report 2023-2024 15 - 26
6. Ministry of Housing, Communities & Local Government (MHCLG) Letter on Action to Tackle the Local Audit Backlog in England 27 - 28
7. Ernst & Young Update on Audits for 2021/22 and 2022/23 - Verbal Report
8. Forvis Mazars - Audit Progress Report 2023/24 29 - 48
9. Annual Report of the Head of Internal Audit and Annual Counter Fraud Report 49 - 80
10. Best Value Notice - Status Update 81 - 82
11. Progress Against the Corporate Governance Improvement Plan and the Section 24 Report 83 - 94
12. Any other urgent items which in the opinion of the Chair, may be considered.

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Wednesday, 14 August 2024

MEMBERSHIP

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

**Assistance in accessing information**

**Should you have any queries on accessing the Agenda and associated information  
please contact Chris Lunn, 01642 729742, [chris\\_lunn@middlesbrough.gov.uk](mailto:chris_lunn@middlesbrough.gov.uk)**

**AUDIT COMMITTEE**

A meeting of the Audit Committee was held on Thursday 25 July 2024.

**PRESENT:** Councillors J Ewan (Chair), I Blades, D Branson, I Morrish (as substitute for Councillor B Hubbard) and G Wilson.

**ALSO IN ATTENDANCE:** C Andrew, External Auditor – Mazars  
 C Cooke, Elected Mayor  
 N Corrigan, Democracy Reporter - Gazette Live  
 M Rutter, External Auditor - Ernst Young  
 M Thomas, Internal Auditor - Veritau  
 Councillor N Walker, Executive Member for Finance and Governance  
  
 S Reid, External Auditor - Ernst & Young (Virtual Attendance)

**OFFICERS:** M Brown, G Cooper, C Heaphy, A Johnstone, C Lunn, D Middleton, G Welch, J Weston and A Wilson.

**APOLOGIES FOR ABSENCE:** were submitted on behalf of Councillors D Coupe and B Hubbard.

**WELCOME AND FIRE EVACUATION PROCEDURE**

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

**DECLARATIONS OF INTEREST**

NAME OF MEMBER	TYPE OF INTEREST	ITEM/NATURE OF INTEREST
Councillor I Blades	Non Pecuniary	Wife is Member of Teesside Pension Fund

A Member referred to the Chief Officers Appointments Committee. It was queried whether a declaration of interest was required at this meeting if Members sitting on both the Audit Committee and Chief Officers Appointments Committee had supported the appointment of a Chief Officer, who could be associated with the business of the Audit Committee. It was confirmed that this was not a requirement.

**MINUTES - AUDIT COMMITTEE - 14 MARCH 2024**

The minutes of the Audit Committee meeting held on 14 March 2024 were submitted and approved as a correct record, subject to the following amendment:

- Page eight, Minute No. 23/36 – paragraph four, line two: *“The Auditor stated...”* to be amended to: *“The Officer stated...”*.

The Chair requested updates in relation to two previously agreed actions; these would be considered under Any Other Urgent Items.

**HEALTH AND SAFETY ANNUAL ASSURANCE REPORT 2023**

A report of the Director of Legal and Governance Services (Monitoring Officer) was presented to outline the Council’s approach to health and safety management and summarise activity in the past year and planned activity for 2024, in order to provide the Committee with assurance that the Council has robust arrangements in place, as required by the Health and Safety Act 1974.

The Council had a governance framework structure in place to oversee health and safety, ensure compliance with legal requirements and deliver ambitions in relation to Health and Safety.

The digitised health and safety management application (My Compliance) continued to be developed and its processes embedded within day-to-day risk management. Data built up in the system had been used to

improve understanding of the impact of violent incidents, unblock systematic issues to improve compliance and increase Officer and Member visibility and oversight. Regular reviews of underpinning documentation with the governance framework were undertaken.

During 2023, the following procedures were implemented and/ or reviewed:

- Legal Register implemented.
- Health and Safety Policy reviewed.
- Three-year Strategic Health and Safety Plan implemented.
- Fire Procedure and Policy Statement implemented.
- Noise Procedure implemented.
- Vibration Procedure implemented.
- Personal Protective Equipment Procedure implemented.
- Respiration Protective Equipment Procedure implemented.
- Abusive, Persistent and Vexatious Policy implemented.

Reporting content for oversight of health and safety had also been refreshed, utilising the new capabilities of My Compliance and Power BI to enable reports to focus on the lessons to be learned, trends and areas of concern, while providing assurance as to the robust datasets in place to track health and safety compliance.

A key focus for the team during 2023 had been the implementation of the health and safety management system, which had ensured that there was a robust system in place to support staff and Members.

The Council continued to deliver training and support to staff to ensure compliance with health and safety obligations and understanding of roles and responsibilities.

In addition to the suite of eLearning materials that were already available to all staff, during 2023:

- Face-to-face incident investigation awareness, evacuation chair and fire warden courses were delivered to supplement e-learning.
- Face-to-face manual handling and people handling were delivered to support operational areas.
- eLearning resources were refreshed to enhance manual handling training.
- A Personal Safety Train the Trainer course was completed by eight personnel within the Local Authority to deliver a bespoke package in 2024 onwards.

A restructure of the Health and Safety Unit occurred in May 2023, which resulted in the Health and Safety Unit combining with risk management to create the Risk and Health and Safety Team. Current financial restraints within the Local Authority meant one post within the Risk and Health and Safety Team had not been filled. This resulted in ownership for delivery of fire risk assessments from January 2024 moving back to Asset Management to manage until the post could be filled. This had now been achieved.

During 2024, further work would be undertaken to implement the new strategic plan for health and safety. This ensured that the Council's commitment to continual improvement in health and safety management was delivered.

The following policies and procedures would be produced, reviewed and uploaded onto the intranet in line with planned refresh cycles:

- Work at Height Procedure.
- Incident Management Procedure.
- Risk Assessment Procedure.
- Manual Handling Procedure.
- Lone Working Procedure.

An internal audit of the Council's Health and Safety Team to check effectiveness of the health and safety management system, which had been implemented throughout the Local Authority, would be completed in 2024.

In addition to this annual assurance report to the Audit Committee, information on health and safety

compliance was reported on a quarterly basis to:

- Departmental teams.
- Trade Union representatives.
- The Leadership Management Team.
- The Corporate Health and Safety Steering Group, which comprised Members, Officers and Trade Union representatives.

In response to a query from a Member, it was clarified that following a temporary (five-month) move to the Asset Management Team, full ownership of fire risk assessments had returned to the remit of the Health and Safety Team.

In response to a further query, the Committee was advised that an inspection of all fire doors across the authority had recently been completed. All doors had received a RAG rating; priorities for remedial works were currently being processed.

## **NOTED**

### **ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO)**

A report of the Head of Governance Policy and Information was presented to advise the Audit Committee of arrangements in place to ensure the proper governance of information within the Council, progress made within the 2023 calendar year, risks and issues arising, and priorities for 2024/25.

The Council created, protected, managed, shared and disclosed information in line with a complex legal framework. The report dealt principally with information governance arrangements relating to the following, and the risks arising from:

- Data Protection Act 2018 (DPA).
- UK General Data Protection Regulation 2016 (UK GDPR).
- Privacy and Electronic Communications Regulations 2003 (as amended).
- Environmental Information Regulations 2004 (EIR).
- Freedom of Information Act 2000 (FOI).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Protection of Freedoms Act 2012 (PoFA).

The Council's activity in this area was largely regulated by the Information Commissioner's Office (ICO), with the Investigatory Powers Commissioner's Office (IPCO) acting as the regulatory body for RIPA, and compliance with the Surveillance Camera Code of Practice and the relevant provisions of PoFA encouraged by the Biometrics and Surveillance Camera Commissioner.

The Head of Governance Policy and Information acted as the Council's SIRO/ Senior Responsible Officer (SRO) for Biometrics and Surveillance and RIPA, and was the owner of the Council's Information Strategy. The SIRO advised the Chief Executive and the Council's management team on information risk, reporting quarterly to the internal risk management group and annually to the Leadership Management Team (LMT) and Audit Committee.

The report provided an overview of compliance, issues and risks in 2023 in the following areas:

- Information Governance Framework.
- The Information Strategy.
- Data Protection.
- Information Security.
- Cyber Security.
- Records Management.
- Surveillance Policy.
- Public Information and Information Requests.
- Physical Access and Building Security.

During 2024, a refresh of the Information Strategy would be undertaken to:

- Focus on refreshing the assessment of the health of Council data.
- Identify the improvement transformation required to enable the Council's delivery of transformation activity.
- Refresh the Information Governance Policy Framework to reflect emerging opportunities and risk, for example, opportunities around use of artificial intelligence and policy safeguards that would need to be put in place.

The Council's data protection activity over 2023 had continued to focus on incidents and rights requests. Other data protection activity over 2023 had involved cyclical reviews and updates to information sharing agreements and privacy notices.

Mandatory training compliance had declined to 91% with areas for improvement identified in Children's Services, partly due to staff turn-over, and Regeneration Services, where plans for alternative training approaches for large groups of casual staff in cultural and creative services were being developed.

The final two recommendations from the 2020 ICO consensual audit of the Council were implemented. Analysis of ICO published statistics for receipt of any complaints and concerns, up to June 2023, showed Middlesbrough Council ranked 115<sup>th</sup> equal out of 118. Within 2023, there were no complaints or breaches referred to the Council by the ICO and of the four reports made to the ICO about the Council, all were closed with no further action.

In relation to Information Security, details of the numbers of personal data breaches and ICT/other security incidents were provided at paragraph 4.11 of the report. Six personal data breaches were reported to the ICO in 2023. Following investigation, the ICO had not taken any further action in respect of these incidents. An update of actions taken in relation to Cyber Security and Records Management were also detailed in the submitted report.

The Council continued to operate an integrated Surveillance Policy which set out how and when surveillance would be authorised, conducted, reviewed and reported. Training in 2023 had focused upon appropriate determination in using the policy and the differences between RIPA and non-RIPA processes. The policy was last reviewed by the Executive Member for Finance and Governance in December 2023, and would next be reviewed in December 2024.

The report provided statistical data in respect of Public Information and Information Requests. In 2023, 102 individuals made Subject Access Requests (SARs); there were 1295 FOI requests, which represented a 2.29% increase on 2022; and 70 EIR requests. Details regarding the content and performance measurement of these were outlined to the Committee.

Regarding physical access and building security, the Committee was advised that the Council had a range of policies and procedures in place which managed building security and access to Council sites, along with a building manager model. Following a series of incidents, recommendations had been made about changes to building security measures and practices. Subject to the outcomes of any wider building asset portfolio decisions, further recommendations were possible.

The key priority during 2024 was to review the Information Strategy of the Council to ensure that the operational aims of the Council aligned with the strategic vision set by Members and the organisation's direction of travel, particularly in relation to the on-going work around budget and governance.

The second priority of the organisation was the successful delivery of transition to SharePoint, which would transform how the Council stored, shared and used data on a day-to-day basis. Information governance considerations were embedded within the scope of the project to ensure that the benefits of SharePoint were maximised while ensuring a robust approach to information governance and security.

A Member referred to paragraph 4.9 of the report and queried the analysis of ICO published statistics for the receipt of any complaints and concerns, up to June 2023; Middlesbrough Council was ranked 115<sup>th</sup> equal out of 118. In response, it was clarified that this was positive as 115<sup>th</sup> was at the lower end of the scale, meaning that very few people had complained.

A Member queried the process for closing complaints and the associated checks and balances. In response, the steps involved in the complaints procedures were outlined to the Committee, which involved progression into stages two and three, with the option for complainants to also approach the Local Government and Social Care Ombudsman should they have wished. It was indicated that an annual complaints report would be provided to the Audit Committee in August 2024.

A Member referred to paragraph 4.24 of the report and queried whether the cyber security exercise had been carried out by the Local Government Association (LGA). In response, it was explained that this needed to be rescheduled, and would take place in August 2024.

A Member referred to paragraph 4.13 of the report and queried the work being undertaken to prevent future personal data breaches. In response, it was explained that the Data Protection Officer would carry out an investigation into any such breach to determine whether it was the consequence of a system or individual error. Remedial work, as appropriate to the cause, would then be carried out. The outcome of such investigations were reported to LMT.

A Member referred to paragraph 4.21 of the report in respect of a Cyber Security Training Strategy. The Committee was informed that this would ensure that staff were educated appropriately regarding modern cyber threats, and their associated risks and options for mitigation. The planned refresh would allow for officers to maintain pace with the way the Council operated.

A Member referred to the issue of tailgating in respect of building security and queried the work taking place to prevent this. The Committee was advised that this included regular communications to staff to highlight this issue; incident logging; the establishment of a policy; and building security audits. It was indicated that this had been a particular issue at Fountains Court, which had resulted in outside lighting provision being changed and the situation closely managed.

## **NOTED**

### **RISK MANAGEMENT: ANNUAL ASSURANCE REPORT 2023/24**

A report of the Director of Legal and Governance Services (Monitoring Officer) was presented which outlined the Council's approach to risk management, and summarised activity in the past year and planned activity for 2024 to provide the Committee with assurance that the Council had robust risk management arrangements in place.

Risk management was a critical element of corporate governance and was a statutory requirement for public sector organisations. Risks were to be reduced to an acceptable level, or if possible, eliminated. Robust risk management enabled the Council to effectively discharge its responsibilities and deliver its various functions.

Risk management was the collective responsibility of all Elected Members and officers of the Council. The Council's approach to risk management was articulated by the Risk Management Framework, which was reviewed by Executive in July 2023.

The Council used risk registers to manage the various risks it identified. The overarching risk register was called the Strategic Risk Register, which captured the most significant risks the organisation was exposed to that could impact on its ability to deliver its strategic priorities, which were outlined in the Council Plan. A summary of the current Strategic Risk Register was shown at Appendix 1.

In addition to annually reporting the Council's overall approach on risk management to Audit Committee, a summary of the Strategic Risk Register was monitored monthly in performance deck and reviewed every three months by LMT.

Details regarding the Risk Management Framework were provided to the Committee. It was explained that the Council's Risk and Opportunity Management Policy set out how risks were captured, scored and managed using a likelihood and impact scale.

