

AUDIT COMMITTEE

A meeting of the Audit Committee was held on Thursday 22 August 2024.

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

ALSO IN ATTENDANCE: M Rutter (External Auditor) (Ernst Young), Andrew (Mazars), P Jeffrey (Internal Auditor) (Veritau), J Dodsworth (Veritau) and D Hepples (Veritau).

OFFICERS: C Cunningham, C Heaphy, A Hoy, A Johnstone, S Lightwing, D Middleton and J Weston.

APOLOGIES FOR ABSENCE: Councillors I Blades.

23/52 **MINUTE'S SILENCE**

At the request of the Chair, all present stood and marked one minute's silence to reflect on the sad passing of Councillor Jeanette Walker.

23/53 **WELCOME AND EVACUATION PROCEDURE**

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

23/54 **DECLARATIONS OF INTEREST**

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

23/55 **MINUTES - AUDIT COMMITTEE - 25 JULY 2024**

The minutes of the Audit Committee meeting held on 25 July 2024 were submitted and approved as a correct record, subject to the following addition to the Declarations of Interest:

MEMBER	TYPE OF INTEREST	ITEM/NATURE OF INTEREST
Councillor J Ewan	Non Pecuniary	Agenda Item 10 Member of Teesside Pension Fund

23/56 **ANNUAL COMPLAINTS AND COMPLIMENTS REPORT 2023-2024**

A report of the Director of Legal and Governance Services was presented to provide the Audit Committee with details of the Annual Complaints Report covering the period from April 2023 to March 2024.

The report set out an overview of the Council's complaints process covering the following elements:

- complaints statistics and trends
- outcomes
- how the Council continued to learn from complaints
- how the Council had worked towards the goals set in the previous Annual Report and;
- planned actions to further strengthen the management of complaints during 2024/2025.

The report also outlined the governance in place to ensure complaints were 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, published recently by the LGSCO.

The Council operated three distinct complaints procedures: corporate complaints, children's social care complaints and adult social care complaints. Some complaints and appeals were addressed through separate procedures, such as data protection breaches or refusal of planning permission.

As set out in the Council Plan 2024-2027, the Council was committed to improving resident satisfaction with its services and welcomed customer feedback to help the Corporate Complaints Team to identify areas of good practice and address issues for customers. The volume of customer feedback in relation to services, the Council's response to complaints and commitment to learning from them improved performance.

The report provided a summary of corporate and statutory complaints covering 1 April 2023 – 31 March 2024.

Appendix 1 to the submitted report set out the data for this period and included:

- 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.

While there had 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 were upheld due to services failing to respond in time.

The outcome of complaints investigated by the LGSCO and the lessons the Council has learned from them was set out in paragraphs 4.33 to 4.40 of the submitted report.

From the period April 2023 to March 2024, 109 compliments were received by the Central Complaints team, which was a significant increase on the 46 recorded for the two-year period 2021-2023 as reported in last year's report.

The main trends in 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.

There had been a slight increase in the number of complaints in relation to Children's Services from 157 (2022/23) and to 167 (2023/24). Whilst the volume had increased, the percentage upheld locally had continued to decline year on year for the previously reported three years, rising slightly in the latest year. This was a reflection of improvements in practice that had been delivered by the Children's Services improvement journey.

Adults statutory complaints numbers remained low in comparison to Children's at 31 in 2022/23 and reducing to 29 in 2023/24. 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.

As in last year's report, a continuing theme arising from complaints was the redesign of services, adopting new ways of working with the public, and increasing the use of remote engagement methods.

Appendix 1 to the submitted report also set out a breakdown of complaints by category. The categories were set by the LGSCO and gave a deeper indication of the types of complaints the Council received. In both years, the highest number of complaints by volume related to Environment and Regulation services, which included Highways, Benefits and Tax, Corporate and other complaints.

In relation to timeliness of complaints handling, whilst overall compliance had increased year on year, performance across the Council was variable. Whilst over 92% of complaints in relation to Benefits and Tax were responded to in time, the figure dropped to 37.5% for Education and Children's complaints in 2023/2024.

Some complainants remain dissatisfied after exhausting local complaints procedures and escalated their cases to the LGSCO to seek independent investigation. During 2023/24, the Council had no judgements made against it by the LGSCO which required payment to be made to the complainants.

The Council continued to maintain a log to ensure lessons were learned from any investigations, whether the complaint was upheld or not, as well as LGSCO investigations. Learning was shared across the organisation where wider lessons could be learned from an issue.

The Council was 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. During 2024/2025 the Council would also implement a delayed action from 2023 to ask complainants to complete a satisfaction questionnaire once their case was resolved, to identify further opportunity to improve practice.

