

Audit and Standards Committee

Friday, 26 July 2019 at 10.00 am

Meeting to be held in a Committee Room, Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

www.northoftyne-ca.gov.uk

AGENDA

Page No

1. **Appointment of Vice-Chair for the Municipal Year 2019/20**

The Committee is invited to appoint its Vice-Chair for the Municipal Year 2019/20.

2. **Welcome and Apologies**

3. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

4. **Agreement of the Minutes of the Meeting held on 4 April 2019** **1 - 6**

5. **Financial Regulations Diagnostic Toolkit and Internal Audit Annual Opinion 2018/19** **7 - 20**

6. **Draft Strategic Risk and Opportunities Register** **21 - 30**

7. **Statement of Accounts and External Audit**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

8. **2018/19 Annual Governance Statement**

31 - 42

9. **Date and Time of Next Meeting**

Tuesday, 17 September 2019 at 10.00am in a Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY.

Contact Officer:

Lynn Camsell

Tel: (0191) 211 6146

Email: Lynn.Camsell@northoftyne-ca.gov.uk



Draft Minutes for Approval

North of Tyne Combined Authority, Audit and Standards Committee

4 April 2019

(2.00 - 3.00 pm)

Meeting held: Committee Room, Newcastle Civic Centre, Newcastle upon Tyne, NE1 8QH

Minutes

Present:

Chair: Mr D Ross

Councillors A Chisholm, C Penny-Evans, D Cox, R Glindon, M Rankin, S Dickinson, M Swinburn, J Watson and G Stone

Cllr C Seymour (observer)

10 WELCOME AND APOLOGIES

Apologies were received from Cllr A Lower

11 APPOINTMENT OF THE VICE CHAIR OF THE NORTH OF TYNE COMBINED AUTHORITY AUDIT AND STANDARDS COMMITTEE FOR THE MUNICIPAL YEAR 2018/19

Councillor D Cox and Councillor M Swinburn were both nominated and seconded for the position of Vice Chair of the Audit and Standards Committee

RESOLVED - that Councillor D Cox was appointed Vice Chair for the Municipal Year 2018/2019.

12 MINUTES OF THE PREVIOUS MEETING HELD ON 14 FEBRUARY 2019

The minutes of the meeting held on 14 February 2019 were agreed as a correct record and signed by the Chair.

13 **ACCOUNTING POLICIES TO BE USED IN THE COMPILATION OF THE 2018/19 STATEMENT OF ACCOUNTS**

Submitted: Report of the Chief Finance Officer (previously circulated and a copy attached to the Official Minutes).

The purpose of the report was to provide the Audit and Standards Committee with details of the proposed Accounting Policies that will be used in the compilation of the 2018/19 Annual Statement of Accounts (The Accounts).

J Gillespie outlined the report informing Members of 2 important deadlines; the end of May deadline in order to produce the Accounts and the end of July to be approved and subsequently published. Reference was also made to the complexities involved with the North East Combined Authority (NECA) and the NTCA share of the transport element; the New Tyne Crossing and the income from the tolls.

RESOLVED that the Audit and Standards Committee –

- i) Endorsed the Accounting Policies to be adopted by the Authority and used to compile the Authority's Accounts for the financial year ended 31 March 2019.
- ii) Noted the work outlined in respect of the closure of the 2018/19 Accounts.

At this point the Chief Finance Officer introduced the representatives from the External Auditors, EY, who will be the external auditors for the newly formed North of Tyne Combined Authority. Nicola Wright introduced her colleagues Stephen Reid and Stuart Kenny and gave a brief explanation of their role.

14 **INTERNAL AUDIT PLAN - INTERNAL AUDIT INITIAL COVERAGE 2018/19 AND INTERNAL AUDIT STRATEGIC AUDIT PLAN 2019/20**

Submitted: Report of the Chief Internal Auditor (previously circulated and a copy attached to the Official Minutes).

Consideration was given to the report the purpose of which was to outline a summary of initial Internal Audit coverage to date in the first part-year of operation of the North of Tyne Combined Authority (2018/19), and further Internal Audit work to be performed in respect of the 2018/19 year; and the Proposed Strategic Audit Plan for 2019/20 for consideration and endorsement by the Audit and Standards Committee.

A Mitchell outlined the report and reminded the Committee that the North of Tyne Combined Authority (NTCA) is still new and therefore there are inherent risks in establishing effective financial and other governance systems for the authority.

Attention was drawn to the proposed Internal Audit Plan 2019/20 and - Core Governance Systems – Diagnostic Assessment Tool (first part of 2019/20) and Risk Based Assessments (second part of 2019/20) and an explanation given as to the

purpose (Appendix A); Financial Procedure Notes and the NTCA Internal Audit Plan 2019/20.

During discussion comments and questions from Members included:

1. Responding to a question regarding the management of fraud A Mitchell acknowledged that whilst this is not referred to in the report, Officers are aware and mindful of the potential, explaining how internal audit will monitor the risk.
2. Reference was made to Financial Procedure Note 7, Control 40 and a suggestion made that officers provide Members with further information on how to complete and submit claims.
3. A member referred to Financial Procedure Note 2, Controls 6 and 7 and requested an update at a future meeting.

RESOLVED that the Audit and Standards Committee:

- i) Noted that a range of financial and other governance processes are currently being developed and established for the North of Tyne Combined Authority but are not yet fully embedded.
- ii) Noted the initial diagnostic work on the governance framework which has been performed by Internal Audit in 2018/19.
- iii) Noted that this work will continue into the first quarter of 2019/20, in order to provide a sound evidence, base on which the 2018/19 opinion of the Chief Internal Auditor on the Framework of Governance, Risk Management and Control can be prepared.
- iv) Noted that a diagnostic assessment tool, attached as **Appendix A**, has been developed to provide an efficient and effective method of supporting the North of Tyne Combined Authority in assessing the Framework of Governance, Risk Management and Control.
- v) Considered and endorsed the proposed 2019/20 Internal Audit Plan, attached as **Appendix B**, which is based on an assessment of audit risk and designed to focus on the North of Tyne Combined Authority key objectives in the 2019/20 year.
- vi) Receive an update at a future meeting in respect of Financial Procedure Note 2, Controls 6 and 7.
- vii) Members to be provided with further information on how to complete and submit claims.