A Risk Improvement Plan was developed in March 2023 for the Council to ensure that it was committed to ensuring its risk management practice continued to be effective. Actions were split into the following areas:

- Risk communication and training - Intranet updates - shared information.
- Strategic risk identification and monitoring - LMT three-monthly reviews.
- Risk management processes - DMT monthly reviews.

An internal audit of the Council's risk management arrangements was programmed to be completed in 2024; resulting recommendations would be highlighted to relevant Members and officers when completed.

In terms of risk management activities for 2024/2025, further work would be undertaken to build on progress made in 2023/2024 as part of the Council's commitment to continually improve risk management planning. Planned activity included:

- Review of the Communication and Engagement Plan.
- Review of the Strategic Risk Register.
- Improvements in the build in Ideagen for Directorates.
- Review of Risk Management Group membership.
- Increased risk reporting frequency to Audit Committee on risk governance and the content of the Strategic Risk Register.
- Review of the current risk management software.

A Member commented on the unexpected nature of risk and queried the procedures in place for preparing for all eventualities. In response, the Committee heard that an array of work was being undertaken to assist with this, which included: discussion at LMT and Departmental Management Team (DMT) meetings; identification of formal review points; and discussion with service areas about new and emerging risks.

In response to a query regarding risk reporting processes to Members, it was explained that a report was presented to Executive and an outturn report to the Overview and Scrutiny Board.

A Member queried ownership of risk identification and completion of the scoring matrix. In response, it was indicated that various officers contributed to this process as the Strategic Risk Register came under collective ownership. In terms of the table contained in the submitted report, this had been completed by the S151 officer.

Referring to adults and children entering the social care system, a Member queried whether individual risk assessments were carried out. In response, reference was made to impact assessments and, although not relevant to these groups, reports on other groups were carried out. In terms of Adult Social Care and Children's Services, it was noted that there was good risk management in place within the services, which was reported on accordingly.

A Member referred to incidents of serious accident and death and queried whether civil liability could be insured against. In response, the Committee was advised that insurance was based on the volume of claims: there had been no claims made in at least the last 10-15 years. In the event of a claim, if the Council was liable and at fault, the Council would be responsible for the first £250,000 of any payment. It was explained that insurance premiums had increased significantly over recent years and, as such, the Council had taken the approach to conduct risk assessments of insurable versus non insurable events. The Council had set a reserve to cover small incidents and utilise external insurance protection for more catastrophic events. All Local Authorities had, more-or-less, moved to this model.

The Mayor referred to Member engagement in respect of the Strategic Risk Register and commented that, when it was last presented, concerns were raised around the level of risk being higher in some service areas, such as Regeneration, than in others. Adult Social Care, for example, was the lowest. The Mayor had requested that a review be undertaken in respect of Adult Social Care and Children's Services to achieve a greater representation of the risks in those areas.

## **NOTED**

### **MIDDLESBROUGH COUNCIL - VALUE FOR MONEY REPORT 2021/22 AND 2022/23**

A report of the Director of Finance (S151 Officer) was submitted, the purpose of which was for Ernst & Young (EY), the Council's External Auditor, to present their Value for Money interim report for the 2021/22



and 2022/23 financial years.

The report set out EY's findings and commentary on the Council's systems and arrangements over this period and highlighted any deficiencies that required improvement for the future. It also covered other findings that EY wished to raise with the Audit Committee following this work. These matters related to either governance-related issues or to the accounts for the relevant two-year period, which currently remained open and not yet signed off by EY.

The Interim Report was attached at Appendix 1.

For background context, the Committee heard that the previous Value for Money commentary had been provided for the period up to March 2021. A governance update was provided in December 2022 which highlighted ongoing risks, and a further update was issued in August 2023. This Interim Report covered the period four-months prior to the statutory notice being issued. Guidance was currently awaited from the government in relation to the conclusion of financial statements. Once received, the report would be finalised.

The External Auditor referred Members to the statutory recommendations and six areas of significant risk that had been identified. The following points were made:

- Regarding organisational culture, it was indicated that following issues raised in 2021/22, a response plan had commenced in 2022/23. A report on the Council's progress was provided in December 2022. Mention was made of the change to the Council's administration since that time. Regarding governance arrangements and the Council's Constitution, it was noted that the previously constituted Corporate Affairs and Audit Committee had since been separated into two and were now Corporate Affairs Committee and Audit Committee.
- Regarding financial sustainability, Members heard that during 2021/22 initial concerns in terms of the direction of travel were raised, but there was no significant weakness that year. The Council's position deteriorated in 2022/23, with significant risk being identified during that time.
- Regarding contracts and procurement, there was no view expressed in the report in terms of specific contract details or contractors appointed. Reference was made to exemptions and the procedures associated with these. It was indicated that inappropriate application of these had been a factor during 2021/22 and 2022/23, hence the association of risk during that period.
- Regarding the Middlesbrough Development Corporation, gaps had emerged since the formation of the company and therefore weakness was apparent across the period 2021/22 and 2022/23. The recommendations in the Interim Report were the same as those in the statutory report.
- Regarding assets, particularly The Crown pub, the Committee heard that in terms of processes/ due diligence, there was evidence of weakness in 2022/23.
- Regarding Children's Services, it was explained that the outcome of Ofsted inspections and other work carried out had demonstrated progress; the Council had delivered on the Children's Services Improvement Plan. The risk identified was based around service delivery.
- In the time since the period being reported on, the Council had made progress. It was highlighted that the report was factually based and no comments were made concerning the adequacy of any progress achieved.
- Mention was made of preparatory work being undertaken around national reporting and associated procedures; reference was made to pages 35-36 of the Interim Report in this regard.
- Concerning inspection of the accounts, reference was made to page 37 of the Interim Report. It was commented that the Council had not fully complied with this; many other Councils were the same.
- Reference was made to page 38 of the Interim Report and the pause of audit work. Activities had taken place around debt provision, which was not linked to the Value for Money commentary.
- With regards to Objection 2022/23 statements, it was indicated that these had not been taken forward.

Following the Auditor's presentation, the Chair invited any questions/ comments from the Committee.

A Member read out a statement, which referred to the following matters:

- An opinion of the contents of the audit report, including a failure to undertake statutory duties, and potential for the referral of matters to the Police for further investigation.

- Concerns around officer intervention levels.
- Concerns around assets, in particular The Crown pub, and possible further investigative action required.
- Concerns around compliance with finance and procurement rules.
- Concerns around the transparency of staff leaving packages and the Committees involved in assessing/ reviewing those arrangements.
- The action that would be taken to address the noted issues.

In response to the matters raised, the Chief Executive and Director of Finance made the following points:

- The Chief Executive joined Middlesbrough Council on 23 March 2023, which was eight days prior to the period concerned. The Chief Executive's appointment followed as a result of audit concerns; a review had been undertaken by audit and a remedial action plan established.
- Regarding irregularities around The Crown pub, the Chief Executive had requested that Veritau investigate this matter; a report had been provided previously to the Audit Committee. There was no further comment to be made on this, other than to recommend referral back to the audit report for full details.
- With regards to alleged criminality and the referral of matters to the Police for further investigation, the Chief Executive advised that any allegations would need to be fully evidenced/ supported. Evidence would need to be readily available for a complaint to be made. Any person(s) could make an independent report to the Police; the Chief Executive would not be privy to these. The Chief Executive had fulfilled his role by commissioning audit to undertake an investigation and report on the outcome.
- The Director of Finance joined the authority in April 2023 - after the contracts and procurement issues had emerged. Since this time, an array of work had been undertaken, including compliance checking of purchase cards and other resources. The aim was to achieve 100% compliance. Rules and regulations around finance had been tightened up.
- In terms of senior staff leaving packages, it was explained that appropriate legal advice had been sought in this regard.
- The necessary action to split Audit and Governance into two separate entities had been undertaken. Officers were working closely with partners to address the issues that had been identified. Reference was made to a report submitted to Executive on 24 July 2024, which endorsed the Council's direction of travel. Work was taking place with the Department for Education and good progress achieved in terms of Children's Services. OFSTED was carrying-out a focus visit at present.
- In response to EY's recommendations around procurement practice, the Director of Finance explained that several measures had been taken in her capacity as the Council's S151 Officer. Reference was made to the number of contracts awarded with exemption to procedure rules. It was explained that, as at March 2024, 121 of these contracts were live; 44 remained active at that point. Two were currently in place that had been extended; 70 had ceased. Five were currently in query status; further work would be undertaken by procurement to understand these in greater detail. All contracts awarded that were subject to exemption had not exceeded the threshold. The EY Auditor was not the current Auditor for work carried out since March 2023; new procedures had been established since this time.
- Regarding responsibility for contracts, it was explained that procurement officers acquired goods and services based on such factors as best value; responsibility for contract management sat with Directors and Heads of Service. The Mayor commented that governance was not only the responsibility of officers, noting that Audit Committee was an example of this. The Council had a direction, and The Crown pub was not purchased on a whim. Politicians set the direction and officers enacted decisions, therefore Councillors also needed to take ownership. The Chief Executive advised that officers could procure up to a certain amount before matters would need to be referred to the Executive.

A discussion ensued in relation to reporting matters to the Police. The Chair explained that it was not in the remit of the Committee to contact the Police, but any individual could raise a report should they have wished. It was reiterated that evidence for any allegations would need to be provided. It was also reiterated that neither the current Chief Executive nor the S151 Officer were in post at the time these issues occurred. The Internal Auditor explained that the results of the audit were presented to the Audit Committee in March. There was no evidence of criminality; had there been any evidence of criminality, the report would have been pulled and referred to officers to determine Police input.

**NOTED****MIDDLESBROUGH COUNCIL - AUDIT STRATEGY MEMORANDUM 2023/24**

A report of the Director of Finance (S151) was presented, the purpose of which was for Mazars, the Council's External Auditor, to present their Audit Strategy Memorandum for the 2023/24 financial year. This set out their plans for the audit of the financial statements and Value for Money arrangements for the Council.

This was the first year of the new external audit contract with Mazars, covering the period 2023/24 to 2027/28. The audit of the two previous years accounts for the Council with Ernst & Young were still open; it was expected that these would be modified and/or disclaimed opinions, depending on government legislation that was still to be confirmed.

Mazars Audit Strategy Memorandum for 2023/24 was attached at Appendix 1 and included the following sections:

- Engagement and responsibilities summary.
- The audit engagement team.
- Audit scope, approach, and timeline.
- Significant risks and other key judgement areas.
- Value for Money arrangements.
- Fee for the audit and other services.
- Commitment to independence.
- Materiality and other misstatements.

It was indicated that, as the incoming auditor, work had started and followed up on the outgoing auditor's work. The intention was to move to an annual report, as opposed to reports being linked to a specified period.

In terms of financial recompense for work undertaken, the Council had decided on 23 February 2022 to 'opt in' to the national audit appointment scheme undertaken by Public Sector Audit Appointments (PSAA), a government agency for contracting external audit services. The base audit fee for any Local Authority who opted into the national scheme was set by PSAA, based on size and on previous audit experience and fees paid. The audit fee for the Council for the 2023/24 audit was outlined in section six of the Audit Strategy Memorandum at £321,074. It was possible that this fee could increase, based on any additional work required by the auditor as part of their statutory role.

The fee for 2023/24 was a significant increase over the base audit fee for 2022/23 of £111,857, but represented the additional external audit work undertaken in relation to the Council over the last couple of completed audits. The 2023/24 fee was fully budgeted for within the corporate part of the Council's accounts.

A Member referred to the backlog of work and two years currently outstanding. In response, it was explained that information would be updated and presented to Audit Committee, as required.

A Member referred to the concept of value, the subjective nature of this and queried how this could be considered. In response, the Committee was advised that the remit was to look at the arrangements in place and to raise any issues in this forum for discussion/ consideration. It was noted that the auditor's comments concerned the Council's arrangements that were in place and not on individual contracts.

**NOTED****TEESSIDE PENSION FUND - AUDIT STRATEGY MEMORANDUM 2023/24**

A report of the Director of Finance (S151) was presented, the purpose of which was for Mazars, the Council's External Auditor, to present their Audit Strategy Memorandum for the 2023/24 financial year. This set out their plans for the audit of the financial statements for the Teesside Pension Fund.

This was the first year of the new external audit contract with Mazars, covering the period 2023/24 to 2027/28. The audit of the two previous years accounts for the Council and Pension Fund with Ernst & Young were still open; it was expected that these would be modified and/or disclaimed opinions, depending on government legislation that was still to be confirmed.

Mazars Audit Strategy Memorandum for 2023/24 was attached at Appendix 1 and included the following sections:

- Engagement and responsibilities summary.
- The audit engagement team.
- Audit scope, approach, and timeline.
- Significant risks and other key judgement areas.
- Value for Money arrangements.
- Fee for the audit and other services.
- Commitment to independence.
- Materiality and other misstatements.

The External Auditor presented the report and overall approach to the Committee. The Teesside Pension Fund was accounted for separately from the Council's financial statements, albeit both were incorporated in the overall Council's Statement of Accounts.

## **NOTED**

### **CORPORATE GOVERNANCE IMPROVEMENT PLAN AND SECTION 24 ACTION PLAN PROGRESS REPORT**

A joint report of the Chief Executive, Director of Finance (S151 Officer) and Director of Legal and Governance Services (Monitoring Officer) was presented, which set out the key activities and progress since an update was last provided. The report also provided an update on activity in response to the Section 24 recommendations made by the Council's External Auditors and the Council's Corporate Governance Improvement Plan.

For the current reporting period, as at 18 June 2024, 96% of planned activity had either been delivered or was on-track for delivery in relation to the Corporate Governance Improvement Plan, with three planned activities across the 10 workstreams measuring as off-track. 96% of activity in relation to the Section 24 delivery plan was on-track or had been delivered, with one activity showing as off-track. The report set out the detail of the delivery plan activity, alongside supporting measures of success that were in place to assess the impact of activity.

Since its work was last reported in March 2024, the Independent Improvement Advisory Board had held meetings in April, May and July 2024. Details regarding the reports, presentations and representatives involved were outlined at paragraphs 7.2 and 7.3 of the report. Action points arising from formal meetings, together with a summary of information requested by the Board, were set out at Appendix 3.

It was anticipated that in mid-July, the Board would issue its third progress report for the Council's consideration. In line with agreed reporting for this, the report would be considered by Executive on 24 July 2024.

