

AUDIT COMMITTEE

Monday, 13 October 2025

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

APOLOGIES – Councillors Keir

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

A61 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A62 TO APPROVE THE MINUTES OF THIS AUDIT COMMITTEE HELD ON 21 JULY 2025

Submitted – The Minutes (previously circulated) of the Audit Committee held on 21 July 2025.

RESOLVED – That the Minutes of the Audit Committee held on 21 July 2025 be approved as a correct record.

A63 AUDIT STRATEGY MEMORANDUM 2024/25

The Audit Director from Forvis Mazars presented the Audit Strategy Memorandum (previously circulated) for Darlington Borough Council for the year ending 31 March 2025.

The report summarised the Audit approach, this included the significant risks and areas of key judgement they had identified and provided details of their audit team. It was explained that the report had been prepared following from initial planning discussions with management.

The report contained appendices that outlined Forvis Mazars key communications, forthcoming accounting issues and any other issues that may be of interest to Members.

The report set out the Engagement and responsibilities, the Audit Team, Audit scope, approach and timeline, the materiality and misstatements, the significant risks and other key judgement areas, value for money and Audit fees and other services and the confirmation of their independence.

Members sought Forvis Mazars perspective on the likelihood of a qualified opinion to be undertaken. Members questioned Darlington Borough Council Officers around whether they will be able to support Forvis Mazars requirements within the timeframe.

Members raised their concerns on how Forvis Mazars have not yet set their guidance and whether they can confirm the timeline for this. Members asked whether Forvis Mazars could

give further information around the team's experience and their employment turnover. Members asked if the Committee would have oversight of the Joint Venture accounts.

RESOLVED - That the update be noted.

A64 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, 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.

Discussion ensued around whether the change in the system will allow the date to continue in the same format. Members asked if the increase in unscheduled visits in adults services was due to CQC inspections.

RESOLVED – That the activity and results be noted.

A65 REVIEW OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS

The Audit and Risk Manager submitted a report (previously circulated) to advise Members of the Anti-Fraud and Corruption Arrangements for the period 2025/26.

It was reported that estimates suggested that in excess of £300m was lost to fraud in local government and it was imperative to ensure that the Council's funds were not being lost to fraudsters.

Guidance and advice to authorities on managing its fraud risk was provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) which also co-ordinated an annual survey of fraudulent activity detected across local government and which had published a Code of Practice on Managing the Risk of Fraud and Corruption in October 2014.

It was reported that the Council's 2024/25 Strategy (also previously circulated) had been developed in line with CIPFA's code of practice and that the format of the strategy had been redefined from previous versions to improve its visual appeal and make it more effective.

The submitted report also gave an update on the progress against the actions identified in the 2024/25 Strategy.

Members discussed whether the emerging risk areas would be national or only relevant to Darlington.

RESOLVED - That the 2025/26 Anti-Fraud and Corruption Strategy be noted.

A66 MID-YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT 2025/26

The Executive Director of Resources and Governance submitted a report (previously circulated) to seek Members approval of the revised Treasury Management Strategy, Prudential Indicators and provide Members with a mid-yearly review of the Council's borrowing and investment activities. It was reported that this Committee were requested to forward the revised Strategy and indicators to Cabinet and Council for their approval and to note the changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

It was reported that the mandatory Prudential Code, which governed Council's borrowing, required Council approval of controls, called Prudential Indicators, which related to capital spending and borrowing; and the indicators were set out in three statutory reports namely, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update (which follows Council approval in February 2025 of the 2025/26 Prudential Indicators and Treasury Management Strategy).

The key objectives of the three annual reports were set out in the submitted report, together with the key proposed revisions to the prudential indicators which related to a reduction in the Operational Boundary to £182.456 million and the Authorised Limit to £276.297 million to allow for any additional cashflow requirement.

Officers presented update information at the meeting and answered a number of technical questions from Members in relation to the report.

RESOLVED – That the submitted report be referred to Council via Cabinet and that it be advised that this Audit Committee approves the revised prudential indicators and limits; and notes the Treasury Management Budget (Financing Costs) projected outturn.

A67 PROPERTY FUNDS

The Assistant Director of Resources submitted a report (previously circulated) to provide Members with information concerning the Council's property fund investments.

The report explained that the 2017/18 Treasury Management Strategy approved by Council on the 28th February 2017 included the provision to invest in units in property funds up to £20m per fund with a total maximum of £40m.

It was clarified that after due diligence and review Lothbury, CCLA and Hermes were selected and investments of £10m were made into each fund. Following the termination of the Lothbury Property Fund the Council had reinvested the proceeds to date into another property fund, USB Triton Property Fund.

The report outlined that in addition to greater revenue returns there is potential for capital gains (increases in the fund price) but as capital prices fluctuate with wider economic activity, investments of this nature need to be a long-term commitment usually 10-25 years.

To conclude the report it was explained that to date the property funds have provided over £8m in income (dividends) which have provided the Council with additional resources to invest in services through the Medium Term Financial Plan (MTFP).

The Chair thanked officers for completing this report, Members raised some technical questions around the report. The Committee wanted to understand what type of investments the Council look to consider.

RESOLVED – That the report be noted.

A68 INFORMATION GOVERNANCE WORK PROGRAMME - PROGRESS REPORT

The Executive Director of Resources and Governance submitted a report (previously circulated) providing a six monthly update to the Audit Committee as required by The Systems and Information Governance Group (SIGG) and to outline 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, of the ongoing work, the area of highest priority was the Digital Darlington Strategy and Artificial Intelligence. The strategy is based around 4 themes, with the web and systems updates throughout this report demonstrating progress against some of these themes.

Members asked if any work had been completed to find out how much officer time has now saved from the introduction of these new systems.

RESOLVED – That the report and progress on the implementation of the Information Governance Programme be noted.

A69 ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT

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

It was reported that the current ICT Strategy focused on three strategic priorities, namely ICT Governance and Service Development; ICT Strategic Architecture; and Council Service Development and Transformation.

This submitted report summarised progress on the three strategic themes of the Strategy.

RESOLVED – That the report be noted.

A70 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT

The Assistant Director Law and Governance submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance.

The submitted report gave members an update of information about issues relevant to member standards since matters were reported to the Committee in April 2025 and also set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council.

By reviewing these indicators it is hoped to be able to 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; and it was reported that there were no particular issues of concern that had been identified from reviewing the data.

Members discussed the proposal to remove Members personal numbers and addresses from the public domain.

RESOLVED – That the report be noted.