

AUDIT COMMITTEE

A meeting of the Audit Committee was held on Thursday, 20 February 2025.

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

ALSO IN ATTENDANCE: C Andrew - External Auditor, Forvis Mazars
T Backhouse - External Auditor, Forvis Mazars
M Kirkham - External Auditor, Forvis Mazars.

OFFICERS: A Humble, A Johnstone, C Lunn and J Weston.

APOLOGIES FOR ABSENCE: None.

24/71 **WELCOME AND EVACUATION PROCEDURE**

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

24/72 **DECLARATIONS OF INTEREST**

| MEMBER | TYPE OF INTEREST | ITEM/NATURE OF INTEREST |
|--------------------|------------------|---|
| Councillor Blades | Non-Pecuniary | Spouse is a Member of the Teesside Pension Fund |
| Councillor Branson | Non-Pecuniary | Spouse is a Member of the Teesside Pension Fund |
| Councillor Coupe | Non-Pecuniary | Member of the Board of Directors of Border to Coast |
| Councillor Ewan | Non-Pecuniary | Member of Teesside Pension Fund |
| Councillor Hubbard | Non-Pecuniary | Member of Teesside Pension Fund |

24/73 **RISK MANAGEMENT: BI-ANNUAL STRATEGIC RISK REGISTER REVIEW**

The Head of Policy, Governance and Information presented a report, the purpose of which was to provide a mid-year update to the Committee on the current content of the Council's Strategic Risk Register (SRR). Provision of the report supported the Committee to fulfil its governance and oversight responsibilities.

Risk Management was a critical element of corporate governance and was a statutory requirement for public sector organisations. The Council was required to provide for the health and safety of its Elected Members, employees, and those that it served. It had a duty to ensure effective planning for civil emergencies and was required to protect its assets and to take steps to minimise losses and liabilities. The purpose of Risk Management was to identify and manage risks to reduce their likelihood of occurring and also reduce their impact, should they occur.

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 and Policy, which was reviewed by Executive in July 2023.

The Council used risk registers to manage the various risks it identified; the SRR was the overarching risk register. This register 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 Strategic Plan.

The SRR was underpinned by directorate level risk registers which were monitored by directors. Within projects and programmes, risks were captured using standardised project documentation, which included risk registers. There were processes in place to ensure risks

were considered either as they were managed during business-as-usual processes or throughout the life of a project, and that they were escalated and deescalated, as appropriate.

In addition to bi-annually reporting the Council's overall approach on Strategic Risk Management to this Committee, a summary of the SRR was monitored monthly in performance deck and reviewed every three-months by the Leadership Management Team.

A summary of the current SRR was shown at Appendix 1 of the report.

During consideration of the report, the following points were raised:

- A Member referred to SR15d - 'Develop an early tension warning system that monitors and alerts the local authority and other key local partners about growing tensions' - and queried whether this had been completed. The Head of Policy, Governance and Information would refer this to an appropriate officer for response.
- A Member referred to SR15 actions and a planned action with PREVENT. It was queried how confident officers were that issues with failures in PREVENT would be addressed during planned action. The Head of Policy, Governance and Information would refer this to an appropriate officer for response.
- A Member referred to SR15g - 'Repair relationships and engagement between local communities where they have broken down following serious conflict and flashpoint incidents' - and requested more information on the steps that would be taken to deliver that action. The Head of Policy, Governance and Information would refer this to an appropriate officer for response.
- A Member requested an overview of the Risk Management approach that was applied to Emergency Planning. The Head of Policy, Governance and Information would refer this to an appropriate officer for response.
- In relation to the six-month update on the Council's SRR, a Member queried the legal advice that the TVCA Scrutiny Committee had recently received from Bevan Brittain, which the Member advised set out that the TVCA scrutiny functions did not have jurisdiction over the three corporations that were in place. The Head of Policy, Governance and Information would refer this to an appropriate officer for response.
- A Member referred to sr02 and queried the potential impact that a sudden increase in Children's Social Care cases could have. In response, the Committee heard of the rigorous mitigation schedule that was currently in place to help plan for this, which included significant investment in data analytical models and contingency planning.
- A Member referred to the Local Government Association (LGA) review report and queried when this would be provided. In response, the Committee was advised that the report was due for fact checking this week. It was intended that the report would be presented to full Council on 26 March 2025, though this was dependent upon timely receipt and review of it.

The Chair thanked the officer for the report and information provided.

AGREED that:

- 1. The Head of Policy, Governance and Information would refer the enquiries raised by Members to appropriate officers, for response.**
- 2. The arrangements in place to manage risk and provide assurance that strategic risks were being effectively managed within the risk management framework across the Council were adequate.**
- 3. The information, as presented, was noted.**

24/74

LETTER FROM MINISTER - VERBAL UPDATE

The Head of Finance and Investment provided a verbal update in relation to a letter that had been received from the Ministry of Housing, Communities and Local Government (MHCLG).