An update on the key activities related to delivery of the Section 24 Action Plan since last presented to Council was provided, along with some changes to delivery dates.

Appendices 1 and 2 provided details of measures of success against the Corporate Governance Improvement Plan and Section 24 Report.

#### **AGREED that:**

- 1. Progress against the Corporate Improvement Plan and Section 24 Action Plan was received and noted.**
- 2. The proposed changes to milestones and activity in relation to the Section 24 Action Plan, as outlined at paragraphs 6.7 to 6.10, was agreed.**

## **VERITAU INTERNAL AUDIT AND COUNTER FRAUD WORK PROGRAMME 2024/25**

A report of the Head of Internal Audit, Veritau was presented to seek Members' approval for the 2024/25 planned programme of internal audit, and for Members to note the Counter Fraud Work Programme 2024/25.

Appendix 1 set out the proposed internal audit work for 2024/25, which was based on an initial assessment of risk undertaken. The identification of risks included in the assessment had been informed in several ways, which included review of the organisational risk management processes; understanding the Council's strategies and objectives; and the results of recent audit work.

It was explained that to meet professional aims and objectives, a flexible approach was taken towards audit planning. This allowed for any changing and emerging risks within the Council to be identified and appropriately managed. The aim was to cover sufficient areas of the Council, with all work matched against an assurance framework. Consultation work in respect of the proposed areas of coverage had been undertaken with the Audit Committee and senior management teams.

Regular discussions/ meetings regarding the scope and timings of audit work would be carried out with officers and management teams throughout the year; updates on coverage, scope and findings of work would be presented to the Audit Committee.

Regarding the Counter Fraud Work Programme, the proposed areas of counter fraud work in 2024/25 were set out in Appendix 2. There was no time estimation allocated for each area as this was dependent on the levels of suspected fraud reported to the team.

The priorities for the work programme were set annually in the Council's Counter Fraud Strategy Action Plan and annual Fraud Risk Assessment, which were presented to the Audit Committee in October 2023.

The total number of days allocated to counter fraud work in 2024/25 was 150.

A Member referred to the recent changes made to the Council's scrutiny structure and commented upon its robustness. It was queried whether the audit team could investigate this. In response, the Auditor indicated that this suggestion would be taken away and reviewed.

### **AGREED that:**

- 1. The 2024/25 planned programme of internal audit was approved.**
- 2. The Counter Fraud Work Programme 2024/25 was noted.**
- 3. Internal Audit would look into the possibility of reviewing the Council's scrutiny arrangements.**

## **AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Committee was advised that the Forward Work Programme was a working document used to track the business of the Committee.

In terms of planning for November 2024 and the suggestion of an additional meeting to manage the workload of the Committee, Members agreed with this. Members also agreed that an additional meeting in April 2025 would be beneficial. The Democratic Services Officer would follow this up.

It was anticipated that a mid-year update in respect of Risk Management would be provided at the 6 February 2025 meeting.

Regarding the 13 March 2025 meeting and the proposed Performance Management and PPMF Assurance report, it was explained that these matters would be reported on separately.

A brief discussion ensued with regards to the scheduling of meetings and the need to hold a meeting in August. Although acknowledged that this was holiday season, owing to both diary management and the workload of the Committee, unfortunately this could not be avoided.

### **AGREED that:**

- 1. Arrangements would be made for two additional Audit Committee meetings to take place:**

- one in November 2024 and one in April 2025.  
2. The information, as presented, was noted.

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

Future Meeting Arrangements - Change to Start Time

The Chair requested that the start time for all future Audit Committee meetings, currently 2.00 p.m., be changed to 1.30 p.m. Members agreed; Democratic Services Officer to action.

**AGREED that future Audit Committee meetings would commence at 1.30 p.m.; Democratic Services Officer to action.**

Minutes - Audit Committee - 14 March 2024

The Chair referred to the minutes of the previous Audit Committee meeting and requested updates regarding two agreed actions, as follows:

- Page 2, Minute No. 23/29 - Corporate Governance Improvement Plan and Section 24 Action Plan Progress Report - 3. Copies of minutes of Middlesbrough Development Company Board Meetings would be circulated to Committee Members.

Members were advised that the Chief Executive had written to the Directors to request the release of the minutes; no definitive response had been received as of yet. Reference was made to company law and the duty of Directors to comply with this. Directors were responsible for ensuring that the release of any documentation into the public domain was appropriate and in the best interest of all parties.

- Page 6, Minute No. 23/33 - HR Assurance Presentation - 2. Further statistical data in relation to employee sickness absence would be provided to the Committee.

Members were advised that this had been raised with the Head of HR and statistics would be provided as soon as possible.

**NOTED**

Auditor Attendance – EY

A Member wished to record a note of thanks to the External Auditor from EY for the support provided to the Committee. The External Auditor thanked the Member for the comments made and advised that attendance at meetings would continue until the EY work had been closed off.

**NOTED**

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Legal and Governance Services
<b>Submitted to:</b>	Audit Committee
<b>Date:</b>	22 August 2024
<b>Title:</b>	Annual Complaints and Compliments Report 2023-2024
<b>Report for:</b>	Information
<b>Status:</b>	Public
<b>Council Plan priority:</b>	Delivering Best Value
<b>Key decision:</b>	Not applicable
<b>Why:</b>	Not applicable
<b>Subject to call in?:</b>	Not applicable
<b>Why:</b>	Not applicable

<b>Proposed decision(s)</b>
That the Committee notes the complaints statistics and trends, the outcomes and lessons learned from these, and planned actions to further strengthen the management of complaints over the next 12 months.

<b>Executive summary</b>
<p>To present an annual complaints report covering the period from April 2023 to March 2024. The report sets out an overview on the Council's complaints process covering complaints statistics and trends, the outcomes, how the Council continues to learn from complaints, how the Council has worked towards the goals set within the previous annual report and planned actions to further strengthen the management of complaints during 2024/25.</p> <p>The report also outlines the governance in place to ensure complaints are managed in line with good practice and the expectations of the Local Government and Social Care Ombudsman (LGSCO), including details from the annual review of Local Authority Complaints recently issued by the LGSCO.</p>

## **1. Purpose**

- 1.1 The purpose of this report is to provide the Committee with information about how the Council is managing complaints made by local people, summarising complaints and compliments received from April 2023 to March 2024, alongside their outcomes and to show how the Council continues to learn from complaints and strengthen the managements complaints process.

## **2. Recommendations**

- 2.1 That the Committee notes the complaints statistics and trends, the outcomes and lessons learned from these, and planned actions to further strengthen the management of complaints over the next 12 months.

## **3 Rationale for the recommended decision(s)**

- 3.1 The report provides the committee with assurance that the Council has an effective approach to complaints management that complies with the expectations of the Local Government and Social Care Ombudsman (LGSCO).

## **4 Background and relevant information**

- 4.1 Monitoring of complaints and embedding lessons learned from them support the Council's commitment to a principle of continuous improvement and the achievement of compliance with the Best Value Duty. The Council analyses complaints and compliments received to ensure it learns lessons from both.
- 4.2 Those services accessed by all households, tend to receive the most complaints e.g. Environmental Services and Revenues and Benefits. Other services that relate to care matters tend to receive a lower volume of complaints, however investigation of those cases tends to be more complex.

### **What is a Complaint?**

- 4.3 A complaint is an expression of dissatisfaction or disquiet about the actions, decisions, or apparent failings of a local authority's service provision, and/or a decision the Council has made.

### **Complaints policy and procedures**

- 4.4 The Council is required to operate three distinct complaints procedures:





4.5 Where a complainant remains dissatisfied, they can refer the complaint to the LGSCO for review and possible investigation (with this determined by the LGSCO itself).

4.6 Some complaints and appeals are addressed through separate procedures, including:

- a complaint about a school;
- a complaint about councillor misconduct;
- a complaint about staff misconduct;
- whistleblowing;
- a potential insurance claim;
- a potential data protection breach;
- an appeal against a parking penalty charge notice;
- an appeal relating to request for information;
- an appeal against refusal of planning permission; and
- an appeal about school admission or exclusion.

4.7 As set out within the [Council Plan 2024-2027](#) the Council is committed to improving resident satisfaction with its services and welcomes customer feedback, and to help the corporate complaints team to identify areas of good practice and address problems for customers. This report shows how the Council continues to increase the volume of customer feedback about services, how we are responding to complaints, and how the Council is committed to learning from these to improve performance.

### Complaints Data and Trends

4.8 The total numbers of complaints received represent a very small fraction of transactions undertaken by a Council during the year. The LGSCO advises that the number of complaints and trends are in themselves no indication of organisational health or of the performance of individual services but that a high number of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Conversely, a low number of complaints can be a sign that an organisation is not receptive to user feedback.

4.9 As such, the Council does not set targets around the number of complaints it receives, but instead tracks the percentage that are upheld.

4.10 This report provides a summary of corporate and statutory complaints covering 1 April 2023 – 31 March 2024. Appendix 1 sets out the data for this period and covers:

- Overall volumes of complaints and outcomes
- the numbers that were escalated to the LGSCO
- the volumes and outcome of complaints by department
- the percentage of complaints that were responded to in time by each department
- Tees Valley local authority comparative performance in relation to complaints.

4.11 The data shows that while there has been a significant increase in the total number of complaints received by the Council in 2023/24, there was a much less marked corresponding increase in the percentage upheld after initial investigation. This rose from 50.5% (2022/2023) to 55.3% (2023/2024). Most cases are upheld due to services failing to respond in time.

4.12 Paragraphs 4.33 – 4.40 of this report set out the outcome of complaints investigated by the LGSCO and the lessons the Council has learned from them.

### **Compliments**

4.13 The Council's central team does capture compliments that are submitted to the Council however they are at a lower level. From the period April 2023 to March 2024, the central team received 109 compliments given to the Central Complaints team, which is a significant increase on the 46 recorded for the two year period 2021-2023 as reported in last year's report.

4.14 The main trends in these compliments related to:

- 40 compliments thanking Environmental staff in relation to grass cutting, street cleaning, bin collection and speed of responses to service issues.
- 18 compliments on the work of the Corporate or 'Other' service including outdoor events held in Albert Park and the friendliness of staff.
- 16 compliments thanking the Children and Education teams for supporting families during difficult times.
- 12 compliments across Adult Social Care mainly thanking individual workers for their support and hard work.

### **Children's statutory complaints**

4.15 There has been a slight increase in the number of complaints in relation to Children's Services which has seen increases from 157 (2022/23) and to 167 (2023/24).

4.16 Whilst the volume has increased, the percentage upheld locally has continued to decline year on year for the previously reported three years, rising slightly in the latest year. This is a reflection of improvements in practice that have been delivered by the Children's Services improvement journey.

## Adults statutory complaints

- 4.17 Adults statutory complaints numbers remain low in comparison to Children's at 31 in 2022/23 and reducing to 29 in 2023/24.
- 4.18 There was also a positive direction of travel in the percentage of upheld and partially upheld complaints, which decreased from 51.6% in 2022/23 to 48.3% in 2023/24. Of those upheld only 17% or 5 complaints were fully upheld. The remaining 31% or 9 complaints were only partially upheld. The main reason for the partially upheld complaints was due to the service having failed to complete investigations within the required timescales.
- 4.19 As in last year's report, a continuing theme arising from complaints is the redesign of services, adopting new ways of working with the public, and increasing the use of remote engagement methods.

## Directorate performance

- 4.20 Appendix 1 sets out a breakdown of complaints by category. The categories are set by the LGSCO and give a deeper indication of the types of complaints the Council receives. In both years, the highest number of complaints by volume relate to Environment and Regulation services. This section sets out more detail around the themes, excluding the statutory processes as the categories around these have been set out above.

### Environment

- 4.21 This Directorate has significantly changed practice in relation to service delivery during 2023/24. During the reporting period a significant amount of service transformation commenced implementation, including charging for Green waste collections and moving refuse collections to a fortnightly cycle. During this time complaints and contact from residents greatly increased, however the service introduced a dedicated resource to manage this, and qualifying complaints to the central team have seen a steady decline.
- 4.22 Communication both online and direct around the new collections has been received well and the numbers of online visitors accessing the information is greater than expected. The Council has taken the learning from this process to ensure it is reflected in future transformation activities that will impact on the public.
- 4.23 Grass cutting complaints have increased in relation to the quality of the cutting and frequency. There have also been contacts around non-collection of grass when it is cut. These complaints have generally not been upheld as the quality and frequency of grass cutting has been in line with agreed service standards, however complaints do reflect the impact of a decision to reduce these standards following previous budget reductions.
- 4.24 Bulky Waste collections have also experienced complaints around missed bin collections following vehicle breakdowns, which resulted in increases in backlogs. The

service has recognised the impact its aging fleet is having on this and has in place an investment programme to refresh its fleet.

In addition, a temporary pause was put in place July as staff and resources were diverted to meet operational demand in waste services during the implementation of changes to collections, this has created further complaints which will be seen in next year's report, however the changes in collection frequency are intended to create greater capacity for this service to cover jobs logged prior to the pause and new jobs after those.

### Highways

- 4.25 Potholes and road repairs complaints continue to remain high although have decreased from the previous year.
- 4.26 Road closures along Marton Road increased the volume of complaints due to the timing of the closures which were from 7pm. This overlapped with peak traffic times due to visiting and staff shifts finishing between 8pm and 9pm at James Cook Hospital. This caused much frustration to residents as access in and out of the local estate was severely disrupted and visitors and staff at the hospital were delayed getting onto and off the James Cook site.
- 4.27 Due to the residential area works needed to cease by midnight, starting later than 7pm would have increased delay on the overall closure period. Provision for alternative routes both in and out of the site made significant improvements to traffic flow for staff and visitors once they used the signposted routes which by the second evening of closures had increased.

### Benefits and Tax

- 4.28 Increases in Council Tax charges have contributed to increasing complaints in this service area. Response times for complaints remain compliant and the designated point of contacts within service continue to ensure quality of responses remains high.
- 4.29 Benefits and tax continue to deal direct and manage service queries successfully using their designated phone lines, reducing the volume that escalates to a qualifying complaint.

### Corporate and other

- 4.30 Corporate and other complaints continue to be received under this category, trend information indicates most complaints related to parking, staff behaviour, issues at cemeteries and Crematorium, bus station and parks, These types of complaints remain relatively high as a percentage of the overall complaints received.