15 **AUDIT & STANDARDS COMMITTEE - STRATEGIC RISK REPORT**

Submitted: Report of the Chief Internal Auditor (Newcastle City Council) (previously circulated and a copy attached to the Official Minutes).

The purpose of the report was to introduce the draft Risk Management Policy and Strategy and provide members with information on the development of a draft Strategic Risk Register for the North of Tyne Combined Authority (NTCA).

Based on discussions to date initial work has identified 2 risks and 1 opportunity: -

- Risk – Devolution
- Risk – Operational Capacity and Resources
- Opportunity – Partnerships

Details of the above are set out in Appendix A to the report.

Comments and questions from Members

1. It was highlighted by members of the Committee that reports had been submitted to the Committee from two report authors bearing the title 'Chief Internal Auditor'. Clarification was sought by members as to who was NTCA's Chief Internal Auditor. It was confirmed that A Mitchell is Chief Internal Auditor for NTCA, and only one officer can hold that role for the Authority. The confusion appeared to have arisen because of titles held by officers in their constituent authority roles appearing as titles on NTCA reports. It was suggested by officers that some thought be given to role titles prior to the next meeting to clearly differentiate between officers providing Internal Audit or Risk Management roles to NTCA.
2. Responding to a question regarding the impact of BREXIT in each of the 3 local authority areas P Slater gave assurances that all identifiable controls were considered for NTCA, and each of the 3 local authorities would be considering their own arrangements.
3. A Member acknowledged that BREXIT is a strong, important risk and requested that the Committee be kept informed of any issues that arise.

RESOLVED that the Audit and Standards Committee:

- i) Acknowledged the draft strategic risk and opportunities descriptions and noted the action to identify risk owners and determine risk priorities (Appendix A).
- ii) Agreed the Risk and Opportunity Management Policy and Strategy (Appendix B).

16 **ANNUAL GOVERNANCE STATEMENT**

Submitted: Report of the Chief Internal Auditor (Newcastle City Council) (previously circulated and a copy attached to the Official Minutes).

P Slater outlined the report which presented the provisional outcome of the review of the Authority's governance and internal control arrangements for 2 November 2018 up to 31 March 2019. The draft Annual Governance Statement (AGS) was provided at Appendix A of the report.

Members attention was drawn to the Annual Review of Effectiveness of Governance Framework (section 5 of Appendix A) and the methods used to inform the review. It was noted that a final AGS and the outcomes of the review will be reported to the next meeting of the Audit and Standards Committee.

A committee member raised an issue with governance arrangements for the committee, in particular the number of supplemental reports, some of which have been circulated just 24 hours before the meeting. It was requested that this concern be noted in the minutes and steps taken to ensure timely publication of reports to all committees of the authority.

RESOLVED that the Audit and Standards Committee:

- i) Agreed the draft 2018/19 Annual Governance Statement narrative.
- ii) Acknowledged that the Statement will be subject to further review in July 2019 following completion of the external audit of accounts and before it is signed by the Head of Paid Service and the Mayor.

17 **CODE OF CONDUCT FOR MEMBERS - DISPENSATIONS**

Submitted: Report of the Interim Monitoring Officer (previously circulated and a copy attached to the Official Minutes).

Members considered the report which sought the Committee's agreement to confirm the dispensations granted previously to the Authority's Cabinet Members, together with the creation of an ad-hoc sub-committee to deal with future requests for dispensations and the scope for the Interim Monitoring Officer, in consultation with the Chair, to issue dispensations in cases of urgency. J Softly confirmed that any dispensations which were issued under these arrangements would be reported back to the next scheduled meeting of the Committee.

RESOLVED that the Committee agreed:

- i) To grant the dispensations to Cabinet Members as set out in section 1.4 of the report.
- ii) To establish the ad-hoc sub-committee to deal with future requests for dispensations as described in section 2.1 of the report.
- iii) The 3 members of the ad-hoc sub-committee to rotate across the 3 local authorities.

- iv) To authorise the Interim Monitoring Officer, in consultation with the Chair (or, in his/her absence, the Vice Chair) to issue dispensations in the circumstances outlined in sections 1.4 and 2.2

18 **DATE AND TIME OF NEXT MEETING**

to be confirmed

Audit and Standards Committee

26 July 2019

**Subject: Financial Regulations Diagnostic Toolkit and
Internal Audit Annual Opinion 2018/19**

Report of: Allison Mitchell, Chief Internal Auditor

Report Summary

The purpose of this report is to outline:

- (a) The outcomes of Internal Audit's work to assess the adequacy and embeddedness of fundamental financial processes, using a diagnostic tool based upon the Financial Procedure Notes contained in the Authority's Financial Regulations.
- (b) Internal Audit's 2018/19 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

Recommendations

The Audit and Standards Committee is recommended to:

- (a) Consider and note Internal Audit's report following assessment of fundamental financial processes, attached at **Appendix 1**;
- (b) Consider and note the Chief Internal Auditor's 2018/19 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control, attached as **Appendix 2**.

