

AUDIT COMMITTEE

Monday, 21 July 2025

PRESENT – Councillors Henderson (Chair), Keir, McGill, Crudass, Layton and Beckett

OFFICERS IN ATTENDANCE – Lee Downey (Complaints and Information Governance Manager), , Brett Nielsen (Assistant Director Resources) and Judith Murray (Finance Manager), Gavin Barker (Forvis and Mazars), Campbell Dearden (Forvis and Mazars), Lindsay Parkin (Audit Manager) and Olivia Hugill (Democratic Officer)

A51 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A52 TO APPROVE THE MINUTES OF THIS AUDIT COMMITTEE HELD ON 30 APRIL 2025

Submitted – The Minutes (previously circulated) of the Audit Committee held on 30 April 2025.

RESOLVED – That the Minutes of the Audit Committee held on 30 April 2025 be approved as a correct record.

A53 TIME OF MEETINGS

RESOLVED – That the meetings of this Audit Committee be held at 2.00 p.m. on the dates, as agreed on the calendar of meetings by Cabinet.

A54 EXTERNAL AUDIT ANNUAL PLAN 2024/25

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

The Audit Director gave an overview on how they are waiting for guidance and will inform officers when they receive that. The update continued with regards to their position with other Local Authorities, back stop dates, disclaimed and unmodified opinions.

It was explained that the company has had two resignations and that the business lead must focus on the audits with unqualified opinions at other local authorities.

Members entered discussion around their concerns if Forvis Mazars cannot do the audit again, and whether there would be consequences. Members wanted further clarification how Forvis Mazars categorise the positions of local authorities. Conversation ensued around how confident Forvis Mazars feels about close employment gaps.

A55 INTERNAL AUDIT 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, consultancy/contingency activity and highlighted the change in approach from traditional audit assignments to individual control testing and reporting and the different approach in terms of reporting on activity to be developed further in the coming months; and the move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.

Also previously circulated was detailed feedback on the performance of the service and the position in relation to completion of audit work.

Members asked whether employment replacement plans were in place for the phased retirement position.

RESOLVED – That the activity and results be noted.

A56 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS

The Partnerships Director submitted a report (previously circulated) advising Members of the outcome of the annual review of significant partnerships, and to enable the Committee to ensure that adequate governance arrangements were in place.

It was reported that the Partnership toolkit had been adopted by Cabinet in March 2007 and provided a means to record that the performance of each partnership was monitored and that good governance arrangements were in place.

The submitted report outlined the criteria for a partnership to be classed as significant, together with those partnerships in Darlington which were currently classed as significant and the process involved in assessing their achievements against their objectives and in identifying any areas for improvement or risk.

Members requested in the link included in the report could be attached as an appendix in future.

RESOLVED - That the report be noted.

A57 ANNUAL RISK MANAGEMENT REPORT 2024 2025

The Chief Executive submitted a report (previously circulated) advising Members on the approach to and the outcomes of the Council's Risk Management process.

It was reported that Risk Management was an essential part of the effective and efficient management and planning which strengthened the ability of the Council to achieve its objective and enhance the value of services provided, and that positive progress continued to be made within the Authority regarding the management of the key strategic risks and with the work undertaken by Officers to manage operational risk.

Members entered discussion around risk number SR22, it was asked how we would monitor the additional cost pressures to the care provider market from national changes to

Employers National Insurance Contributions. Members queried how some risks had remained on there a while and whether there is scope to move them on.

RESOLVED – That Members note the Risk Management Strategy and Report.

A58 MANAGERS ASSURANCE STATEMENTS

The Group Director of Operations submitted a report (previously circulated) advising Members of the outcome of the 2024/25 Managers' Assurance Statements (MAS).

It was reported that the MAS was a key element of the Council's corporate governance arrangements and, based on the 2024/25 returns, had identified an overall positive position. The report stated that the statements had been completed by all Assistant Directors or Heads of Service and endorsed by the appropriate Director, which covered their areas of responsibility in 2024/25.

The report highlighted a number of improvements to process/controls and proposed actions were identified throughout the different areas of the Council, and that these matters would be progressed by Assistant Directors during 2025/26.

RESOLVED – That the contents of the report be noted.

A59 TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2024/2025

The Executive Director of Resources and Governance submitted a report (previously circulated) to provide important information regarding the regulation and management of the Council's borrowing, investments and cash-flow, as a requirement of the Council's reporting procedures and by regulations issued under the Local Government Act 2003 to produce an annual treasury management review and outlined treasury activity for 2024/25.

The report also sought Members approval of the Prudential Indicators results for 2024/25 in accordance with the Prudential Code.

It was reported that the financial year 2024/25 was another unprecedented year with regard to treasury management. With the conflict of Ukraine, the cost-of-living increases and inflation taking time to recover, the bank rate peaked at 5.25% at the start of the year. Although the returns for cash investments have remained favourable due to higher interest rates they remain below the cost of borrowing, and they decline a much faster rate than the cost of borrowing.

The submitted report summarised the capital expenditure and financing for 2024/25; the Council's overall borrowing need; the Treasury position as at 31 March 2025; prudential indicators and compliance issues; the economic background for 2024/25; a summary of the Treasury Management Strategy agreed for 2024/25; and performance and risk benchmarking.

The report explained that the Council's external debt was £172.738m which is £19.860m more than the previous year, this increase relates to the progression of various capital

schemes and the rise in costs of these schemes due to inflationary pressure. Financing costs had an overspend of £0.324m mainly due to interest rates remaining higher for longer due to the economic climate.

Members appreciated the detailed report from this area, Members sought clarification on how the council secures its loans.

RESOLVED – That the report be noted.

**A60 QUARTER ONE PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING
REPORT 2025/26**

The Executive Director of Resources and Governance submitted a report (previously circulated) to provide an update on the Treasury Management activities and Prudential Indicators at Quarter 1 2025/26 in accordance with the CIPFA Code of Practice.

The report explained that the Council's Treasury Management Strategy for 2025/26 was approved by Council on 26th February 2025. The report also summarised the Council's borrowing and investment position as at the 30th June 2025 and provided the latest update of the prudential indicators which were included in the report.

RESOLVED – That Members noted the Quarter 1 Treasury Management Update and the Prudential Indicators outlined in the report.