### **Timeliness of complaints handling**

- 4.31 While overall compliance with this measure has increased year on year, a breakdown of complaints timeliness by complaint theme demonstrates that performance is variable across the Council. While over 92% of complaints in relation to Benefits and Tax are

responded to in time, this figure dropped to 37.5% for Education & Childrens complaints in 2023/24.

### **Local Government Social Care Ombudsman (LGSCO) complaints**

4.32 The LGSCO is the Council's regulator. Some complainants remain dissatisfied after exhausting local complaints procedures and will escalate their cases to the LGSCO to seek independent investigation.

4.33 Case data figures are set out in Appendix 1. The LGSCO publishes annual reports for each local authority on its website: <https://www.lgo.org.uk/your-councils-performance/middlesbrough-borough-council/annualletters/>.

4.34 The LGSCO also publishes redacted copies of upheld decisions and service improvements agreed by the Council.

4.35 Where applicable, the council will pay remuneration as a result of the following categories that the LGSCO use:

- lost time and trouble
- distress
- goodwill
- uncertainty
- injustice
- a refund, reimbursement, or
- offset/waving of arrears.

4.36 During 2023/24, the Council had no judgements made against it by the LGSCO which required payment to be made to the complainants.

### **Themes, improvement actions and lessons to be learned**

4.37 The Council continues to maintain a lessons learned log to ensure lessons are learned from any investigations, whether the complaint is upheld or not, as well as LGSCO investigations. Relevant examples are detailed in the report above. Learning is shared across the organisation where wider lessons can be learned from an issue.

### **Planned actions for 2024/25**

4.38 The Council is exploring options to improve the speed of complaints management by looking at options to increase automation to reduce the ongoing impact of reduced staffing available to manage the complaints process.

4.39 The Council will also implement a delayed action from 2023 to ask complainants to complete a satisfaction questionnaire once their case is resolved to identify further opportunity to improve practice.

## **5. Other potential alternative(s) and why these have not been recommended**

5.1 Not applicable. This report is for information only.

## **6. Impact(s) of the recommended decision(s)**

### ***Financial (including procurement and Social Value)***

6.1 It is anticipated that all activity set out in this report is achievable within existing and planned budgets. By effectively learning the lessons that need to be taken from past complaints management, the Council will continue to minimise costs going forward as well as improving outcomes for its residents.

### ***Legal***

6.2 The processes and planned actions within the report are consistent with and will promote the achievement of the Council's legal duty to achieve Best Value.

### ***Risk***

6.3 Current and planned activity is consistent with the direction of travel set out in the Council Plan, and so is aligned with the Council's Policy Framework.

6.4 Effective management of complaints mitigates reputational and financial risks to the Council and mitigates the strategic risk of failing to embed cultural change within the Council.

### ***Human Rights, Public Sector Equality Duty and Community Cohesion***

6.5 There will be no negative, differential impact on diverse groups and communities within Middlesbrough arising from this report. Continued improvements, including strengthening the Council's approach to learning lessons from complaints is likely to be of potential benefit to all protected characteristics.

### ***Climate Change / Environmental***

6.6 There are no climate or environmental impacts associated with this report.

### ***Children and Young People Cared for by the Authority and Care Leavers***

6.7 There are no direct implications arising from this, our Complaints process continues to support the rights of these individuals.

### ***Data Protection***

6.8 Our Complaints policy aims to protect individual rights in accordance with the legislation in relation to their protected characteristics, this report has no direct impact.

***Actions to be taken to implement the recommended decision(s)***

6.9 Not applicable.

**Appendices**

1	Complaints Statistics
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**Background papers**

Body	Report title	Date
Corporate Affairs and Audit Committee	<a href="#">Annual Complaints Report 2021 - 2023</a>	15 August 2023

**Contact:** Leanne Hamer, Governance and Information Manager

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## Appendix 1

### Complaints volume and outcomes

Procedure	2022/23		2023/24	
	Complaints	% upheld / partially upheld	Complaints	% upheld / partially upheld
Corporate	1,087	51.9%	1,678	57.0%
Children's	157	40.1%	167	44.3%
ASC / Public Health	31	51.6%	29	48.3%
<b>Totals</b>	<b>1,275</b>	<b>50.5%</b>	<b>1,889</b>	<b>55.3%</b>

### Complaints investigated by the Local Government and Social Care Ombudsman<sup>1</sup>

Year	Incomplete or Invalid	Advice given	Referred back for local resolution	Closed after initial enquiries	Not Upheld	Upheld	Total	Number of cases at this time
2022/23	0	0	3	28	0	5	37	1
2023/24	0	0	0	26	2	3	31	0

### Volume & Outcomes of Complaints by Directorate

Category	2022/23		2023/24	
	Complaints	% upheld / partially upheld	Complaints	% upheld / partially upheld
Environment and Regulation	574	59.4%	1,099	68.1%
Benefits and Tax	164	45.7%	188	30.3%
Education and Children's	176	44.6%	216	41.2%
Corporate and other	168	37.5%	144	30.6%
Highways and Transport	144	48.6%	141	50.4%
Adult Social Care	35	48.6%	39	51.3%
Planning and Development	14	35.7%	13	38.5%
Public Health	3	33.3	2	0.00%
<b>Totals</b>	<b>1283</b>	<b>50.2%</b>	<b>1,889</b>	<b>55.7%</b>

### Timeliness of complaints management by department<sup>2</sup>

<sup>1</sup> 2023/24 figures have not been published at this time

<sup>2</sup> Timescales vary. Paragraph 8 of the report sets out the various timescales that apply to children's adults and corporate complaints.

Category	2022/23		2023/24	
	Complaints	% closed in time	Complaints	% closed in time
Environment and Regulation	574	95.3%	1,099	85.7%
Benefits and Tax	164	96.3%	188	92.0%
Education and Children's	176	27.1%	216	37.5%
Corporate and other	168	65.5%	144	74.3%
Highways and Transport	144	79.9%	141	80.1%
Adult Social Care	35	67.6%	39	79.5%
Planning and Development	14	64.5%	13	84.6%
Public Health	3	66.7%	2	50.0%
<b>Totals</b>	<b>1278</b>	<b>79.5%</b> <sup>3</sup>	<b>1,889</b>	<b>78.7%</b>

#### Comparisons to Tees Valley Neighbours<sup>4</sup>

Local authority	2022/23		2023/24	
	Complaints to LGSCO	Investigations	Complaints to LGSCO	Investigations
Middlesbrough	33	9	31	5
Darlington	21	8	24	9
Hartlepool	12	2	11	2
Redcar and Cleveland	18	11	14	4
Stockton-on-Tees	21	10	35	13

<sup>3</sup> Please note figure will move during the year as some complaints from 2023/24 are still open.



**Ministry of Housing,  
Communities &  
Local Government**

**Jim McMahon OBE MP**  
*Minister of State*  
2 Marsham Street  
London  
SW1P 4DF

To All Chief Executives, Chief  
Financial Officers, Local Authority  
Leaders and Local Audit Firm Partners

30 July 2024

Dear all,

**ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND**

I am writing to you today to inform you that I have, today, provided Parliament with a written update on the decisive action I have taken to tackle the local audit backlog in England. The statement can be found here: <https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46>.

Effective local audit ensures transparency and accountability for public money spent on these vital services and builds public confidence. The Government inherited a broken local audit system in England, with a significant and unacceptable backlog of unaudited accounts, which will likely rise again to around 1,000 later this year. This situation undermines trust and transparency in the way taxpayers’ money is being spent. The delays that were seen under the last government mean that local bodies and their auditors cannot focus on up-to-date accounts, where assurance is most valuable.

To tackle the backlog, I intend to lay secondary legislation when parliamentary time allows to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates:

<b>Financial Year</b>	<b>Backstop date</b>
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Subject to parliamentary approval, 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 those preparing accounts more time to ensure they are high-quality accounts. A new suite of guidance is planned by the NAO and Financial Reporting Council (FRC) on these measures, and we continue to work with other organisations to consider what guidance would be most constructive and helpful for local bodies.

We expect that there will be full assurance, with “clean” opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable, however, given the scale of the failure in the local audit system the Government inherited meant that we have had to take this difficult decision to proceed. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.

The Ministry will continue to work with the FRC and other key organisations across the local audit sector to support local bodies, auditors and the wider world to understand what the different types of modified opinions mean. As I set out in my statement, local bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control and auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

The Government will communicate the necessity of these steps and emphasise the context for modified or disclaimed opinions and all the key organisations. This will include some Q&A drop-in sessions followed by a webinar. Dates and invitations for these will be circulated shortly, and I hope you will all be able to attend to hear directly about the measures.

I recognise the commitment and hard work of all your finance teams to continue and strengthen their essential work to produce high quality accounts in a timely manner. I also recognise the commitment and hard work of auditors working to provide quality external assurance, as we move to restore a system of high-quality, timely financial reporting and audit, while managing the impact of this in a sustainable way.

It is my aspiration, and one I know is also supported by all the key organisations in the audit world, that it is in the public interest for the audit system for local public bodies in England to recover as quickly as possible once the backlog has been cleared. This means disclaimed opinions driven by backstop dates 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.

This action to tackle the backlog, while vital, does not provide a long-term, sustainable solution to the wider, broken local audit system. The Government will need to undertake significant reform to overhaul the system, as we committed to in our manifesto. This will allow us to get the house in order, open the books, and repair the foundations of local government, and I will work with partners over the coming months to explore how best to achieve this.

Finally, I know the hard work is often unseen and too often not acknowledged, can I ask that you relay my appreciation to finance teams, key audit partners and others for the work they have done so far in what has been an extremely demanding period, and for the work they will do in the coming months and years.



**Jim McMahon OBE MP**

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Finance (S151 Officer)
<b>Relevant Executive Member:</b>	Executive Member for Finance and Governance
<b>Submitted to:</b>	Audit Committee
<b>Date:</b>	22 August 2024
<b>Title:</b>	Forvis Mazars – Audit Progress report
<b>Report for:</b>	Information
<b>Status:</b>	Public
<b>Council Plan priority:</b>	Delivering Best Value
<b>Key decision:</b>	No
<b>Why:</b>	Report is for information only
<b>Subject to call in?:</b>	No
<b>Why:</b>	Not Applicable

### Executive summary

The External Auditor, Forvis Mazars, produces a regular progress report for the Audit Committee to outline how their audit work is progressing and any items of interest in the external audit or governance sector for Members.

This is the first year of the new external audit contract with them, covering the financial year's accounts from 2023/24 to 2027/28. Members will be aware that the audit of the two previous year's accounts for the Council with Ernst & Young are still open.

The main item of note is the issuing of proposed backstop dates by the new government for all audit opinions up to the 2027/28 financial year, which is also covered on this agenda as a separate item. The backstop is the mechanism by which central government will enable local authorities and audit firms to catch up on the current audit backlog. This will be important in concluding the open audits for the Council for 2021/22 and 2022/23 financial years, plus allowing Forvis Mazars to plan an approach and timescales for their audit of the 2023/24 statement of accounts.

## 1. Purpose

1.1 The purpose of the report is for Forvis Mazars, the Council's External Auditor, to present their latest assessment of relevant matters to highlight to the Committee. This is a useful method of keeping Members aware of any issues on their audit of the accounts and that also may be affecting local authorities nationally from an external audit viewpoint.

## 2. Background and relevant information

2.1 Forvis Mazar's progress report as at August 2024 is attached at Appendix 1 and includes the following sections:

- Audit Progress 2023/24
- National Publications

2.2 The external auditor will present their report and any matters arising at the Committee meeting for Members to discuss.

2.3 From an officer perspective, the main item in the report relates to the local government audit backlog reset. The Committee is aware that there is a national backlog of local authority audits that are still outstanding from previous financial years. This position has arisen over several years as the audit of the financial statements has become more complex, local authorities' financial positions have become more fragile, and there have been problems with capacity on the required work within both local audit teams and local authority finance teams.

2.4 This national backlog position has resulted in the work required to establish an audit opinion on the draft Statement of Accounts for 2021/22 and 2022/23 being incomplete by the external auditor, Ernst and Young, and the accounts for these years remaining open with no signed audit opinion.

2.5 Forvis Mazars's progress report highlights that the Minister for local government has now considered the work done previously and has issued backstop dates for both older incomplete audits and for new financial years going forward. The backstop is the date in law by which time the audit needs to be complete, or a disclaimed or modified opinion issued. The dates proposed up to the 2027/28 financial year aim to allow the local audit system to catch up the backlog over a short timeframe and to move back to timely financial reporting and auditing processes across the sector.

2.6 The proposed backstop dates are as follows:

- 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

2.7 Ernst & Young are working through what the 13 December 2024 means for them in terms of the work required to complete the audits, issuing the opinions on the two outstanding financial years, and then reporting their audit results reports to the Committee.

2.8 Similarly, Forvis Mazars are considering what is feasible in terms of a 2023/24 statement of accounts audit by 28 February 2025. This is in the light of this being the first year of their audit contract with the Council, the delayed audit opinions on 2021/22 & 2022/23, and the fact that the Council has not yet published its draft 2023/24 set of accounts. This is likely to be towards the end of August.

2.9 In terms of the national publications listed in Appendix 1, officers and auditors are happy to provide a set of key messages if any of these items are of particular interest to the Committee.

### **3. What decision(s) are being recommended**

3.1 That the Committee:

- Note the contents of the audit progress report for the 2023/24 audit.
- Discuss any appropriate matters with the external auditors and officers which may have a bearing on the parameters for the audit being undertaken.

### **4. Rationale for the recommended decision(s)**

4.1 The Committee is required to receive and consider the external auditor's report as part of its governance role and responsibility in relation to audit activities.

### **5. Impact(s) of the recommended decision(s)**

#### **5.1 *Financial (including procurement and Social Value)***

The Council decided on 23 February 2022 to 'opt in' to the national audit appointment scheme undertaken by Public Sector Audit Appointments (PSAA), a government agency for contracting external audit services. This decision covered contracts being let for the period from 1 April 2023 to 31 March 2028 (five financial years) and would cover both the financial statements audit and the assessment on the value for money arrangements in place.