1. Background Information, Proposals and Timetable for Implementation

Internal Audit Report – Financial Regulations Diagnostic Toolkit (Appendix 1)

- 1.1 The North of Tyne Combined Authority came into being very recently (in November 2018). As with any new entity, it would be expected that fundamental financial processes would be in the process of embedding at this stage in the Authority's development.
- 1.2 To assist 'those charged with governance' within the Combined Authority, senior officers and the Audit and Standards Committee, it was agreed that Internal Audit would develop a financial governance 'diagnostic tool'. This diagnostic tool takes the procedures which have been established as part of the Constitution / Financial Regulations of the Combined Authority, and assesses the extent to which these procedures have been / are being implemented within the Combined Authority. It is hoped that the outcomes from this work will give assurance on those areas which are being established well, and act as an indicator on any areas of financial governance in which more action is needed to ensure agreed processes are successfully embedded.
- 1.3 The diagnostic tool was presented to and agreed for use by Audit and Standards Committee at its meeting on 4 April 2019. There are 67 questions in the diagnostic tool, based on the agreed Constitution and Financial Regulations of the North of Tyne Combined Authority. However, an assessment was not made against 20 of these questions as it was determined that these were not applicable in the context of the current operation of the Combined Authority. For example there are a series of questions in the Income section of the tool relating to income collection, cash handling and banking procedures, however, the Combined Authority does not currently provide services that generate this type of income.
- 1.4 For the remaining 47 questions, Internal Audit's findings demonstrate that the majority of areas examined through the Diagnostic Toolkit received an assessment of 'yes' or 'qualified yes' (29 assessment areas). Some additional actions to embed expected standards of practice would be beneficial in other parts of the areas examined (18 assessment areas). The details of Internal Audit's findings are set out in Section 4 of Appendix A to this report.
- 1.5 Internal Audit recognises that the Authority is not yet a year into existence. We understand from the Section 73 Officer (Chief Finance Officer) that resourcing is currently being reviewed and strengthened, in order to ensure that capacity is appropriate in respect of all fundamental financial activities.

- 1.6 Internal Audit will continue to work with the Combined Authority's finance staff to develop an action plan from the outcomes of the diagnostic tool. The action plan will set out target dates for implementation of recommendations and a management response setting out the action to be taken. The completed action plan and a progress update from management will be presented to a future meeting of the Audit and Standards Committee.

2018/19 Opinion of the Chief Internal Auditor on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control (Appendix 2)

- 1.7 This report has been written by the Chief Internal Auditor to provide an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control within the North of Tyne Combined Authority. This is the first annual opinion provided to the Combined Authority following its inception in November 2018.
- 1.8 It is the responsibility of management to ensure that effective systems of internal control are in place within the Combined Authority and to establish sound arrangements for planning, appraising, authorising and controlling their operations. Internal Audit assists management by testing to see whether the controls established for any given system are appropriate.
- 1.9 For the purposes of this report, the Chief Internal Auditor has undertaken a programme of assurance activity as defined by the Public Sector Internal Audit Standards (PSIAS). The programme of assurance for 2018/19 was as set out in the 'Internal Audit Plan - Internal Audit Initial Coverage 2018/19 and Internal Audit Strategic Audit Plan 2019/20' proposed by the Chief Internal Auditor, and discussed by and agreed at Audit and Standards Committee on 4 April 2019.
- 1.10 The Chief Internal Auditor notes that the Combined Authority is a new entity which was formed during 2018/19. As such, a number of fundamental financial and governance procedures are still in the process of evolving and more work will be needed for these to become fully embedded.
- 1.11 The opinion of the Chief Internal Auditor is that as the new Combined Authority continues to embed its framework of governance, risk management and control (which is normal and to be expected for any entity at this stage in its evolution), careful attention should be paid by management and 'those charged with governance' to the risks inherent in the newly established governance framework. Further work is needed to fully embed financial governance arrangements within the Combined Authority. This judgement is informed by the outcomes of Internal Audit's initial coverage, which has been the completion of the Financial Regulations Diagnostic Tool covered earlier in this report to the Audit and Standards Committee.

1.12 In accordance with its role, Internal Audit has agreed recommendations with management aimed at further strengthening the control environment in operation within the organisation. It is management's responsibility to implement agreed recommendations.

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

3. Key Risks

3.1 The Internal Audit coverage proposed in this report is based on an assessment of risk, both that inherent in organisational service delivery and also those risks and opportunities associated with the North of Tyne Combined Authority's main aims. As such, Internal Audit is a key strand in the governance arrangements of the North of Tyne Combined Authority and an integral tool in managing risk.

4. Financial and Other Resources Implications

4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

5. Legal Implications

5.1 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority 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.

5.2 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources.

6. Consultation / Engagement

- 6.1 The Head of Paid Service and Chief Finance Officer have been consulted on Internal Audit's proposed coverage. Audit and Standards Committee have also been invited to contribute suggestions for consideration and possible inclusion in future work programmes.

7. Appendices

Appendix 1 – Internal Audit Report – Financial Regulations Diagnostic Toolkit

Appendix 2 – Internal Audit's 2018/19 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

8. Background Papers

['Internal Audit Plan – Initial Assurance Coverage \(2018/19\) and Development of Strategic Audit Plan' report to Audit and Standards Committee, 14 February 2019](#)

[Internal Audit Plan - Internal Audit Initial Coverage 2018/19 and Internal Audit Strategic Audit Plan 2019/20](#)

9. Contact Officers

Allison Mitchell, Chief Internal Auditor

Allison.Mitchell@northtyneside.gov.uk / Allison.Mitchell@northumberland.gov.uk

0191 6435720

10. Sign Off

Head of Paid Service	✓
Chief Finance Officer	✓
Monitoring Officer	✓

This page is intentionally left blank

Internal Audit Report:

Financial Regulations Diagnostic Toolkit

To: Chief Finance Officer
NTCA Lead Accountant

Author: Internal Audit

Date: July 2019

1 Introduction

1.1 This report summarises the findings from an audit of the North of Tyne Combined Authority's (herein referred to as the Combined Authority) financial systems. Due to the evolving nature of the Combined Authority, Internal Audit has focused upon the development, completion and assessment of a bespoke diagnostic tool based upon the Combined Authority's Financial Regulations and covering the core finance systems we would expect to be in place at this stage.

2 Objective

2.1 The diagnostic tool has been developed in order to assist the Chief Finance Officer (CFO) in assessing the extent of compliance with Financial Regulations. The results of this assessment will assist the Combined Authority in evaluating the adequacy and effectiveness of the financial governance processes which are being implemented, and highlight areas requiring further work to ensure full compliance.

2.2 The tool comprises of a series of questions based on the Financial Procedure Notes contained in the Combined Authority's Financial Regulations, covering the following areas:

- Orders for work, goods and services;
- Income;
- Payment for works, goods and services;
- Security and control of assets;
- Insurance;
- Staffing and payroll;
- Reimbursement of expenses and payment of allowances;
- Banking arrangements and cheques;
- Investments and borrowing;
- Information technology and data protection; and
- Commitment of Capital Expenditure.