Further information was requested on the timeline for investment in the fleet of vehicles used for bulky waste collection.

In response to service areas where there were high volumes of complaints, Departmental Management Teams were considering ways in which the speed of responses could be improved and ensuring that requests were recorded correctly. An additional triage team had been established in the Environment Directorate to assist with responding to complaints more quickly.

In respect of Children's Services there had been a significant staff turnover which had resulted in some delays responding to complaints. The Team Managers reported to their Departmental Management Team on a monthly basis to manage performance.

In respect of compliments, Members agreed that it was important to recognise the increase in the number of compliments received and acknowledged that this demonstrated that services were improving. A Member also highlighted that whenever major changes to Council services were introduced there would naturally be complaints.

Finally, a request was made for the numbers of upheld and partially upheld complaints to be separated. It was confirmed that this information would be provided in future reports.

AGREED as follows that:

1. 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 were noted by the Audit Committee.
2. Details of the timeline for investment in the fleet of vehicles used for bulky waste collection would be provided.

MINISTRY OF HOUSING, COMMUNITIES & LOCAL GOVERNMENT (MHCLG) LETTER ON ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND

A letter from the Minister of State for Housing, Communities and Local Government in relation to action to tackle the local audit backlog in England had been circulated with the agenda.

The letter had been sent before the summer recess to give Local Authorities and audit firms an update on the awaited measures to recover the backlog in the local audit market. The

backlog was due to a result of quite complex challenges as well as some failures in the local government audit system.

A series of backstop dates had been proposed for audits to be completed and audit opinions to be issued. However the latest dates were delayed following the recent Parliamentary Election and a consultation undertaken by the new Government. Middlesbrough Council's 2021/2022 and 2022/2023 accounts were currently subject to audit and no opinion had been issued. The new proposed backstop dates were subject to secondary legislation and the proposal was to apply 13 December 2024 as the backstop to all financial years up to 31 March 2023.

A number of measures had been taken by the Government in consultation with CIPFA and the Financial Reporting Council (FRC) including discussion as to how the backstop system would work and enable local authorities to recover the situation. Longer term, there would be proposals for a more significant overhaul of the whole system.

The expectation was that there would 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 were likely to issue 'disclaimed' audit opinions (no assurance) on many accounts. Early indications were that this could be several hundred in this first phase which might, in the short term, cause additional concern.

The Ministry would 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 meant. Local Bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that were largely beyond their control and auditors would be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies might face.

The Director of Finance explained that nothing fundamental had changed that had led to the current position. Local Authority accounts had become more complex and specialist skills were required to produce them. Over a period of years, the Council's accounts had been produced within the required timescale. However since 2021/2022 there had been difficulties in recruiting and retaining people with the required skillset both in audit and local government finance to produce these very technical documents. It was likely that there would continue to be disclaimed or modified opinions on accounts issued for some time, with the aim of catching up by 2025/2026.

A further issue was how the Auditor would start work on the 2023/2024 when they did not have audited closing balances for the previous year. This was a significant issue and there was currently no solution. However, additional work had been undertaken on the outstanding accounts to get them in as good order as possible.

AGREED that the information provided was received and noted.

23/58

ERNST & YOUNG UPDATE ON AUDITS FOR 2021/22 AND 2022/23 - VERBAL REPORT

The External Auditor provided an update on Audits for 2021/22 and 2022/23.

The background had been set out in the previous agenda item and whilst this was not the preferred outcome, EY supported the proposals.

The backstop date of 13 December 2024 was earlier than anticipated. Due to the limited amount of time available before that date, EY's intention was to disclaim both sets of the Council's accounts. This would not include the Pension Fund accounts.

The Council would still need to publish the outstanding accounts and they would be updated to reflect any changes. However, the updated position would not be audited. The opinion would be issued by 30 November 2024.

The Pension Fund accounts need to be concluded and there were some items to resolve, although the majority of work was completed. EY would issue clean audit opinions on the Pension Fund accounts at the same time as the disclaimers on the Council accounts for

2021/2022 and 2022/2023.

A Member commented that the situation was disheartening for audit staff and officers, given the huge amount of work that had taken place.

AGREED that the information provided was received and noted.

23/59

FORVIS MAZARS - AUDIT PROGRESS REPORT 2023/24

A joint report of the Director of Finance (S151 Officer) and Executive Member for Finance and Governance was presented to provide Members with information in relation to the external Audit Progress Report.

The purpose of the report was for Forvis Mazars, the Council's External Auditor, to present their latest assessment of relevant matters to highlight to the Committee, in order to keep 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.