The Council was notified by PSAA in December 2022 that Forvis Mazars would be the new external auditor for this period. This was in line with the requirement under the local audit and accountability act 2014 of having an external auditor in place prior to the 31 December, before the start of each new financial year. The Mazars contract replaces the current arrangement with Ernst & Young who have been the Council's auditor since the start of the 2017/18 financial year.

The base audit fee for any local authority who opts into the national scheme is set by PSAA, based on size and on previous audit experience and fees paid. The audit fee for the Council for the 2023/24 audit is outlined in Section 6 of the audit strategy memorandum at £321,074. This fee may increase based on any additional work required by the auditor as part of their statutory role.

The fee for the 2023/24 audit process is a significant increase over the base audit fee for 2022/23 of £111,857, but represents the additional external audit work undertaken in relation to the Council over the last couple of completed audits. The 2023/24 fee is fully budgeted for within the corporate part of the Council’s accounts.

**5.2 Legal**

There are no legal implications arising from this report.

**5.3 Risk**

The report sets out how the external auditor will assess whether:

- the financial statements prepared by the Council, show a true and fair view.
- the governance and value for money arrangements in place within the Council are adequate when managing public money.

Both assessments contain an element of reputational risk in how the Council has managed the various processes.

**5.4 Human Rights, Public Sector Equality Duty and Community Cohesion**

There are no specific impacts or implications.

**5.5 Climate Change / Environmental**

There are no specific impacts or implications.

**5.6 Children and Young People Cared for by the Authority and Care Leavers**

There are no specific impacts or implications.

**5.7 Data Protection**

There are no specific impacts or implications.

**Actions to be taken to implement the recommended decision(s)**

Action	Responsible Officer	Deadline
Not applicable		

**Appendices**

1	Forvis Mazars – Audit Progress report (August 2024)
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## Background papers

Body	Report title	Date
Council	Appointment of External Auditors 2023/24 – 2027/28	23 February 2022

**Contact:** Justin Weston, Head of Finance and Investment  
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# Audit Progress Report Middlesbrough Council

August 2024

# Contents

- 01 Audit progress
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# 01

Audit progress

# Audit progress

## Background for the 2023/24 audit

Prior to the calling of the general election on 4 July 2024, the Department of Levelling Up, Housing and Communities (DLUHC) had consulted on proposed arrangements which would implement a 30 September 2024 backstop date for all audits for the 31 March 2023 financial year and earlier, where these are not yet complete. Similar dates were being considered to bring the backstop date forward each year for the next five years. On 30 July 2024, the newly renamed Ministry of Housing, Communities and Local Government published a statement including the proposed backstop dates, set out below.

- 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

We are currently reassessing our resource plans, and we will provide a verbal update on the latest position for the 2023/24 audit during the meeting of the Committee.

## Forvis Mazars

We are delighted to introduce you to Forvis Mazars: a new global Top 10 network. Launching on 1 June 2024, Forvis Mazars has been designed for and around our clients. As a network of just two firms, and operating in over 100 countries, Forvis Mazars has been built with the scale, capacity, and expertise to support our clients' needs worldwide.

Your key contacts and our ways of working remain unchanged. For now, there will be no change to our contact email addresses.

Further information on Forvis Mazars can be found here: [Forvis Mazars Accountants - Audit, Tax and Advisory Services - United Kingdom](#)

# 02

National publications

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# National publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>		
1	CIPFA Bulletins	CIPFA have issued two Bulletins to provide further guidance on the financial reporting requirements.
<b>National Audit Office (NAO)</b>		
2	NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.
3	NAO insight: Good practice in annual reporting	Transparent, timely, and clear annual reporting in the public sector has never been more important. A good annual report is a key opportunity for bodies in the public sector.
4	NAO report: Non-executive appointments	Non-executive directors ('NEDs') make an important contribution to the running of government. However, the government must do more to ensure the best quality of candidates are recruited.
5	NAO overview: Department for Levelling Up, Housing & Communities 2022-23	The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts.
<b>Department for Levelling Up, Housing and Communities (DLUHC)</b>		
6	Addressing the local audit backlog in England: Consultation	This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing. The consultation closed on 7 March 2024.
7	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision	The duty to make Minimum Revenue Provision ('MRP') is an important component of the Prudential Framework. The purpose of this consultation is to seek views on the revised Guidance and final proposed amendments to the Regulations. The consultation ran from 21 December 2023 to 16 February 2024.
<b>Other</b>		
8	Financial Reporting Council (FRC) – FRC report on quality of major local audits	Report on the quality of major local audits
9	Forvis Mazars – Preparing for the Procurement Act 2023	The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies. Our latest article provides an in-depth overview of the new Procurement Act.
10	Forvis Mazars – Understanding the new 'Failure to Prevent Fraud' Offence in a Public Sector context	The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.



# National publications

## CIPFA

### 1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

#### CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements

This bulletin covers the closure of accounts for the 2023/24 year and provides further guidance and clarification to complement the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2023/24 Code Guidance Notes.

Link: [CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements](#)

#### CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement

CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement is intended to provided clarity to those authorities with at least one set of unaudited financial statements for prior years, and their external auditors, on the update of the annual governance statement (AGS).

Link: [CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement](#)

# National publications

## NAO

### 2. NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees

The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid. The guide identifies seven areas where the more persistent obstacles stand in the way of successful digital transformation in government and have grouped them into three themes:

- constraints of the existing environment;
- under-estimating the scope of early work; and
- lack of skills and leadership.

[Digital transformation in government: a guide for senior leaders and audit and risk committees](#)

### 3. NAO insight: Good practice in annual reporting

Transparent, timely, and clear annual reporting in the public sector has never been more important.

A good annual report is a key opportunity for bodies in the public sector to:

- weave a compelling narrative that resonates with the public;
- serve as a tool for accountability by shedding light on how taxpayer's money has been spent; and
- equip stakeholders with information to hold organisations to account.

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2023-24.

[Good practice in annual reporting](#)

# National publications

## NAO

### 4. NAO report: Non-executive appointments

Non-executive directors (NEDs) are crucial to the effective running of government. They are individuals who sit on governing boards of government departments and arm's-length bodies, including non-departmental public bodies and government companies, to provide external expertise. They provide strategic leadership, scrutinise performance, promote transparency and take a long-term perspective.

NEDs make an important contribution to the running of government, providing an independent perspective, expertise, and challenge where needed. However, the government must do more to ensure the best quality of candidates are recruited. This includes fixing the often long and drawn-out appointments and re-appointments process, which poses risks to the quality and diversity of boards, as well as to the governance of those organisations when vacancies are not filled.

[Non-executive appointments](#)

### 5. NAO overview: Department for Levelling Up, Housing & Communities 2022-23

The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts. DLUHC spends around £33 billion each year to support people, places and communities.

[Department for Levelling Up, Housing & Communities 2022-23](#)

### 6. Addressing the local audit backlog in England: Consultation

The external auditing of local bodies is vital in supporting democratic accountability and providing assurance for local people and their elected representatives. The consultation sought views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing. The draft statutory instrument covers the core elements of the proposed amendments to the Regulations. The Joint Statement, agreed with system partners, provides vital context and explains the cross-system proposals and how the various elements are intended to interact.

The consultation ran from 8 February 2024 to 7 March 2024. Documents relating to the consultation are still available for download at the link below, which is also the place where the outcome to the public feedback will be available.

[Addressing the local audit backlog in England: Consultation](#)

### 7. Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework. Where local authorities finance capital expenditure from debt, they must set aside an amount of money each year to ensure their debt liabilities can be repaid. In practice, the application is more complex, but when it operates effectively it should ensure that local authorities do not borrow more than they can afford.

The purpose of the consultation was to seek views on the revised Guidance and final proposed amendments to the Regulations. The proposed changes to the Regulations remain substantively the same as previously consulted on in the June-July 2022 consultation, with some minor changes to reflect responses. The Guidance provides detailed interpretation and outlines the government's expectations of how the Regulation requirements should work in practice.

The consultation ran from 21 December 2023 to 16 February 2024 however the link provides information on the key issues that were consulted on.

[Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision](#)

# National publications

## Other

### 8. Financial Reporting Council (FRC) - FRC report on quality of major local audits

The FRC has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

The FRC reviews in the 2022-23 inspection cycle comprised six health and four local government audits. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog. Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. Across all suppliers, all financial statement audits were assessed as "good" or "limited improvements required". Areas requiring limited improvements included:

- audit procedures regarding completeness and accuracy of expenditure; and
- on the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance on property, plant and equipment valuations.

In terms of value for money (VFM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VFM arrangements was not complete on one audit that was inspected. All VFM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- risk assessment procedures not being performed in a timely manner;
- not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries; and
- the audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

Examples of good practice have also been included in the report regarding risk assessment, execution of the audit, and audit completion and reporting.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

# National publications

## Other

### 9. Forvis Mazars – Preparing for the Procurement Act 2023

The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies in the UK by:

- enhancing transparency in procurement processes, requiring greater disclosure of information about procurement opportunities;
- improving efficiency by introducing new measures such as electronic procurement platforms; and
- promoting fairness to ensure all suppliers have equal access to government contracts.

Our latest article provides an in-depth overview of the new Procurement Act, including when it will be implemented, key provisions and how public sector organisations can prepare.

[Preparing for the Procurement Act 2023](#)

### 10. Forvis Mazars – Understanding the new ‘Failure to Prevent Fraud’ Offence in a Public Sector context

The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.

Fraud is currently the most common crime in the UK, and this new offence is designed to drive a cultural shift, encouraging organisations to improve their prevention procedures and reduce instances of fraud. It strengthens existing powers to fine and prosecute organisations for fraud committed by their employees and agents, closing loopholes that have allowed organisations to avoid prosecution in the past.

This new offence holds large organisations, both in the public and private sectors, accountable for fraudulent activities committed by their employees or agents.

['Failure to Prevent Fraud' in the Public Sector](#)

# Contact

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Head of Internal Audit, Veritau
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<b>Relevant Executive Member:</b>	Executive Member for Finance and Governance
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<b>Submitted to:</b>	Audit Committee
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<b>Date:</b>	22 August 2024
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<b>Title:</b>	Annual Report of the Head of Internal Audit and Annual Counter Fraud Report
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<b>Report for:</b>	Information
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	No
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<b>Why:</b>	Not applicable
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<b>Subject to call in?:</b>	No
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<b>Why:</b>	Not applicable
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<b>Executive summary</b>
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This report provides the committee with:

- the results of internal audit work and counter fraud work undertaken
- the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council’s framework of governance, risk management and internal control
- the significant control issues identified by internal audit which are considered relevant to the preparation of the Council’s Annual Governance Statement
- the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards

## **Purpose**

1. To provide Members with a summary of internal audit work undertaken in 2023/24 and to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. To provide a summary of counter fraud activity during the year.

## **Background and relevant information**

2. Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
3. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
4. Fraud is a significant risk to the public sector. Annual losses are estimated as being as high as £58 billion in the United Kingdom. Veritau are engaged to deliver a counter fraud service for Middlesbrough Council. The service helps the Council to mitigate fraud risks and to take appropriate action where fraud is suspected.

## **Head of Internal Audit annual report**

5. The annual internal audit report is attached at appendix 1. It includes a summary of the work completed during the year, findings from recently issued audit reports, and the annual internal audit opinion.
6. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides Reasonable Assurance. Further details can be found at paragraph 18 onwards at appendix 1.
7. The report also includes details of Veritau's Quality Assurance and Improvement Programme (QAIP). This outlines Veritau's ongoing quality assurance arrangements and activities and provides evidence to demonstrate that internal audit work has been carried out to the expected professional standards.

## **Counter fraud annual report**

8. An annual report setting out counter fraud activity and performance is attached at appendix 2.

## **What decision(s) are being recommended?**

That the Audit Committee

- notes the results of internal audit work and counter fraud work undertaken during the year

- notes the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control
- notes the significant control issues identified by internal audit which are considered relevant to the preparation of the Council's Annual Governance Statement
- notes the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards

### **Rationale for the recommended decision(s)**

9. Internal audit professional standards and the Council's audit charter require that internal audit prepare an annual report, including an opinion on the Council's framework of governance, risk management and control.

### **Other potential alternative(s) and why these have not been recommended**

10. This report is for information. There are no other options available.

### **Impact(s) of the recommended decision(s)**

#### ***Financial (including procurement and Social Value)***

11. There are no specific impacts or implications.

#### ***Legal***

12. There are no specific impacts or implications.

#### ***Risk***

13. The Council will fail to comply with proper practice for internal audit if Members are not regularly updated on the progress of, and the outcomes from internal audit work.

#### ***Human Rights, Public Sector Equality Duty and Community Cohesion***

14. There are no specific impacts or implications.

#### ***Climate Change / Environmental***

15. There are no specific impacts or implications.

#### ***Children and Young People Cared for by the Authority and Care Leavers***

16. There are no specific impacts or implications.

#### ***Data Protection / GDPR***

17. There are no specific impacts or implications.

## Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
n/a	n/a	n/a

## Appendices

1	Head of Internal Audit annual report
2	Counter fraud annual report

## Background papers

Body	Report title	Date
n/a	n/a	n/a

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# HEAD OF INTERNAL AUDIT ANNUAL REPORT 2023/24

Date: 22 August 2024

Appendix 1

## CONTENTS

<b>2</b>	Background
<b>2</b>	Internal audit work carried out in 2023/24
<b>3</b>	Follow up of agreed actions
<b>3</b>	Professional standards
<b>4</b>	Opinion of the Head of Internal Audit
<b>7</b>	Annex A - 2023/24 internal audit work
<b>8</b>	Annex B - Summary of key issues from audits finalised since the last report to the committee
<b>10</b>	Annex C - Audit opinions and priorities for actions
<b>11</b>	Annex D - Follow up of agreed audit actions
<b>13</b>	Annex E - Internal audit quality assurance and improvement programme



**Phil Jeffrey**  
Assistant Director - Audit  
Assurance



**Max Thomas**  
Head of Internal Audit

**Circulation list: Members of the Audit Committee**



## BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
  - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
  - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
  - (c) a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
  - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



## INTERNAL AUDIT WORK CARRIED OUT IN 2023/24

- 2 Throughout 2023/24 audit work has continued to be prioritised based on risk and the need to provide coverage of the council's framework of governance, risk management and control. This has seen audits drop out of the work programme and others added as risks and priorities have changed and as our understanding of key systems of internal control has developed.
- 3 We have also continued to promote good governance, provide advice and support, and make recommendations to management to help improve controls. We have met with the Director of Finance, directorate management teams and other officers on a regular basis to help identify and address governance issues and concerns, and to ensure audit work has remained targeted towards key areas. We also regularly attend Risk Management Group in order to keep abreast of emerging issues and monitor progress against previously agreed audit actions.
- 4 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular progress reports.
- 5 A summary of internal audit work undertaken during the year and relevant to the opinion is contained in annex A. This annex also shows other work undertaken by the internal audit team to support the council during 2023/24.
- 6 At the time of writing, five audits have been finalised since the previous report to this committee. A further three audit reports have been issued to the responsible officers but remain in draft. We expect these audits to be finalised over the next 3-4 weeks and reported to the October committee along with the other ongoing work.