3 Assessment Methodology

- 3.1 The diagnostic tool was agreed with the NTCA Audit and Standards Committee on 4 April 2019. Discussions then took place with the lead finance officers of the Combined Authority. This included the Chief Finance Officer, Lead Accountant, and Finance Manager.
- 3.2 These officers were asked to self-assess arrangements against each of the questions in the Diagnostic tool. For each question, there were four possible responses, as follows:

(4) 'Yes':	the Financial Regulations are explicitly followed. (e.g. a formally approved document covering all of the important issues)
(3) 'Qualified Yes':	performance on the whole complies with the Financial Regulations, but some further action is necessary to ensure full compliance. (e.g. a formally approved document which misses out some issues, or a draft document that although yet to be formally approved is in use operationally)
(2) 'Qualified No':	performance on the whole does not comply with the Financial Regulations, though some facets of the Financial Regulations may be in operation. (e.g. documents are available but have not been approved and are not in operation, or formally approved document but misses out the major issues)
(1) 'No':	performance does not comply with Financial Regulations. (e.g. document does not exist or is a very early draft)

- 3.3 Following this self-assessment, Internal Audit sought and obtained, where possible, evidence in respect of each diagnostic tool question. A 'final score' was then awarded by Internal Audit, based on the evidence viewed. Where improvements have been identified recommendations to address these have been agreed.

4 DIAGNOSTIC TOOL OUTCOMES: NORTH OF TYNE COMBINED AUTHORITY

4.1 The following table summarises the results from the completed diagnostic tool.

Aspect of the Financial Regulations	No. of Applicable Diagnostic tool Questions	Does practice within the Service Area Comply?				(Mean) Average Score
		Yes (4)	Qualified Yes (3)	Qualified No (2)	No (1)	
Orders for work, goods and services	4		1	2	1	2
Income	3		3			3
Payment for works, goods and services	4	1	1	2		2.75
Security and control of assets	3		1	2		2.3
Insurance	4	1	2	1		3
Staffing and payroll	4		2	2		2.5
Reimbursement of expenses and payment of allowances	6		3	3		2.5
Banking arrangements and cheques	4	1	3			3.25
Investments and borrowing	12	6	3	3		3.25
Information technology and data protection	3		1	2		2.3
Commitment of Capital Expenditure.	0		0			N/A
TOTAL	47	9	20	17	1	2.75

5 CONCLUSION

- 5.1 There are 67 diagnostic questions based on the Financial Procedure Notes contained within the Combined Authority's Financial Regulations. However, an assessment was not made against 20 of these questions as it was determined that these were not applicable in the context of the current operation of the Combined Authority. For example there are a series of questions in the Income section of the toolkit relating to income collection, cash handling and banking procedures, however, the Combined Authority does not currently provide services that generate this type of income.
- 5.2 For 29 of the diagnostic tool questions asked, Internal Audit was able to verify that the arrangements are either fully compliant with the Financial Regulations, or are largely compliant with some further action necessary to ensure full compliance.
- 5.3 Given that the Combined Authority has so recently been established, some additional actions to embed expected standards of practice would be beneficial in other parts of the areas examined (18 assessment areas). This is not uncommon and would be expected in such a new entity. The area scored as '1' in the table above relates to ensuring additional clarity on one specific aspect of procedure; new processes have been drafted and are currently being finalised ready for issue to all relevant officers imminently, which will strengthen control.

- 5.4 Internal Audit has recommended that existing arrangements are further enhanced by:
- a) The development of a financial regulations training programme
 - b) Additional documentation providing extra clarity and guidance on specific processes
 - c) The creation of bespoke processes where appropriate which are specific to the operation and needs of the Combined Authority
- 5.5 Internal Audit recognises that the Authority is not yet a year into existence. The existing arrangements in place will be enhanced once additional staffing resourcing has been secured. This will help ensure sufficient capacity for fundamental financial activities.
- 5.6 Governance arrangements will be further strengthened with the full implementation of financial procedural documents which have already been prepared in draft. It is clearly essential that the Combined Authority's rules are clearly understood and applied in respect of all decisions on behalf of the authority.
- 5.7 Internal Audit will continue to work with the Combined Authority's finance staff to develop an action plan from the outcomes of the diagnostic tool. The action plan will set out target dates for implementation of recommendations and a management response setting out the action to be taken. The completed action plan and a progress update from management will be presented to a future meeting of the Audit and Standards Committee.

<p>NORTH OF TYNE ~~~~~ COMBINED AUTHORITY</p>	<p>Internal Audit Report:</p> <p>2018/19 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control</p>
---	--

1 Purpose of Report

- 1.1 This report has been written by the Chief Internal Auditor to provide a 2018/19 opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control within the North of Tyne Combined Authority (herein referred to as the Combined Authority).
- 1.2 This is the first annual opinion provided to the Combined Authority following its inception in November 2018. The Chief Internal Auditor confirms that audit coverage has been based on her assessment of risk to the organisation, and the Internal Audit team has been allowed unfettered access to undertake the audit work set out in the Audit Plans proposed to the Audit and Standards Committee in February and April 2019.

2 Governance, Risk Management and Control

- 2.1 It is the responsibility of management to ensure that effective systems of internal control are in place within the Combined Authority and to establish sound arrangements for planning, appraising, authorising and controlling their operations. Internal Audit assists management by testing to see whether the controls established for any given system are appropriate.
- 2.2 It is important to stress that Internal Audit, while part of the Combined Authority's overall assurance framework, is not a substitute for effective internal control within the Combined Authority's systems. This is discussed further below, at paragraph 3.5, and reflects the 'three lines of defence' model of assurance.
- 2.3 Effective controls will depend, amongst other factors, on:
- The nature, size and volume of transactions;
 - The degree of control which management is able to exercise personally;
 - The geographical distribution of the enterprise; and
 - The cost of operation of the controls against the benefits expected from them.

