

## **AUDIT COMMITTEE**

Wednesday, 30 April 2025

**PRESENT** – Councillors Henderson (Chair), Baker, Keir, McGill and Beckett

**APOLOGIES** – Councillors Durham,

**ALSO IN ATTENDANCE** – Councillors Porter

**OFFICERS IN ATTENDANCE** – Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Andy Evans (Head of ICT), Brett Nielsen (Assistant Director Resources), Amy Wennington (Assistant Director, Law and Governance), Judith Murray (Finance Manager), Lindsay Parkin (Audit Manager) Gavin Barker (Forvis Mazars), Campbell Deardren (Forvis Mazars) and Olivia Hugill (Democratic Officer)

### **A39     DECLARATIONS OF INTEREST**

There were no declarations of interest reported at the meeting.

### **A40     TO APPROVE THE MINUTES OF THIS AUDIT COMMITTEE HELD ON 20 JANUARY 2025**

Submitted – The Minutes (previously circulated) of the Audit Committee held on 20 January 2025.

**RESOLVED** – That the Minutes of the Audit Committee held on 20 January 2025 be approved as a correct record.

Submitted – The Minutes (previously circulated) of the Audit Committee held 24 February 2025.

**RESOLVED** – That the minutes of the Audit Committee held on 24 February 2025 be approved as a correct record.

### **A41     ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT**

The Head of ICT Services - Xentrall Shared Services submitted a report (previously circulated) providing a six-monthly update on progress in relation to the implementation of the ICT Strategy.

It was reported that the current ICT Strategy focused on two strategic priorities, the ICT Governance and Service Development and the ICT Strategic Architecture.

This submitted report summarised progress on the main activities within each of these priorities.

Conversation ensued around whether it would be possible for all systems to be integrated as one and whether the Council utilises a system similar to the 'cloud'.

**RESOLVED** – That the report be noted.

**A42 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT (SIX MONTHLY)**

The Assistant Director Law and Governance and Monitoring Officer submitted a report (previously circulated) updating Members on the issues relevant to Member standards and ethical governance since last reported to this Committee in November 2024.

The submitted report set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council and by reviewing these indicators it was hoped to be able identify any unusual or significant trends or changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.

The submitted report also included commentary for some data sets to give analysis and explanation for some of the more notable variations and it was reported that there were no particular issues of concern that had been identified from reviewing the data.

Discussion ensued around the datasets which reflected the complaints around Members; whether the code of conduct training is logged; and whether any additional resources are in place to support the team with complaints.

Members also discussed whether there was a further update on the DBS Checks for Councillors, officers explained that the relevant enquiries were being made, and an update would be given promptly.

**RESOLVED** – That the report be noted.

**A43 INFORMATION GOVERNANCE WORK PROGRAMME - PROGRESS REPORT (SIX MONTHLY)**

The Group Director of Operations submitted a report (previously circulated) providing a six-monthly update, as required by the Systems and Information Governance Group (SIGG), on the progress and planned developments of the information governance programme.

It was reported that the ongoing delivery of the information governance programme continued to provide the assurance required to reduce the information risks to an acceptable level and outlined the ongoing works.

It was also reported that the area of highest priority in the information governance programme was the Microsoft Office 365 Programme.

Discussion ensued around the assessment and implementation of Artificial Intelligence within the Council; Members wanted to understand whether any other local authorities had implemented AI, why the Council was looking at three different AI products and what areas of the council it would be used in.

**RESOLVED** – That the report be received.

**A44 AUDIT SERVICES - AUDIT CHARTER**

The Audit and Risk Manager submitted a report (previously circulated) together with the Audit Services' Audit Charter for 2025-26.

It was reported that it was a requirement for the Council to have an internal audit function, outlined in Section 151 of the Local Government Act 1972, with more specific requirements detailed in the Accounts and Audit (England and Wales) Regulations 2015 which required the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

It was reported that the Global Standards for the Internal Audit had been revised over the past 12 months. The revised standards are applicable from April 2025 and a self-assessment against the revised standards had been completed. It was explained that the whole service was compliant with the new standards, however there are some minor adjustments required which some had been incorporated into the Audit Charter. The standards and changes were summarised in the main report.