- 7 Annex B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 8 Annex C provides an explanation of our assurance levels and priorities for management action.

## FOLLOW UP OF AGREED ACTIONS

- 9 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. A summary of the current status of follow up activity is included at annex D.
- 10 The summary of work undertaken now includes details of any priority 1 or 2 actions where they have been outstanding for more than three months (this was previously six months). This is to provide further information to the committee where implementation dates have slipped. At this stage there are no actions outstanding for more than 3 months apart from the historic actions relating to the Transporter Bridge.

## PROFESSIONAL STANDARDS

- 11 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the committee each year as part of the annual report. The QAIP consists of various elements, including:
  - ▲ maintenance of a detailed audit procedures manual and standard operating practices
  - ▲ ongoing performance monitoring of internal audit activity
  - ▲ regular customer feedback
  - ▲ training plans and associated training and development activities
  - ▲ periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 12 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023 by John Chesshire,



an approved reviewer for the Chartered Institute of Internal Auditors (the UK and Ireland's local chapter)<sup>1</sup>.

- 13 The assessment involved a full independent validation of Veritau's own self-assessment of conformance to the PSIAS, as well as to the wider International Professional Practices Framework which governs the performance of internal auditing globally. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS<sup>2</sup> and, overall, the findings were very positive.
- 14 The feedback included comments that the internal audit service was highly valued by its clients. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning and the way in which we engage flexibly with our clients throughout the internal audit process, at the strategic and operational levels.
- 15 The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP are given in annex E.
- 16 The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit Committee. No changes are proposed at this time.
- 17 The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. New IIA professional standards were published in January 2024 and will apply from 9 January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) is currently reviewing the implications for the PSIAS. Any subsequent changes to the UK's PSIAS will be subject to consultation and will apply from 1 April 2025.



## OPINION OF THE HEAD OF INTERNAL AUDIT

- 18 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides **Reasonable Assurance**.
- 19 We gave a Limited Assurance opinion in both 2021/22 and 2022/23. We also highlighted a number of governance weaknesses which led us to conclude that the issues identified were not limited to one specific area or audit and were instead indicative of wider issues around relationships between members and officers, and a lack of clear separation of their respective roles.

<sup>1</sup> Reported to the Audit Committee in December 2023.

<sup>2</sup> PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- 20 Our improved opinion this year acknowledges the progress that the Council has made to address these previously identified issues. We have seen improvements in areas such as regeneration project governance.
- 21 We also recognise that the Council has made good progress to improve its governance and control arrangements following the issue by the government of Best Value notices in January 2023 and January 2024. The Council is currently implementing an improvement plan to address these issues and has reported regular progress on this to the committee.
- 22 Whilst we are satisfied that improvements have been made to address wider corporate issues, we have continued to identify areas of significant control weakness during the course of our work, and these are documented below.
- 23 In particular, our audit work in relation to Children's Services has highlighted weaknesses in relation to commissioning, purchasing cards and the use of agency staff. The weaknesses in relation to purchasing cards were also replicated across other directorates of the Council.
- 24 The audit of children's commissioning and contract management was undertaken during 2022/23 and reported to the committee in October 2023. It found weaknesses in relation to identifying suitable providers, forward planning, networking and engagement and information retention. A number of actions were agreed with management, and these have now all been implemented.
- 25 In December 2023, we reported to the committee on our work in relation to purchasing cards within Children's Services. This reviewed transactions between April 2022 and August 2023 and highlighted a number of issues relating to non-recording of VAT, reviewing and approving purchasing card spend, reviews of spend and dis-aggregating transactions to avoid approval limits.
- 26 We have agreed actions with management, and these have now been implemented. We are currently undertaking some follow-up work to determine whether the actions have had the desired effect. We hope to report our findings to the October meeting of this committee.
- 27 A third audit in Children's Services in relation to agency staff is currently at draft report stage. This has identified a number of issues relating to policies and procedures, authorisation of recruitment of agency staff, pre-employment checks and authorisation of timesheets. The findings are largely agreed with management, and we hope to report fully in our next progress report in October.
- 28 In addition to the work above, we reported to the committee in March 2024 on our review of the acquisition of the former Crown public house in February 2023. The review highlighted a number of issues including some relating to the organisational culture which existed at the time of the acquisition.

- 29 Given the results of our audit work during the year, it is clear that there is still work for the Council to do to ensure there is a consistently sound framework of governance, risk management and control in place. We will be undertaking follow-up work of previously identified issues during 2024/25.
- 30 The overall opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. The opinion is based on internal audit work completed during the year including that detailed in this report and other monitoring reports to the committee during the year.

## ANNEX A: INTERNAL AUDIT WORK IN 2023/24

### Final reports issued

Audit	Reported to Committee	Opinion
Supplier relief	July 2023	No Opinion Given
Middlesbrough Development Company	August 2023	No Opinion Given
Children's commissioning & contract management	October 2023	Limited Assurance
Disabled Facilities grant	October 2023	Substantial Assurance
Schools themed audit – SFVS	October 2023	Reasonable Assurance
Regeneration projects	October 2023	Substantial Assurance
Disaster recovery (IT)	October 2023	Substantial Assurance
Council Tax and NNDR	October 2023	Substantial Assurance
Tees Community Equipment Service	December 2023	No opinion given
Homecare	December 2023	Reasonable Assurance
Procurement cards (Children's Services)	December 2023	Limited Assurance
Selective landlord licensing	December 2023	Substantial Assurance
IT applications – Liquid Logic	March 2024	Substantial Assurance
IT applications – iTrent	March 2024	Substantial Assurance
Acquisition of the former Crown public house	March 2024	No opinion given
Debtors	March 2024	Substantial Assurance
Public health governance	July 2024	Reasonable Assurance
Main accounting	July 2024	Substantial Assurance
Benefits and Council Tax Support	July 2024	Substantial Assurance
Health and safety	July 2024	Substantial Assurance
Creditors	July 2024	Substantial Assurance

## Audits in progress

Audit	Status
Agency staff (Children's Services)	Draft report issued
Schools themed audit (business continuity)	Draft report issued
Teesside Pension Fund – administration	Draft report issued
Direct payments	Fieldwork complete
Use of residential care	Fieldwork complete
Early years funding	Fieldwork complete
Treasury management	Ongoing
Procurement	Ongoing
VAT accounting	Ongoing
Information governance	Ongoing
Continuing healthcare	Ongoing
Commercial property income	Ongoing
Procurement cards (follow-up)	Ongoing

## Other work completed in 2023/24

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ A review of grant claims including Family Life and Hubs, Changing Places Fund and Children's Services Practice Improvement.
- ▲ A review of returns completed by the Council for the Supporting Families scheme.
- ▲ A review of the effectiveness of arrangements in place to manage subcontractor systems and controls in relation to Middlesbrough Council's Community Learning Service (MCLS).
- ▲ Support and advice on improvements to processes in the Teesside Pension Fund.
- ▲ A Homes England compliance audit on the Council's Affordable Housing Programme.
- ▲ Analysis on procurement card use across the Council following the audit carried out in Children's Services.

## ANNEX B: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
Public health governance	Reasonable Assurance	Appropriateness of the governance framework, identification of issues, monitoring of risk, finance and performance.	8 March 2024	<p>Key actions agreed to address governance issues have not been fully implemented.</p> <p>The Inter Authority Agreement (IAA) (with Redcar and Cleveland Council) has not been reviewed as required.</p> <p>The Governance Board has not met as required.</p> <p>The risk register does not contain the necessary detail.</p>	<p>A governance framework will be completed including reporting, a complete risk register, performance framework and workforce development plan.</p> <p>The IAA will be fully updated.</p> <p>Governance updates including an annual progress report will be taken to the South Tees Health Scrutiny Committee.</p> <p>Risk registers will be updated.</p>

<b>System/area</b>	<b>Opinion</b>	<b>Area reviewed</b>	<b>Date issued</b>	<b>Comments / Key issues identified</b>	<b>Management actions agreed</b>
Main accounting	Substantial Assurance	Control and suspense accounts, bank reconciliations, journals, budget monitoring.	25 March 2024	Procedures and controls are working well.	No significant actions agreed.
Benefits and Council Tax Support (CTS)	Substantial Assurance	Uptake of CTS, benefit fraud reporting, historic debt.	28 March 2024	Procedures and controls are working well.	No significant actions agreed.
Health and safety	Substantial Assurance	Premises risk assessments, control measures, incident reporting.	2 April 2024	Procedures and controls are working well.	No significant actions agreed.
Creditors	Substantial Assurance	Ordering of goods and services, supplier details, duplicate invoices, performance management.	18 July 2024	Purchase orders are being raised after invoices have been issued.	Data will be presented to LMT with actions agreed to improve compliance.

## ANNEX C: AUDIT OPINIONS AND PRIORITIES FOR ACTION

### Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

### Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.



## ANNEX D: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit Committee.

### Actions completed

A total of 7 actions have been completed since the last report to this committee. A summary of the priority of these actions are included below.

Actions agreed		Actions agreed by directorate						
Priority of actions	Number of actions agreed	Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	0	1	0	0	0	0	0	0
2	5	2	2	3	0	0	0	0
3	2	3	0	0	1	0	1	0
<b>Total</b>	<b>7</b>	<b>Total</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>

## Actions Outstanding

A total of 7 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

Actions agreed	
Priority of actions	Number of actions agreed
<b>1</b>	3
<b>2</b>	1
<b>3</b>	3
<b>Total</b>	<b>7</b>

Actions agreed by directorate						
Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	0	0	3	0	0	0
2	0	0	1	0	0	0
3	1	1	0	0	1	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>

Of the 7 actions outstanding 7 have had a revised date agreed.

Four P1 or P2 actions have currently been outstanding for more than 3 months. All of these actions relate to the audit of the Transporter Bridge, details of which have been reported previously to this committee. The actions are operational in nature and will not be dealt with until the bridge is brought back into operation, for which there is no agreed date. We have therefore removed the actions from our normal follow up process.

## ANNEX E: INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

### 1.0 Background

#### Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular performance meetings
- ▲ regular 1:2:1 meetings to monitor progress with audit engagements
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented using our audit management system (previously Sword Audit Manager but now replaced by K10 Vision)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, completed audit work is subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors and audit managers. The

Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

#### Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit and other members of the Internal Audit management team also participate in various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board<sup>3</sup> as part of the annual report of the Head of Internal Audit.

#### External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

## **2.0 Customer Satisfaction Survey 2024**

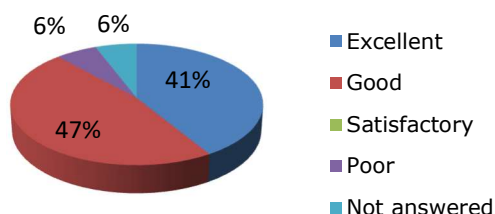
In March 2024 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked

<sup>3</sup> As defined by the relevant audit charter.

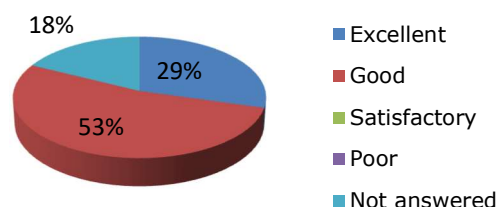
questions about counter fraud and information governance services. A total of 163 surveys (2023 – 176) were issued to senior managers in client organisations. A total of 17 responses were received representing a response rate of 10.4% (2023 – 10.8%). Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 6%).

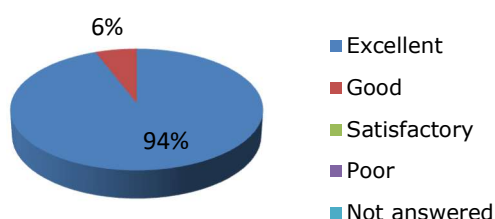
### Quality of audit planning / coverage



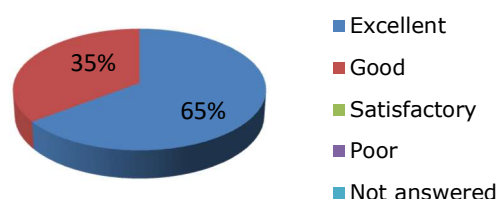
### Provision of advice / guidance



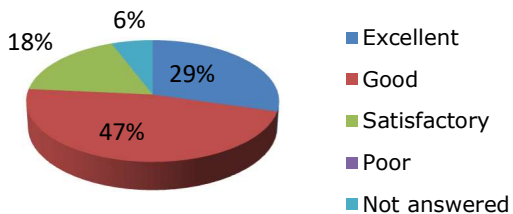
### Staff conduct and professionalism



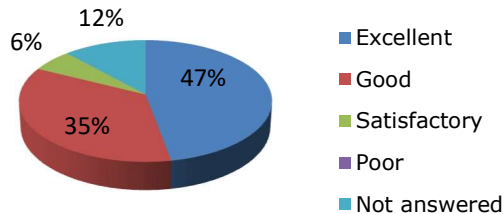
### Ability to establish positive rapport



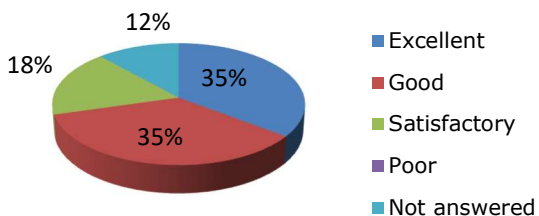
### Knowledge of area being audited



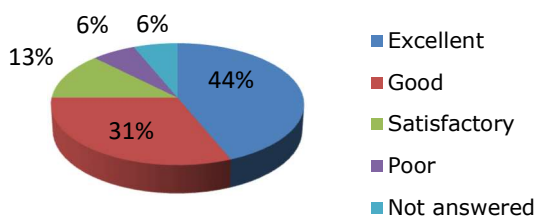
### Minimising disruption for area being audited



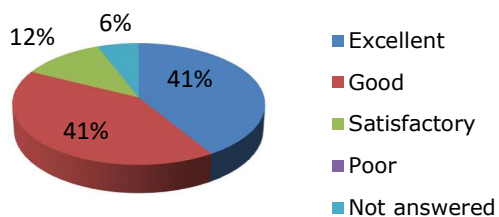
### Communication of issues during audit



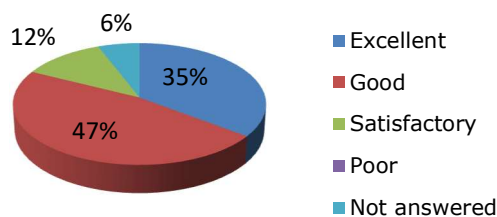
### Quality of feedback at end of audit



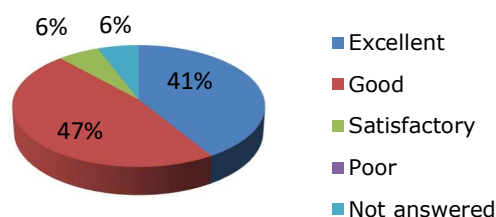
### Accuracy / format / length / style of report



### Relevance of audit opinions / conclusions



## Overall rating for the Internal Audit service



The overall ratings in 2024 were:

	2024		2023	
Excellent	7	44%	13	69%
Good	8	50%	5	26%
Satisfactory	1	6%	1	5%
Poor	0	0%	0	0%

The feedback shows that the majority of respondents continue to value the service being delivered.