2.4 There are eight main types of internal control, namely:

Preventative Controls

- (i) Segregation of duties (no one person should be responsible for processing and recording a complete transaction).
- (ii) Authorisation and approval (all financial transactions should require authorisation by an appropriate responsible official; the limits of authorisation should be specified).
- (iii) Physical (custody of / access to tangible assets should be secure and limited to authorised personnel).

Detective Controls

- (iv) Arithmetic & Accounting (controls within the recording function to check that transactions have been authorised, are included, are correctly recorded and are accurately processed).

Directive Controls

- (v) Organisation (responsibilities should be defined and allocated; reporting lines should be identified; delegation of authority should be clearly specified).
- (vi) Supervision (all actions by all levels of staff should be supervised; the responsibility for this supervision should be clearly laid down and communicated to the person being supervised).
- (vii) Personnel (procedures should exist to ensure that staff are competent to carry out the jobs assigned to them, including proper recruitment and performance management procedures, career prospects, training and pay policies).
- (viii) Management (controls exercised by management outside the day to day routine of the system, including supervision).

3 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

3.1 For the purposes of this report, the Chief Internal Auditor has undertaken a programme of assurance activity as defined by the Public Sector Internal Audit Standards (PSIAS).

3.2 The programme of assurance for 2018/19 was as set out in the 'Internal Audit Plan - Internal Audit Initial Coverage 2018/19 and Internal Audit Strategic Audit Plan 2019/20' proposed by the Chief Internal Auditor, and discussed by and agreed at Audit and Standards Committee on 4 April 2019.

3.3 The Chief Internal Auditor notes that the Combined Authority is a new entity which was formed during 2018/19. As such, a number of fundamental financial and governance procedures are still in the process of evolving and more work will be needed for these to become fully embedded.

3.4 The opinion of the Chief Internal Auditor is that as the new Combined Authority continues to embed its framework of governance, risk management and control (which is normal and to be expected for any entity at this stage in its evolution), careful attention should be paid by management and 'those charged with governance' to the risks inherent in the newly established governance

framework. Further work is needed to fully embed all financial governance arrangements within the Combined Authority. This judgement is informed by the outcomes of Internal Audit's initial coverage, which has been the completion of the Financial Regulations Diagnostic Tool.

- 3.5 Assurance can never be absolute, and neither can Internal Audit work be designed to identify all weaknesses that might exist. This judgement is informed by the outcomes of Internal Audit's initial coverage, further detail is provided in Section 4 of this report.
- 3.6 The Chief Internal Auditor has not needed to place reliance on the work of other bodies in forming this view, and there are no limitations in the scope of the opinion.
- 3.7 In accordance with its role, Internal Audit has agreed recommendations with management aimed at further strengthening the control environment in operation within the organisation. It is management's responsibility to implement agreed recommendations.

4 Audit Work Performed During 2018/19

- 4.1 Due to the evolving nature of the Combined Authority, Internal Audit's initial work has focused upon the development, completion and assessment of a bespoke diagnostic tool based upon the Combined Authority's Financial Regulations.
- 4.2 Of the 47 questions completed in the Diagnostic Tool, Internal Audit's findings demonstrate that the majority of areas examined received an assessment of 'yes' or 'qualified yes' (29 assessment areas). Some additional actions to embed expected standards of practice would be beneficial in other parts of the areas examined (18 assessment areas).
- 4.3 The results of the work reflected the Combined Authority is a new organisation and a number of fundamental financial and governance policies and procedures are still in the process of evolving and more work is needed for these to become fully embedded.
- 4.4 Internal Audit is continuing to work with the Combined Authority's finance staff to develop an action plan from the diagnostic tool. The action plan will set out target dates for implementation of recommendations and a management response setting out the action to be taken.

This page is intentionally left blank

Audit and Standards Committee

26 July 2019

Subject: Draft Strategic Risk and Opportunities Register

Report of: Risk Advisor to NTCA

Report Summary

The report provides members with a draft Strategic Risk and Opportunities Register for the North of Tyne Combined Authority (NTCA).

Recommendations

The Audit and Standards Committee is recommended to review the draft strategic risk and opportunities risk register as well as highlight any additional strategic risks or opportunities that may need to be considered for inclusion in the risk register. (Appendix A)

1. Background Information, Proposals and Timetable for Implementation

- 1.1 A draft strategic risk and opportunities register (appendix 1) has been developed, using the output from the NTCA Staff Engagement Event (January 2019), input from Audit and Standards Committee Members at the last meeting, discussions with Statutory Officers and a review of the Investment Fund and Adult Education Budget, programme risk registers. The register was also agreed at a meeting of the North of Tyne Chief Executives in June 2019 who asked that the register be presented to the Cabinet after Audit and Standards Committee had the opportunity to further consider it.
- 1.2 This risk and opportunities register covers the areas discussed at the last committee with the most significant threats being, delivery of devolution and the Authority's operational capacity. An opportunity to strengthen the Authority's existing partnership arrangements was also raised.
- 1.3 The risks identified at the previous meeting have been developed to show the causes, impacts, controls and further actions which are required to mitigate them to an appropriate level. The risks have been scored and given a RAG rating in line with a matrix which considers the likelihood and impact of the risk areas; this matrix, known as the Risk Management Toolkit, is in appendix 2.
- 1.4 The risks and opportunity in the risk register are draft and will be assigned to an appropriate risk owner following their presentation to Cabinet. In addition, a target score will be identified for each risk when the next steps have taken place.
- 1.5 The draft risks and opportunity are strategic risk areas which will be monitored by this Committee and presented at each meeting. Lower level operational and project risks will be managed at a project level. However, there are communication plans and escalation processes being developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the Strategic Risk Register.

2. Potential Impact on Objectives

- 2.1 The Risk Management Policy and Strategy (agreed at the April Committee) do not impact directly on the objectives of the Authorities' policies and priorities, however the approach to strategic risk management will support delivery of the Authority's aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

3. Key Risks

- 3.1 There are no direct risk management implications from this report. The approach to risk management is documented within the attached policy and strategy. The key risks will be reported to the next appropriate Audit and Standards Committee.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA during 2019/20 through a Service Level Agreement with Newcastle City Council.