The progress report as at August 2024 was attached at Appendix 1 to the submitted report and included the following sections: Audit Progress 2023/2024 and National Publications.

The main item in the report related to the local government audit backlog reset. The national backlog position had resulted in the work required to establish an audit opinion on the draft Statement of Accounts for 2021/2022 and 2022/2023 by Ernst & Young, being incomplete, and the accounts for those years remaining open with no signed audit opinion.

The Minister for Local Government had now considered the work done previously and issued backstop dates for both older, incomplete audits and for new financial years going forward. The backstop was the date in law by which time the audit needed to be completed, or disclaimed or modified opinion issued. The dates proposed up to the 2027/2028 financial year aimed to allow the local audit system to catch up on the backlog over a short timeframe and move back to timely financial reporting and audit processes across the sector.

Ernst & Young were working through what the 13 December 2024 backstop meant 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.

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

Mazars were undertaking the Value For Money work and the findings would be reported to Committee later in the year.

AGREED as follows that the audit progress report for the 2023/2024 audit was noted.

23/60

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT AND ANNUAL COUNTER FRAUD REPORT

A report of the Head of Internal Audit, Veritau, was presented to provide the Committee with a summary of internal audit work undertaken in 2023/2024 and to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. A summary of counter fraud activity during the year was also included.

A copy of the Annual Internal Audit Report was attached at Appendix 1 to the submitted report which included a summary of the work completed during the year, findings from recently issued audit reports, and the annual internal audit opinion. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council was that it provided reasonable assurance, which was an improvement on the previous year.

At the time of writing, five audits had been finalised since the previous report to Audit Committee. A further three audit reports had been issued to the responsible officers but remained in draft. It was anticipated that these audits would be finalised over the next three to four weeks and reported to the October meeting of the Audit Committee along with the other ongoing work.

The report also included details of Veritau's Quality Assurance and Improvement Programme (QAIP) which outlined the auditors ongoing quality assurance arrangements and activities and provided evidence to demonstrate that internal work had been carried out to the expected professional standards.

The annual report setting out counter fraud activity and performance was attached at Appendix 2 to the submitted report. It had been a productive year with the Council's first successful prosecution, which had raised awareness of audit's fraud work. There had been 102 referrals of potential fraud, double the number from the previous year. The Council's Whistleblowing Policy had also been updated this year. A day of action on disabled blue badge fraud and the National Fraud Initiative data matching exercise were other examples of audit's work.

AGREED that the following elements of the report were noted by the Audit Committee:

1. The results of internal audit work and counter fraud work undertaken during the year.
2. 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.
3. The significant control issues identified by internal audit which were considered relevant to the preparation of the Council's Annual Governance Statement.
4. The outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.

23/61

BEST VALUE NOTICE - STATUS UPDATE

A copy of a letter from the Deputy Director, Local Government Stewardship and Intervention from the Department for Levelling Up, Housing and Communities had been circulated with the agenda.

The Chief Executive reminded the Audit Committee that the Best Value Notice originally issued to the Council in January 2023 and renewed in January 2024 had now lapsed. A Government decision was awaited as to whether the Notice would be re-issued or not.

The Best Value Notice was originally issued due to the Council's financial situation and the behaviours and culture that existed within the organisation at that time. The Chief Executive commented that considerable progress had been made in all those areas.

The Government would be looking for the Council to have made significant progress and also a commitment to continue the good work. A recommendation had been made to Ministers but as yet it was not known what the recommendation was. The Chief Executive would inform Members as soon as further detail was received.

The Chair thanked the Chief Executive, Members and Officers for working together with improved collaboration and a determination to get the Council where it should be and deliver the best services for Middlesbrough residents.

AGREED that the information provided was received and noted.

23/62

PROGRESS AGAINST THE CORPORATE GOVERNANCE IMPROVEMENT PLAN AND THE SECTION 24 REPORT

A joint report of the Chief Executive, Director of Finance (S151 Officer) and the Director of Legal and Governance was presented that set 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 Audit Committee on 25 July 2024.

22 August 2024

Only the activity had been updated since the last report to Audit Committee in July and not the measures of success. Updated information would be reported to the next Council meeting on 11 September 2024.

Two measures were off-track on both plans but it was the same measure. A decision had been taken that the action that was planned – to create a protocol to manage non-compliance with governance process – was no longer required. It had been determined that sufficient tools and powers were already in place for good governance. The Council would be informed of the revised approach in order to maintain transparency before removing the action from both plans.

AGREED that progress against the Corporate Governance Improvement Plan and Section 24 Action Plan was noted by the Audit Committee.

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

None.