### 3.0 Self-Assessment Checklist 2024

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist is reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action. The following table shows the areas of non-compliance, which remain unchanged from last year.

Conformance with Standard	Current Position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the

Conformance with Standard	Current Position
	relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements may be commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	The development of assurance mapping and the use of other sources of assurance has been included as an action in the refreshed internal audit strategy (see below). Our approach will be informed by further guidance from CIPFA and the LGA which is expected in 2024. Any use of the methodology will also be dependent on securing client engagement in the assurance mapping process.
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	Historic targets used as performance measures do not provide meaningful information about the value of audit work delivered. The development of new and effective measurement tools is being done as part of the implementation of the refreshed internal audit strategy (see below).

#### 4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau's internal audit working practices was undertaken in summer 2023, by John Chesshire, an approved reviewer for the Chartered Institute of Internal Auditors. The report concluded that Veritau internal audit activity 'generally conforms' to the PSIAS<sup>4</sup> and, overall, the

<sup>4</sup> PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.



findings of the review were very positive. The feedback included comments that the internal audit service was highly valued by its member councils. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engage flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

The report concluded that Veritau 'generally conforms' to 59 of the 60 applicable principles. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below:

Recommendation	Response
The Chief Audit Executive (CAE) should continue to develop a proportionate, formal approach to assurance mapping, coordination and where appropriate, reliance, to enhance the function's risk-based planning, delivery and the effectiveness of assurance provided to key stakeholders.	Agreed – we will develop our approach to assurance mapping and working with other internal and external assurance provision. The approach will be flexible to reflect the different sectors and clients we provide internal audit services to.

A copy the external assessment report was reported to this committee on 14 December 2023.

## 5.0 Improvement Action Plan

Overall, the internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit Standards. However, we recognise that the pace of change in local government and the wider public sector mean that there is a need to continually review and update aspects of the service to ensure it stays up to date and continues to deliver good value.

We refreshed our internal audit strategy during 2023/24. The updated strategy identifies the working practices we will prioritise for development over the next three years, to ensure we:

- ▲ understand our clients' organisation, the environment they operate in and emerging pressures. We need to plan work flexibly to meet changing needs and target areas that are most important for our clients and where we can add the most value.
- ▲ focus on providing support at the right time. Retrospective audits providing commentary after the fact have limited benefit in a fast-changing environment. We should anticipate change, provide advice in advance, and focus on providing ongoing assurance in real time.

- ▲ maximise the benefit of audit work through the use of technology. For example, using data to analyse whole populations or detect emerging issues; develop better information for clients to help them understand and act on outcomes from audit work; and understand and make use of emerging technologies such as artificial intelligence to improve our efficiency.

To achieve these objectives, we will focus on the following key areas:

- ▲ embedding a strategic approach to work programme development and the use of the audit opinion framework
- ▲ Redesigning and modernising our audit working practices (including assignment planning and reporting)
- ▲ further developing our use of data analytics
- ▲ developing our key performance indicators and the measures of added value

Detailed action plans have been prepared to support each area of focus, and a number of these actions have already been completed. For example, our standard audit committee reports have been redesigned, a pilot exercise to test the use of agile audit techniques has been completed and new performance dashboards have been created (for use by auditors, managers and clients). Progress is being tracked each month. The next areas to focus on include taking steps to reduce elapsed time (the time between an audit starting and the final report being agreed) and providing clients with an interface to allow them to update agreed actions themselves.

In addition, we have replaced our existing audit management system with a new system called K10 Vision. The new system has been developed using the latest technology and offers improved functionality for both users and clients.

## **6.0 Overall Conformance with PSIAS** ***(Opinion of the Head of Internal Audit)***

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

# COUNTER FRAUD ANNUAL REPORT 2023/24

Date: 22 August 2024

Appendix 2

## CONTENTS

- 3 Background
- 3 Summary of investigative work
- 4 Whistleblowing
- 4 Counter fraud management



**Jonathan Dodsworth**  
Assistant Director -  
Corporate Fraud



**Max Thomas**  
Head of Internal Audit



## BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimated that between £33.2 and £58.8 billion of public spending was lost to fraud in 2020/21<sup>1</sup>. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau provides a corporate fraud service to Middlesbrough Council which aims to prevent, detect and deter fraud and related criminality. We use qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The counter fraud team also plan and take part in counter fraud campaigns (eg the National Fraud Initiative), undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 4 This report provides the Audit Committee with a summary of counter fraud activity completed in 2023/24. It also details whistleblowing reports received, and the related outcomes for the year.



## INVESTIGATIVE WORK

- 5 The counter fraud team detected £65k of loss due to fraud which is being recovered. Counter fraud savings are also tracked by monitoring repayments to the Council and calculating the value of stopping ongoing frauds. In 2023/24 £39k of counter fraud savings were identified.
- 6 The counter fraud team helped to trace debtors who collectively owe the Council £50k. The team supported successful legal proceedings taken by the Council against a business who owes over £300k in unpaid business rates<sup>2</sup>. Alongside council officers and with the support of the Legal Department, a counter fraud officer gave evidence in court in support of the Council's case.
- 7 The team received 102 referrals of suspected fraud during the year including reports from the public, council employees, external agencies, and issues identified through proactive exercises. Twenty-two investigations were completed in 2023/24 with successful outcomes achieved in 64% of cases<sup>3</sup>. In addition, information was provided in 13 debtor tracing cases.
- 8 One person was successfully prosecuted for defrauding the Council of £7,800 in council tax discounts by falsely claiming Council Tax Reduction

<sup>1</sup> [Tackling fraud and corruption against Government](#), National Audit Office

<sup>2</sup> Press release: <https://www.middlesbrough.gov.uk/latest-news/court-backs-council-in-business-rates-case/>

<sup>3</sup> Outcomes are considered to be successful when fraud or error is found as a result of an investigation.

over a number of years<sup>4</sup>. He had failed to declare ownership of two houses in London with an estimated value of £1.2m. He pleaded guilty to all six charges laid against him at Teesside Magistrates Court and was ordered to pay an £846 fine, £338 victim surcharge, and £1,270 towards the Council's legal and investigation costs.

- 9 In addition, one person was cautioned, formal warnings were issued to three people, debts owed to the council were calculated in a further seven cases, and the counter fraud team supported the council when a supplier's email system was compromised by cybercriminals.



## WHISTLEBLOWING

- 10 Middlesbrough Council has arrangements in place to ensure that there is a clear process for managing whistleblowing reports. In 2023/24 the counter fraud team supported the Council to adopt an updated whistleblowing policy which reflects the latest national guidance and best practice.
- 11 Veritau helps to supports the Council's whistleblowing process and keeps a log of any concerns raised under the policy. We work with colleagues in Human Resources and relevant services to ensure that all concerns raised are dealt with appropriately.
- 12 Six whistleblowing reports were logged by Veritau in 2023/24. Three were addressed by Middlesbrough Council directly and Veritau reviewed the other reports on behalf of the Council. Three reports relate to alleged corruption, two to potential misconduct by an employee, and one relates to a possible breach of the employee code of conduct.
- 13 Three reports were found to not constitute whistleblowing and the employees reporting concerns were signposted to more appropriate routes to raise their concerns, eg the grievance policy. Three reports have resulted in investigations – one led by council officers and two by the counter fraud team.
- 14 In June 2023, Veritau raised awareness of the whistleblowing policy amongst employees of the Council on World Whistleblowers' Day by publishing material on the Council's intranet.



## COUNTER FRAUD MANAGEMENT

- 15 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the Council. In October 2023 an annual review of the counter fraud framework was undertaken and presented to the Audit Committee. The Council's Counter Fraud and Corruption Strategy Action Plan was updated with new actions and an updated Fraud Risk Assessment was presented.
- 16 Raising awareness of fraud amongst council employees and the public is an important function of the counter fraud team. Awareness campaigns were

<sup>4</sup> Press release: <https://www.middlesbrough.gov.uk/latest-news/council-tax-fraudster-hit-in-the-pocket-with-fine-and-court-costs/>

undertaken to mark International Fraud Awareness Week and International Anti-Corruption Day in November and December 2023 respectively. In addition, bespoke training was provided to employees working within the revenues and benefits and adult social care departments in 2023/24. The counter fraud team also produce regular newsletters for Revenues, Benefits, and Adult Social Care employees which highlight recent frauds in those areas locally and nationally.

- 17 Cybercrime is a high risk area for the Council. A Council supplier's email system was breached in 2023/24 which led to them losing £20k in a payment they believed was being made to the Council. No losses occurred to the Council as a result of this incident, however Veritau has worked alongside the communications team to raise awareness of the threat of cybercrime, how to spot it, and how to prevent it from happening. Training was provided to employees in October 2023 as part of Cyber Security Awareness Month.
- 18 The Council is a member of that National Anti-Fraud Network (NAFN). NAFN provide investigative resources which support the counter fraud team as well as trading standards. NAFN also release urgent intelligence alerts relating to frauds experienced by other councils. The counter fraud team ensures that these alerts are sent to relevant council officers.
- 19 The team maintain a fraud reporting telephone number and a dedicated email address<sup>5</sup>. We work closely with officers and encourage members of the public to report any concerns they have about fraud affecting Middlesbrough Council.
- 20 The Council participated in an annual National Day of Action against Blue Badge fraud in June 2023, alongside 80 other councils<sup>6</sup>. The exercise involved making checks on blue badges displayed in the town to determine if they were being properly used by legitimate badge holders. The counter fraud team worked alongside neighbourhood safety teams to check blue badges in different areas of the town over the course of the day. This initiative resulted in two members of the public receiving formal written warnings about their conduct in relation to blue badge misuse.
- 21 The counter fraud team manage work connected to the National Fraud Initiative, an exercise run by the Public Sector Fraud Authority, in which council participation is mandatory. Over 4,200 data matches were reviewed by the counter fraud team and council officers during the financial year. The team also provide transparency data relating to fraud for publication by the Council annually.
- 22 The counter fraud team are active participants in regional and national counter fraud groups. Veritau are members of the North East Counter Fraud Group and North East Tenancy Fraud Forum. Veritau participates in and chairs a national Fighting Fraud and Corruption Locally working group

<sup>5</sup> Any person who wishes to report fraud against Middlesbrough Council can call 0800 9179 247 or email [counter.fraud@veritau.co.uk](mailto:counter.fraud@veritau.co.uk)

<sup>6</sup> Press release: <https://www.middlesbrough.gov.uk/latest-news/action-taken-against-blue-badge-parking-abuse/>

examining issues surrounding adult social care fraud and has presented at two national counter fraud conferences in 2023/24.





Department for Levelling Up,  
Housing & Communities

Clive Heaphy  
Chief Executive  
Middlesbrough Council  
By email

**Max Soule**  
*Deputy Director, Local  
Government  
Stewardship and  
Intervention*

**Ministry for Housing,  
Communities and Local  
Government**

4th Floor, Fry Building  
2 Marsham Street  
London SW1P 4DF  
[www.gov.uk/mhclg](http://www.gov.uk/mhclg)

30 July 2024

Dear Clive,

The Department issued a revised Best Value Notice to Middlesbrough Council on 30 January 2024 as a formal notification that the Department has ongoing concerns regarding the Authority and requesting that the Authority engages with the Department to provide further assurance of improvement. Thank you for your constructive engagement with the Department since then.

I am writing to let you know that ministers will shortly confirm their decision on next steps regarding the Best Value Notice, based on the available evidence. As set out on 30 January, should the Department deem it necessary to continue to seek assurance through such a Notice, the Notice will be reissued.

I will be in touch regarding next steps in due course.

Yours sincerely,

Max Soule  
Deputy Director, Local Government Stewardship and Intervention

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Chief Executive, Director of Finance and Director of Legal and Governance Services
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<b>Submitted to:</b>	Audit Committee
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<b>Date:</b>	22 August 2024
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<b>Title:</b>	Corporate Governance Improvement Plan and Section 24 Action Plan progress report
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<b>Report for:</b>	Information
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<b>Status:</b>	Public
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<b>Council Plan priority:</b>	Delivering Best Value
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<b>Key decision:</b>	Not applicable
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<b>Why:</b>	Not applicable
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<b>Subject to call in?</b>	Not applicable
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<b>Why:</b>	Not applicable
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<b>Proposed decision(s)</b>	
That the Committee notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan.	