5. Legal Implications

5.1 There are no legal implications arising specifically from this report.

6. Consultation/Engagement

6.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the proposed Strategic Risk and Opportunity Register.

7. Appendices

7.1 Appendix A – Draft Risk and Opportunity Register

Appendix B – Risk Management Toolkit

8. Background Papers

8.1 None

9. Contact Officers

9.1 Philip Slater – Chief Internal Auditor - Newcastle City Council. (acting as Risk Advisor to NTCA) Philip.slater@newcastle.gov.uk.

Telephone - 0191 2116511

10. Glossary

10.1 None

11. Sign-off

11.1 Head of Paid Service: Yes

Monitoring Officer: Yes

Chief Finance Officer: Yes

Appendix A

<p>Risk – Delivery of Devolution Failure to deliver the Devolution Deal, and secure future negotiations with Government will restrict powers in future funding years.</p>	<p>Risk Owner Cabinet/Lead Officer - TBC</p>	
	<p>Risk Score</p>	
	<p style="text-align: center;">Current controlled score - Amber 8 Likelihood Low – Risk may occur Impact Critical – Inability to secure or loss of significant funding opportunity</p>	
	<p>Target Score - tbc</p>	
<p>Cause:</p> <ul style="list-style-type: none"> • Decisions are not aligned to the Authority’s Vision and Strategic Framework which has already been agreed with Government • Inability to demonstrate devolution readiness to support key aspects of the devolution deal to DfE, MHCLG etc. • Insufficient projects/schemes are identified to meet investment fund spending targets • Projects and schemes are not delivered within agreed timeframes and do not satisfy key criteria or achieve required outcomes, such projects will cover all aspects of the devolution deal including: <ul style="list-style-type: none"> ▪ Adult Education Budget ▪ Education Challenge ▪ Housing & Land ▪ Investment Fund • Government do not fulfil their commitments under the devolution deal. • Brexit causes delays or uncertainty which reduce the Authority’s ability to generate or deliver projects/schemes 		
<p>Impact:</p> <ul style="list-style-type: none"> • Inability to demonstrate that investment funding or other criteria has been met which may jeopardise future funding from Government • Reputational damage with Government and the public 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Production of an Adult Education Budget (AEB) Strategic Skills Plan and ‘Readiness’ Self-assessment to demonstrate readiness for AEB devolution from 2020/21 • Assurance Framework agreed with Government which operates effectively • Constitution is in place setting out governance arrangement for the Authority • Establishment of the Investment Fund through which NTCA will administer the North of Tyne Single Pot allocation of Government funding • Housing and Land Board provides robust governance on an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area • Inclusive Economy Board – advising Cabinet on shaping its policies 		
Next Steps	Deadline	Lead Officer
NTCA consents to making of the AEB Devolution Order which will be debated in the Autumn by Parliament. Once agreed DfE will make AEB budget payment to NTCA. The AEB will then become operational on 1 August 2020.	August 2020	Director of Inclusion and Growth
The introduction of the NTCA Education Improvement Challenge initially through a Joint School Improvement Strategy which will focus on: <ul style="list-style-type: none"> • Ready for School • Educational Achievement for All • Closing the Gap • Career Pathways • Leadership, Recruitment and Retention 	Review December 2019	Director of Inclusion and Growth

<p>Delivery of the Investment Fund – The Investment Plan sets out how NTCA will use the first £100m to support the Authority’s vision. The Plan is structured into three main themes – Business, People and Place</p>	<p>Review December 2019</p>	<p>Director of Inclusion and Growth</p>
<p>Through the M9 (meeting of mayors) there is an opportunity to work together to lobby Government on agreed priorities which will benefit the NTCA.</p>	<p>Review December 2019</p>	<p>Director of Inclusion and Growth</p>

<p><u>Risk - Operational Capacity and Resources</u> The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal, within the constraints of approved funding streams, timeframes, conditions and performance criteria.</p>	<p align="center"><u>Risk Owner</u> Cabinet/Lead Officer - TBC</p>	
	<p align="center"><u>Risk Score</u></p>	
	<p align="center">Current controlled Score - Red 12 Likelihood Medium – Risk is likely to occur Impact Critical – Serious impact on delivery of investment plan</p>	
	<p align="center">Target Score - tbc</p>	
<p>Cause:</p> <ul style="list-style-type: none"> • There is a lack of clarity and shared understanding in the constituent authorities of the roles and responsibilities of the officers working on the Devolution agenda and supporting the Combined Authority • The lack of capacity and recruitment into key officer disciplines 		
<p>Impact:</p> <ul style="list-style-type: none"> • Duplication of activity and conflicting priorities within Constituent Authorities • Existing resources are not fully utilised to effectively deliver the Authority’s strategic priorities • Projects and schemes are not delivered within the approved timeframes and do not meet performance criteria 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Interim Statutory Officer appointments (Head of Paid Service, Monitoring Officer, Chief Finance Officer) Mayor and other key officers • Scrutiny Officer, Head of Inclusive Growth and the Investment Programme Manager are in post • Constituent Authorities provide support services to the Authority through Service Level Agreements • Recruitment Plan in place 		
Next Steps	Deadline	Lead Officer
Organisational Development – A structured exercise will be undertaken to develop resource plans to ensure there is adequate capacity and clarity with assigned roles and responsibilities to ensure the effective operation of the Authority.	Review September 2019	Director of Policy and Performance
Recruitment exercise is underway to recruit permanent officer’s, including, senior business support officers, AEB analyst and policy officer and economic advisors.	July 2019	Director of Policy and Performance
All current secondments will be extended to September 2019, with additional secondments being sought to provide office support for the Mayor.	July 2019	Director of Policy and Performance
An Implementation Funding Bid has been approved by DfE to provide the Authority with financial resources to ensure appropriate capacity and resources are put in place to prepare for the devolution of the AEB.	August 2020	Director of Inclusion and Growth