**RESOLVED** – The Committee approves the Internal Audit Charter, and the rights of access conferred within.

#### **A45     AUDIT SERVICES - ACTIVITY REPORT**

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report of activity and proposed activity for the next period.

The submitted report outlined progress to date on audit assignment work together with consultancy/contingency activity. Appendix 1 provided members with detailed feedback on the performance of the services related to the completion of audit work.

Members queried which transport policies were out of date which had impacted the results, the Committee also entered into discussion around recruitment issues and whether any other authorities were in the same position.

**RESOLVED** – That the activity and results be noted.

#### **A46     AUDIT SERVICES AUDIT WORK 2024/25 - ANNUAL REPORT**

The Assurance Manager submitted a report (previously circulated) to present the Annual Report of the testing undertaken in the previous 12 months in accordance with Audit Services' role and terms of reference.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and performance indicators; and gave details of Audit Services' all agreed work that had been completed. It was also reported that the Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.

Members entered into discussion around what systems were in place to prevent and manage fraud.

**RESOLVED** – That the annual report of the results of testing during the previous 12 months, and the overall opinion statement, be noted.

#### **A47 INTERNAL AUDIT STRATEGY 2025-2028**

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with the Internal Audit Strategy 2025-2028.

The report explained that the requirement for the Council to have an internal audit function is outline in Section 151 of the Local Government Act 1972, further specific requirements are detailed in the accounts and audit (England and Wales) Regulations 2015 which requires the council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

It was also explained that the Global Standards for Internal Audit had been revised during the previous 12 months and that the standards are applicable from April 2025. The standards introduced a requirement to prepare a strategy to develop the Internal Audit Strategy.

The Service had a Strategy in place for a number of years and this is how the 2025/28 Strategy would be recognised, included in the report was how the strategy will continue to develop over the next 3 years.

**RESOLVED** - That Audit Committee approves the Internal Audit Strategy for 2025/2028.

#### **A48 ACCOUNTING POLICIES TO BE APPLIED TO THE 2024/25 FINANCIAL STATEMENTS**

The Executive Director of Resources and Governance submitted a report (previously circulated) updating Members on the accounting policies to be applied in the preparation of the 2024/25 Statement of Accounts (SoA).

Members were advised that the Accounts and Audit Regulations 2015 and the Local Government Act 2003, required that the SoA's were produced in accordance with proper accounting practices and that one of the responsibilities of this Committee was 'to review the annual statement of accounts prior to approval. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of Council.

The report confirmed that the majority of the Accounting Policies used in the preparation of the 2023/24 Statement of Accounts remain appropriate against the 2024/25 Statement of Accounts.

The report explained that one significant change to the Accounting Policies used with the mandatory implementation of IFRS 16 leases from 1<sup>st</sup> April 2024.

Members asked if the committee would be able to view any accounts from joint ventures.

**RESOLVED** – The Committee approves the use in the preparation of the 2024/25 financial statements.

**A49      QUARTER 3 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT**

The Executive Director of Resources and Governance submitted a report (previously circulated) that updated Members on the quarterly Treasury Management Activities and Prudential Indicators.

The report explained that the Council's Treasury Management Strategy for 2024/25 was approved by Council on the 15<sup>th</sup> February 2024. An updated position was presented as part of the Prudential Indicators and Treasury Management Strategy 2025/26 that was approved at Council on the 20<sup>th</sup> February 2025.

The report summarised the Council's borrowing and investment position as at the 31<sup>st</sup> December 2024 and provided the latest update of the Prudential Indicators. It was explained that the Quarter 3 review report met the regulatory requirements of Treasury Management and had been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

**RESOLVED** - That the Audit Committee noted the Quarter 3 Treasury Management Update. That the Audit Committee noted the Prudential Indicators as outlined in Annex 1 of the report and noted the compliance with the indicators.

**A50      EXTERNAL AUDIT ANNUAL PLAN 2024/25 - VERBAL UPDATE FROM FORVIS MAZARS**

The Audit Director from Forvis Mazars gave a verbal update on the External Audit Annual Plan 2024/25.

The Audit Director gave an overview on the position of other Local Authorities with regards to back stop dates, disclaimed opinions and unmodified opinions.

The next steps going forward were explained and how they would keep officers up to date of the position they are in.

Members queried whether the best value notice for the Tees Valley Combined Authority would any impact on the Councils accounts.