It was explained that following the 5 December 2024 Audit Committee meeting, where Members had considered and approved the Statement of Accounts for 2021/22 and 2022/23, the audit process had been completed and signed off in preparation for the 13 December 2024 backstop date. To that end, officers were of the view that work had been completed within timescale. However, a subsequent letter received from the office of Jim McMahon, Minister of State at the MHCLG, indicated that the Council had not been compliant with the

backstop for those two sets of accounts, as the accounts had not been published by the end of 13 December 2024. Members were informed that following a series of issues and delays arising with the previous auditors after the 5 December 2024 meeting, the accounts were published on the morning of 16 December 2024.

Officers had worked with the Mayor to produce a written response to this letter, a copy of which would be provided to Members for information. Members would also receive a copy of the response letter sent to the MHCLG. The officers' view was that the audit had been completed and the backstop met and were therefore disappointed that this correspondence had been received and that Middlesbrough Council would appear on a list of non-compliant Councils. In terms of penalties, it was explained that there would not be any of a financial nature, but negative publicity may arise. The position had been noted and lessons learnt.

During discussion, Members expressed disappointment with the correspondence received from the MHCLG but thanked the officers for bringing it to their attention.

AGREED that:

- 1. Copies of the correspondence with the MHCLG would be forwarded to the Committee Members, for information.**
- 2. The information, as presented, was noted.**

24/75

MIDDLESBROUGH COUNCIL AUDIT COMPLETION REPORT - 2023/24

The auditor from Forvis Mazars presented the Middlesbrough Council Audit Completion Report for the year ended 31 March 2024, which summarised their audit conclusions.

It was explained that due to the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, the auditors had been unable to complete the audit as originally planned, in advance of the backstop date of 28 February 2025. Members were referred to section 01 of the report, which provided further information on the legislative backstop arrangements and its implications for the audit and audit report.

The Committee was advised that the auditors would continue to work closely with stakeholders to take the necessary steps to rebuild assurance over future accounting periods.

It was explained that, in line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, the auditors' intention was to allow the Council to return to a standard audit cycle where the auditors were able to obtain sufficient, appropriate evidence to issue an unmodified audit opinion in as short a period as practicable.

During discussion, a Member referred to the summary of statements and queried whether the number of misstatements identified was either typical or atypical. In response, the auditor explained that this was typical in this first year of audit activity because the technical view employed had been different to that of the previous auditors. The volume of misstatements did not cause any concern for the next audit.

A Member referred to page 19 of the report and the section entitled 'Identified significant weaknesses in arrangements and recommendations for improvement'. In terms of the 'Recommendations for improvement', it was suggested that reference to the Mayor's priorities being clearly linked to the strategic workplan ought to be switched around, as the strategic workplan came as a result of the Mayor's priorities. The auditor indicated that these comments would be taken onboard.

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

NOTED

24/76

TEESSIDE PENSION FUND AUDIT COMPLETION REPORT - 2023/24

The auditor from Forvis Mazars presented the Teesside Pension Fund Audit Completion Report for the year ended 31 March 2024, which summarised their audit conclusions.

The Committee was advised that the 2023/24 accounts would be signed off on 28 February 2025, the statutory backstop date, with a disclaimer of opinion. Work on the audit continued to take place, however, it was hoped that an area of exception for reporting had been identified. This related to level 3 investments and the associated change in the market value of investments. The Committee would be updated accordingly on this matter.

Members heard that there was a high number of disclosure misstatements, and it was emphasised that this had been due to the timing of the different sets of accounts received by the auditors. Reference was made to the timescales, changes and crossover involved in completing the previous two years' accounts, which had been particularly complex and highly unusual.

The Teesside Pension Fund was both a complex and specialised field. It was hoped that sufficient progress would be made to proceed towards an unqualified opinion over the next couple of years.

The auditors expressed their thanks to the Council's officers for working with them, and to Members of the Audit Committee for their challenge, questions and patience during this time.

A Member commented on the efforts made by the auditors in commencing from a position of two previous years of unaudited accounts, and successfully recognising the area within Teesside Pension Fund where concerns were held.

A Member referred to other organisations whose employees were Teesside Pension Fund Members, such as Cleveland Fire Authority and Cleveland Police. Concerns were expressed that a valuation for this year, for contribution purposes, needed to be provided. The potential impact that this could have, and the importance of achieving a quick resolution, was highlighted by the Member. Officers advised the Committee that, at the present time, unfortunately nothing more than the assurances provided so far could be given; this was an ongoing problem, but was receiving attention.

The Chair referred to Internal Audit and requested that a meeting be arranged for the Vice Chair, Internal Audit and herself to discuss the audit programme, in particular the timeliness and outcomes of Internal Audit reviews. The Director of Finance and Transformation would look into this. Reference was made to Internal Audit provisions and associated recommendations from the LGA. A contract for Internal Audit was currently in place for 2020-2030; the terms of this contract would be shared with the Committee, for information.