<p><u>Opportunity - Partnerships</u></p> <p>The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region, and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.</p>	<p style="text-align: center;"><u>Risk Owner</u> Cabinet/Lead Officer - TBC</p> <p style="text-align: center;"><u>Risk Score</u></p> <p style="text-align: center;">Current controlled Score - Amber 8 Likelihood Medium – Opportunity is likely to occur Impact Critical –Relationship between partners and stakeholders will be significantly strengthened</p> <p style="text-align: center;">Target Score - tbc</p>	
<p>Benefits:</p> <ul style="list-style-type: none"> • Strengthening the synergy between Cabinet, the North East Local Enterprise Partnership and Local Authorities • Influencing regional approaches to growth • Improving how we work with Government, business, investors and partners 		
<p>Barriers:</p> <ul style="list-style-type: none"> • The success of the Combined Authority will rely on the on-going commitment of all member authorities and how NTCA works with other partners in the region • It is important that Cabinet share the same vision and commitment to the Combined Authority, ensuring individual plans are aligned • It is recognised that there are a number of partners, therefore effective and timely communications and consultation is vitally important to reduce reputational impact 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Regular meetings with the Business Community i.e. CBI, Federation for Small Businesses, Entrepreneurs' Forum • NTCA representation on North East LEP Boards (Investment, Employment & Skills, Innovation and Business Growth) • NTCA representation on the Statutory North East Joint Transport Committee (and sub-committees), responsible for preparing a single transport plan for the area of both Combined Authorities 		
<p>Next Steps</p>	<p>Deadline</p>	<p>Lead Officer</p>
<p>Development of the Local Industrial Strategy with Government. This is overseen by the North East LEP Chair and CEO, the Heads of Paid Service from both Combined Authority's (NTCA & NECA), Dean of Engagement & Place from Newcastle University and Cities of Local Growth Regional Director.</p>	<p>Review December 2019</p>	<p>Director of Inclusion and Growth</p>
<p>Development of a partnership agreement with the Local Infrastructure organisations and the Voluntary & Community Sector organisations.</p>	<p>Review September 2019</p>	<p>Director of Policy and Performance</p>
<p>Continued engagement with AEB providers in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority's vision.</p>	<p>Review September 2019</p>	<p>Director of Inclusion and Growth</p>

Risk Management Toolkit - Risk and Opportunity Management Strategy

Appendix B

Determine the risk priority					
Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

Assess the likelihood of the risk occurring	
High (4)	Risk will almost certainly occur or is occurring at present
Medium (3)	Risk is likely to occur in most circumstances
Low (2)	Risk may occur
Negligible (1)	Risk is unlikely to occur

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper Page 28	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of objectives Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project 	<ul style="list-style-type: none"> Inability to secure or loss of significant funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence
Significant	<ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact 	<ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of objectives Major project failure 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on budget (£0.5m-£1.5m Transport budgets) 	<ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence
Minor	<ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact 	<ul style="list-style-type: none"> Threatened loss of partner's commitment 	<ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of funding or funding opportunity threatened 	<ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence
Insignificant	<ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact 		<ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation <p>(Financial limits are under review)</p>	

This page is intentionally left blank

Audit and Standards Committee

26 July 2019

Subject: 2018/19 Annual Governance Statement

Report of: Risk Advisor to NTCA

Report Summary

The purpose of this report is to present the updated 2018/19 Annual Governance Statement, recommending Members agree its inclusion in the Authority's annual accounts.

Audit and Standards Committee approved the draft Statement at its April 2019 meeting and there have been no significant weaknesses identified since its approval.

The updated 2018/19 Annual Governance Statement is provided at Appendix A.

Recommendation

It is recommended that the Audit and Standards Committee agree the Annual Governance Statement for inclusion in the Authority's 2018/19 annual accounts and recommends it for signature by the Mayor and Head of Paid Service.

1. Background Information, Proposals and Timetable for Implementation

1.1 The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:

- Conduct a review of the effectiveness of its governance framework, including the system of internal control;
- Prepare an Annual Governance Statement; and
- Through a relevant committee review and approve the Annual Governance Statement

1.2 The Authority's update accounts and Annual Governance Statement should be approved by Cabinet on 30 July 2019. Therefore, Audit and Standards Committee are requested to approve the updated 2018/19 Statement at today's meeting.

1.3 2018/19 Annual Governance Statement

The approach to produce the 2018/19 Statement is based on a framework of assurance from a number of areas and in preparing it, it was necessary to review evidence from the following sources. This approach complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice:

- Governance Arrangements e.g. the Authority's Constitution
- Assurance from the Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements
- Members - Views of Audit and Standards Committee
- The opinion of the Chief Internal Auditor
- Risk Management process, particularly development of the Strategic Risk Register
- Performance Management - Outcomes reported during 2018/19
- Partnerships, including the North East Joint Transport Committee

1.4 Outcomes of the Review of Assurances

The review highlighted no significant weakness in the internal control environment for the period 2 November 2018 up to 31 March 2019.

2. Potential Impact on Objectives

2.1 No direct impact on objectives.

3. Key Risks

3.1 Risk management has been considered as part of the production of the Annual Governance Statement. There are no specific risk implications directly arising from this report.

4. Financial and Other Resources Implications

4.1 Production of the Annual Governance Statement has been carried out by Newcastle City Council's Internal Audit Service under the SLA for 2018/19.

5. Legal Implications

5.1 There are no direct legal implications arising from this report.

6. Consultation/Engagement

6.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the updated 2018/19 Annual Governance Statement.

7. Appendices

7.1 Appendix A – Updated 2018/19 Annual Governance Statement

8. Background Papers

8.1 None

9. Contact Officers

9.1 Philip Slater, Chief Internal Auditor – Newcastle City Council (acting as Risk Advisor for NTCA)

E mail: philip.slater@newcastle.gov.uk

Tel: 0191 2116511

10. Glossary

10.1 None

11. Sign-off

11.1 Head of Paid Service: Yes

Monitoring Officer: Yes

Chief Finance Officer: Yes

ANNUAL GOVERNANCE STATEMENT 2018/19

(2 November 2018 – 31 March 2019)



Annual Governance Statement 2018/19

Section 1	Introduction
Section 2	Scope of Responsibility
Section 3	The Purpose of the Governance Framework
Section 4	The Governance Framework
Section 5	Annual Review of Effectiveness of Governance Framework
Section 6	North East Joint Transport Committee and North East Combined Authority
Section 7	Significant Weaknesses in Governance and Internal Control
Section 8	Conclusion

Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance arrangements have been operating since its establishment on 2 November 2018 and up to 31 March 2019.