<b>Executive summary</b>	
This report sets out the key activities, progress and impact of the Corporate Governance Improvement Plan and activity in response to the Section 24 recommendations made by the Council’s External Auditors, since last reported to Committee on 25 July 2024.	

**1. Purpose**

1.1 This report sets out the key activities and progress since an update was last provided to committee, in response to the Section 24 recommendations made by the Council’s External Auditors and the Council’s Corporate Governance Improvement Plan.

**2 Recommendations**

2.1 That the Committee notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan.

**3 Rationale for the recommended decision(s)**

3.1 The Council must respond effectively and at pace to the deliver the improvements set out in both the Corporate Governance Improvement Plan and the Section 24 report if it is to effectively address the concerns around its culture, governance and financial challenges.

3.2 Member oversight is crucial in delivery of these actions and also provision of assurance that intended impacts to address the governance weaknesses identified by the Council’s External Auditors are being realised.

**4 Background and relevant information**

4.1 On 18 September 2023, Council received a report that set out the activities of Phase Three of the proposed Corporate Governance Improvement Plan, alongside the associated governance arrangements providing oversight of delivery. It also received a report from the Council’s External Auditors which made statutory recommendations in relation to the Council’s governance. This report provides an update on delivery against the action plan that was put in place in response to that report, as well as an update on delivery against the Corporate Governance Improvement Plan.

4.2 The activities in the improvement plan comprise ten workstreams, each with a milestone delivery plan which is monitored and reported monthly to the Leadership Team, the Independent Improvement Advisory Board and at each full Council.

**5. Performance management methodology**

5.1 The Council’s and Programme and Project Management policy set out the methodology used to assess and report on progress against delivery, which is applied across the Corporate Governance Improvement and Section 24 delivery plans.

<b>KEY:</b>	
<b>BLUE - COMPLETE</b>	Activity delivered in full
<b>GREEN – ON TRACK</b>	Delivery plan activities are on track and / or a or above standard
<b>AMBER – OFF TRACK</b>	Delivery plan activities are < 5% below standard
<b>RED – OFF TRACK</b>	Delivery plan activities are > 5% below standard
<b>IMPACT - NO CHANGE</b>	The measures of success used to assess impact, refresh on differing time periods. Some are annual, others are more frequent. If it says no change, either the data has stayed the same or is not due to be refreshed
<b>IMPACT MET – NO (AMBER)</b>	Performance measures for this workstream are within 5% of the target
<b>IMPACT MET – NO (RED)</b>	Performance measures for this workstream are below target by more than 5%
<b>IMPACT TREND – MIXED CHANGES</b>	Of the range of performance measures that are against the workstream, some have improved, and others have worsened

5.2 Overall performance in relation to delivery of activity across the two improvement plans is as follows (excluding activity not yet planned to start and not due to be delivered yet):

Activity	STATUS AT 18/06/2024			
	% On-track	% Off-track	% Delivered	Overall % on track or delivered
Corporate Governance Improvement Plan	16% (15/95)	1% (1/95)	83% (79/95)	99%
Section 24 Action plan	9% (4/47)	2% (1/47)	89% (42/47)	98%

5.3 The above table shows that 99% of planned activity has either been delivered or is on-track for delivery in relation to the Corporate Governance Improvement Plan, with one planned activity across the ten workstreams measuring as off-track.

5.4 98% of activity in relation to the Section 24 delivery plan is on-track or has been delivered, with one activity showing as off-track. This is the same activity that is off track in the Corporate Governance Improvement Plan.

5.5 The remainder of this report sets out the detail of the delivery plan activity.

**6. Corporate Governance Improvement Plan: progress status**

6.1 For the current reporting period, nine of the workstreams are on target in terms of activity, as per timescales set out in the corporate Governance Improvement Plan, with one being off target currently in the Cultural Transformation plan, which is outlined below:

- *Improving financial governance, spending controls and monitoring, by ensuring effective financial management across the organisation* – a milestone in relation to the implementation of compliance and enforcement protocols to embed governance arrangements into operational practice is off-track. While this has been produced, it is now clear that the Council has sufficient tools in place without this protocol being required. As such this will be removed as an action in the next report to Council in September 2024.

**Measures of success**

6.2 The Council, in identifying the data sources to measure success, has set a baseline against which it will judge ongoing performance. Frequencies in updating these measures vary. Some measures are ad hoc, some annual, while others are refreshed on a quarterly or monthly basis.

6.3 The Council continues to review its delivery plans and measures of success to ensure it is taking the right actions and is focussed on assessing the impact of its activity.

6.4 Work to seek updates on measures is undertaken on a monthly basis. Due to the very short timescales between this meeting and the July 2024 meeting of this committee, data on measures of success has not yet been refreshed.

**Key activities**

6.6 The following activities within the governance improvement plan have been delivered since progress was last reported to Council:

THEME	WORKSTREAM	COMPLETED ACTIVITIES WITHIN REPORTING PERIOD
Cultural Transformation	Develop and implement communications and engagement plan to support cultural transformation	Seek LMT approval for overall Council marketing and communications strategy that includes how to promote Changing our Culture and Recover, Reset, Deliver  Share new Council marketing and communications strategy with MIAB

**Summary of progress against plan**

6.7 The following tables set out a summary position against planned activity and progress against the measures of success that have been agreed to track the long-term impact of this plan. This table reflects the current status – as per the above change controls that have been considered by LMT and IAB.

CULTURAL TRANSFORMATION	ACTIVITY TRACKING		OUTCOME IMPACT		LMT LEAD	EXEC MEMBER
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?		
Development / implementation of People and Cultural Transformation Strategy	Green	Green	Data not updated	No	C Benjamin	Cllr N Walker
Development / implementation of Member Development Strategy and Programme	Green	Amber	Data not updated	No	C Benjamin	Cllr N Walker
Development / implementation of a corporate governance training programme	Complete	Complete	Data not updated	Yes	C Benjamin	Cllr N Walker
Ensure stable and sustainable leadership for the organisation	Green	Green	Data not updated	No	C Heaphy / C Benjamin	Mayor Cooke
Development / implementation of improved focus on employee performance and accountability	Green	Amber	Data not updated	Yes	C Heaphy	Cllr N Walker
Review Council's approach to Member enquiries and engagement	Complete	Green	Data not updated	No change	C Benjamin	Cllr N Walker
Develop / implement communications and engagement plan to support cultural transformation	Green	Green	Data not updated	No	C Heaphy	Mayor Cooke

FINANCIAL RECOVERY AND RESILIENCE	ACTIVITY TRACKING	OUTCOME IMPACT	LMT LEAD	EXEC MEMBER
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	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?		
Controlling 2023/24 expenditure to within approved budgets	Complete	Complete	Data not updated	No	D Middleton	Cllr N Walker
Setting a balanced budget for 2024/25 to 2026/27	Complete	Complete	Data not updated	No	D Middleton	Cllr N Walker
Improvements to financial governance, spending controls and monitoring through more effective financial management	Red	Red	Data not updated	Yes	D Middleton	Cllr N Walker

**7. Independent Improvement Advisory Board**

6.2 Since its work was last reported the Board met on 10 July 2023. That meeting considered the following:

- Update from the Mayor and Chief Executive
- An update on cultural transformation which covered Member officer relationships, member relationships, an update on the Members Enquiries project.
- Updates on delivery of the Member Development and People Strategies
- An update on development of a Partnerships Working Strategy
- Discussion on the development of a Target Operating model
- Progress within the transformation programme. The Board is reviewing the programme on a theme-by-theme basis. This meeting reviewed the Property Programme. Members of the Board have also observed a number of the transformation programme meetings that take place as part of steps to seek assurance around the governance of the transformation programme.
- the 2024/25 budget
- a standing update on progress against the improvement plan and Section 24 report.

6.3 During that time the Board has also met with all group leaders to provide them with an overview of their third progress report, prior to it being considered by Executive in July 2024.

6.4 Action points arising from formal Improvement Board meetings, excluding admin related tasks, e.g., facilitation of meetings, are set out at Appendix 1, alongside a summary of information requested by the Board.

**8. Section 24: progress update**

8.1 The table below sets out the current status of activity in response to the Section 24 recommendations, along with a summary of the impact these activities are having on the longer-term measures of success that have been set in order to enable the Council to be able to assess whether the activities are having the intended impact.

8.2 Since the last report a further two actions have been completed and the measure of success for another has been achieved:

S24 ACTIONS	ACTIVITY TRACKING		OUTCOME IMPACT	
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?
1. Progression of next phase of Corporate Governance Improvement Plan, prioritising actions to address cultural and governance issues.	Complete	Complete	Data not updated	Complete
2. Development of contingency and succession governance protocols to mitigate potential impact of any future changes in senior leadership.	Green	Green	Data not updated	No
3. Conclusion of Constitution review and provision of officer / member training ensuring changes are understood and implemented.	Complete	Complete	Data not updated	No
4. Identification of deliverable short-term savings, protecting limited remaining reserves, considering statutory responsibilities and delivery of services.	Complete	Complete	Data not updated	Baseline set for 24/24
5. Review service delivery models to ensure that they are efficient, represent value for money and achieves the outcomes required.	Complete	Complete	Data not updated	N/A
6. Review of financial forecasting processes to understand emergence of significant financial pressures, in both 22/23 and 23/24.	Complete	Complete	Data not updated	N/A
7. Conclusion of Financial and Contract Procedure rules review to ensure they are fit for purpose.	Complete	Complete	Data not updated	Complete
8. Provision of training on Financial and Contract Procedure rules to all officers involved in contracting, procurement or financial decisions.	Red	Red	Data not updated	Complete
9. Completion of contract review to ensure compliance with Public Contracts Regulations 2015.	Complete	Complete	Data not updated	Complete
10. Review oversight arrangements for Middlesbrough Development Company to assure value for money.	Complete	Complete	Data not updated	Complete
11. Develop action plan for the demise of Middlesbrough Development Company setting out benefit realisation.	Complete	Complete	Data not updated	Complete

\*No baseline set

8.4 Across all S24 workstreams, one is reporting activity which is off target:

- *Recommendation 8, Financial and Contract Procedure rules:*
- **S8.07:** Establish compliance and enforcement protocols to embed the governance arrangements into operational practice is slightly delayed due to further strengthening of performance management and disciplinary processes regarding non-compliance. While this has been produced, it is now clear that the Council has sufficient tools in



place without this protocol being required. As such this will be removed as an action in the next report to Council in September 2024.

**Section 24: key activities**

8.5 89% of all planned activities within the Section 24 Action plan have now been delivered. There is no new activity to highlight in this report since it was last considered in July.

**Section 24: measures of success**

8.6 Work to seek updates on measures is undertaken on a monthly basis. Due to the short timescales between this meeting and the July 2024 meeting of this committee, data on measures of success has not yet been refreshed. Updated data will be included in the next report to full Council on 11 September 2024.

**9. Other potential alternative(s) and why these have not been recommended**

9.1 Not applicable.

**10. Impact(s) of the recommended decision(s)**

***Financial (including procurement and Social Value)***

10.1 Not applicable.

***Legal***

10.2 There are no direct legal implications as a result of this report, however delivery of this plan provides evidence of compliance with a number of recommendations that have been made by the Council’s External Auditors under Section 24 of the Local Audit and Accountability Act 2014.

***Risk***

10.3 If the Council fails to respond effectively to the improvement plan, this will have a negative impact on the following strategic risks:

- Failure to meet a balanced budget.
- Risk of an unlawful decision by the Council.
- Corporate governance is not fit for purpose.

***Human Rights, Public Sector Equality Duty and Community Cohesion***

10.4 Not applicable.

***Climate Change / Environmental***

10.5 Not applicable.

## ***Children and Young People Cared for by the Authority and Care Leavers***

10.6 Not applicable.

### ***Data Protection / GDPR***

10.7 Not applicable.

### **Actions to be taken to implement the recommended decision(s)**

10.8 Not applicable.

### **Appendices**

<b>1</b>	Key activities update from the Board
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### **Background papers**

<b>Reporting body</b>	<b>Report title</b>	<b>Date</b>
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Corporate Affairs and Audit Committee	Boho X: Draft findings from internal audit and proposed management response	6 Apr 2022
Corporate Affairs and Audit Committee	Audit Results Report 2020/21	22 Jul 2022
Corporate Affairs and Audit Committee	Statement of Accounts 2020/21	22 Jul 2022
Corporate Affairs and Audit Committee	Lessons learned: Best Value and external assurance within other councils.	22 Jul 2022
Corporate Affairs and Audit Committee	Commencing a corporate governance improvement journey	22 Jul 2022
Council	Corporate Governance Improvement Journey: CIPFA findings and next steps	19 Oct 2022
Council	Corporate Governance Improvement Plan and progress update	30 Nov 2022
Corporate Affairs and Audit Committee	External Audit: Value for Money Governance Update	5 Dec 2022
Council	Corporate Governance Improvement Plan and progress update	18 Jan 2023
Corporate Affairs and Audit Committee	Statement of Accounts 2020/2021	28 Apr 2023
Corporate Affairs and Audit Committee	Auditor's Annual Report – Year Ended 31 March 2021	29 Jun 2023
Council	Corporate Governance Improvement Next Steps	5 Jul 2023
Council	Section 24 Statutory EY recommendations	18 Sep 2023
Council	Corporate Governance Improvement Plan	18 Sep 2023
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Audit Committee	Section 24 Report – Delivery and oversight arrangements	5 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	25 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	29 Nov 2023

Audit committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 December 2023
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	1 February 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 March 2024
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	27 March 2024
Council	Second Progress report of the Middlesbrough Independent Improvement Advisory Board	27 March 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	25 July 2024

**Contact:**

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## Appendix 1: Summary of information requested and major action points arising from the Middlesbrough Independent Improvement Advisory Board (MIIAB) July 2024 meeting

Information requests
External Audit Value for Money report 2021/22 to 2022/23 – presented to Audit Committee on 25 July 2024
Statistics on engagement undertaken in recruitment hub sessions
Data on engagement undertaken with Members as part of the Member Gateway project.

Major comments / action points
Consider undertaking lessons learned approach to build on the good practice coming out of the Councillor Gateway development.
That the Council should increase pace around development of a Target Operating Model.
That the Council should progress plans to develop a more integrated approach to performance, finance and risk.
The Council should consider use of pre-scrutiny in relation to transformation.
Benefits realisation information should be embedded within the Council's Communications plan.

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