A discussion ensued regarding declarations of interest, during which the following points were made:

- It was the responsibility of individual Councillors to declare any interests.
- Internal Audit would soon be commencing an audit in respect of declarations of interest.
- A Member referred to the Teesside Pension Fund Committee and suggested that training in relation to declarations of interest could be undertaken. The Head of Finance and Investment/ Director of Finance and Transformation would raise this with the Chair/ Vice Chair of the Committee.
- A Member commented that the TVCA had offered a full day of training in respect of declarations of interest, which demonstrated the complexities of this area.

A Member referred to the availability of resources in providing assistance to the auditors and queried whether this had been sufficient. In response, officers made reference to reviews carried out by CIPFA and MHCLG, which had identified that additional resources were required within the finance directorate. It was indicated that, following approval of the Council's budget, money had been made available for a revised structure to be implemented and recruitment activity would commence in the near future. It was indicated, however, that the skillset associated with this work was specific and, owing to the lack of qualified people within the market place and training taking a long time to complete, potentially difficult to obtain. This was a nationwide issue and not applicable only to Middlesbrough. Members heard that an advert for the Head of Pensions position was now live.

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

AGREED that:

- 1. The request for a meeting between the Chair, Vice Chair and Internal Audit would be raised with appropriate personnel by the Director of Finance and Transformation.**
- 2. The Head of Finance and Investment would circulate a copy of the terms of the Internal Audit contract for Members' information.**
- 3. The Head of Finance and Investment / Director of Finance and Transformation would discuss the suggestion regarding Teesside Pension Fund Committee/ Members' declarations of interest training with the Chair/ Vice Chair of that Committee.**
- 4. The information, as presented, was noted.**

24/77

MIDDLESBROUGH COUNCIL LETTER OF REPRESENTATION - 2023/24

****Owing to similarities in the reports for agenda items 8 and 9, the Committee agreed to consider those items simultaneously.****

The Head of Finance and Investment noted the following points:

- As part of the process for closing audits down, management views/ Letters of Representation needed to be provided to the external auditors.
- Various matters had to be considered as part of submitting views/ representations, which included: the accuracy of records, including ensuring that all liabilities had been disclosed; professional standards and the work of specialists, such as considering the auditors' work and their compliance with codes of practice; ensuring that all information had been passed to auditors; the appropriateness of the systems in place for dealing with matters such as fraud, risk and misstatements; and the availability of all information.

The Director of Finance and Transformation indicated that minor tweaks to the draft letters accompanying the agenda pack, to change the tense of some of the sentences from present to past, would be undertaken. At the point of finalisation, the Chair of the Audit Committee and the Director would provide signatures and the representations forwarded to Forvis Mazars to complete the audit process.

NOTED

24/78

TEESSIDE PENSION FUND LETTER OF REPRESENTATION - 2023/24

As per Minute Number 24/77.

24/79

APPROVAL OF THE STATEMENT OF ACCOUNTS FOR 2023/24

The Head of Finance and Investment presented a report of the Director of Finance and Transformation, the purpose of which was to seek approval from the Committee for the Audited Statement of Accounts for the Council for the 2023/24 financial year, prior to the statutory date of 28 February 2025, following external audit. Members were also asked to note:

- the disclaimed audit opinions given by Forvis Mazars on both the Council and Pension Fund financial statements at the 31 March 2024; and
- the work of Forvis Mazars in relation to the value for money arrangements and commentary around the Council's activities during this financial year, which had already been reported to the Committee.

The Audited Statement of Accounts for the financial year 2023/24, for Middlesbrough Council and Teesside Pension Fund, was attached at Appendix 1 of the submitted report.

The Committee discussed the progress that had been made in terms of the audit process, and considered the work required over the coming years. A Member also referred to the Council's current budget position and the importance of continuing to achieve increased revenue and savings.

AGREED that:

1. **The Audited Statement of Accounts for the financial year 2023/24, as set out at Appendix 1, taking in the external auditor's audit completion report on the audit process and management representations on the financial statements presented, was approved.**
2. **It was noted that this was the end of the accounting and financial processes for the financial year 2023/24, and these accounts were now closed. The latest open audit would now be for the current 2024/25 financial year for the Council; progress on this audit had already been discussed with Members and was on track/ ongoing. The back stop date for this audit was 27 February 2026.**

24/80

WORK PROGRAMME (STANDARD ITEM)

The Head of Policy, Governance and Information advised that the Audit Committee Work Programme for the 2025/26 Municipal Year was currently being devised.

A Member queried whether the additional meeting provisionally scheduled for 17 April 2025 would be required. In response, the Head of Policy, Governance and Information advised that this would be determined; the calendar invitation would be cancelled if no longer required.

AGREED that:

1. **The Head of Policy, Governance and Information would ascertain whether the 17 April 2025 Audit Committee was required. If not, diary entries would be cancelled.**
2. **The information, as presented, was noted.**

24/81

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

None.