Section 2: Scope Of Responsibility

The North of Tyne Mayoral Combined Authority (NTCA) was established on 2 November 2018, and brought together the three councils which serve Newcastle, North Tyneside and Northumberland.

NTCA was established to give effect to a "minded to" devolution deal which was agreed between the three councils, the North East Local Enterprise Partnership and central government. The devolution deal represents a significant shift of powers, funding and responsibility from central government to the local level. The deal enables the three councils to pursue through NTCA a shared ambition for an inclusive economy. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers.

NTCA's functions primarily relate to economic development, skills, housing and regeneration. Our vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensure that all residents have a stake in our region's future.

We will work with the North East Combined Authority (NECA) on a number of areas to support the region, including transport.

All seven Local Authorities will remain members of the North East Local Enterprise Partnership to deliver the objectives of the regions Strategic Economic Plan, which is the

North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

NTCA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Authority's Cabinet and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has developed a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- a) identify and prioritise the risks to the achievement of our, aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register and once formally approved, will be reported to regular meetings of the Authority's Audit and Standards Committee. This information can be found under the [Audit and Standards Committee on the Authority's web-site](#).

Section 3: Purpose Of The Governance Framework

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and regeneration. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place from 2 November 2018 to the year ended 31 March 2019 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

Section 4: The Governance Framework

The core principals and outcomes of our Governance Framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

1. Ensuring openness and comprehensive stakeholder engagement

1.1 We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our six key pillars of ambition represent the most important groups, issues and goals that we will invest in to achieve a more prosperous and inclusive future.

1.2 The Elected Mayor will chair the Cabinet and will have a number of specific powers and financial resources. Decisions by the Elected Mayor will be subject to scrutiny by the Overview and Scrutiny Committee and Cabinet.

1.3 Meetings, agendas and minutes are accessible via [NTCA's website](#).

1.4 We publish a register of key decisions to notify the public of the most significant decisions it is due to take. Details of each decision are included on the [Forward Plan](#) 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take.

1.5 Transport is of strategic importance to the North East and together with the North East Combined Authority a [North East Joint Transport Committee](#) has been established bringing together members from both Combined Authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

2. Developing the entity's capacity, including the capability of its leadership and the individuals within it

2.1 We have defined and documented in our [Constitution](#) the roles and responsibilities of Cabinet, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, Members and Officers have been agreed by the Combined Authority.

3. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

3.1 Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.

3.2 Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee will

deal with issues of conduct and generally promote high standards among officers and members. The [Constitution is available on the NTCA website](#).

3.3 We ensure that there are effective arrangements for “Whistle-blowing” and for receiving and investigating complaints from the public. Administration of the Authority’s policies on anti-fraud and corruption is undertaken by Internal Audit. [Whistleblowing policy and procedure is at Part 5.5 of our Constitution](#)

3.4 A register of Members’ interests (including gifts and hospitality) is also maintained.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 The Authority’s procurement procedures will be carried out in line with financial regulations set out in Part 4 of the Constitution.

5. Managing risks and performance through robust internal control and strong public financial management

5.1 Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.

5.2 A Data Protection Officer has been appointed who will be responsible for overseeing the Authority’s data protection strategy (once developed) and its implementation to ensure compliance with the General Data Protection Regulations.

5.3. The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment.

6. Defining outcomes in terms of sustainable economic social and environmental benefits

6.1 The North East LEP works with its partners, which includes both NTCA and NECA, to deliver the Strategic Economic Plan (SEP). The SEP was updated in January 2019 at a time of significant change for the global and national economy. New opportunities in technology and areas such as ageing, and the management of climate risks provide potential for economic growth.

6.2 [The Authority’s vision and its six key pillars of ambition](#) (priorities) represent the most important groups, issues and goals we will invest in, in order to achieve a more prosperous and inclusive future.

7. Implementing good practices to transparency, reporting and audit to deliver effective accountability

7.1 We publish details of [delegated decisions on our website](#).

7.2 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013.

7.3 The Assurance Framework explains the arrangements for NTCA to:

- Demonstrate that arrangements are in place to ensure accountable and transparent decision-making
- Appraise projects and allocate funding; and
- Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes

The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks, issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.

Section 5: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control.

The review is informed by:

- (a) An assessment of the Authority's Constitution, including its committee structure.
- (b) The views of the Internal Audit. The Chief Internal Auditor's report to the July Audit and Standards Committee gives the following opinion on the adequacy and effectiveness of the framework of governance, risk management and control in place for the North of Tyne Combined Authority for the 2018/19 part year: "as the new Combined Authority continues to embed its framework of governance, risk management and control (which is normal and to be expected for any entity at this stage in its evolution), careful attention should be paid by management and 'those charged with governance' to the risks inherent in the newly established governance framework. Further work is needed to fully embed all financial governance arrangements within the Combined Authority. This judgement is informed by the outcomes of Internal Audit's assurance coverage, which has included an assessment of financial governance arrangements in place throughout 2018/19 using a bespoke Financial Regulations Diagnostic Tool. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not prove such absolute assurance".
- (c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.
- (d) Activity of the Audit and Standards Committee, including ethical governance
- (e) Partnerships, including the North East Joint Transport Committee

- (f) The Risk Management process, particularly development of the Strategic Risk Register
- (g) Performance information which is reported to Cabinet and other meetings on a regular basis.
- (h) The North East LEP Annual Performance Review 2018/19, undertaken by MHCLG. No overall rating is given however, ratings have been given in three themes as follows:
 - a. Governance: Good
 - b. Delivery: Good
 - c. Strategy: Exceptional

The North East LEP Board have noted the feedback provided by the department and is committed to continual improvement and believe the outcome to present the North East LEP amongst the strongest performing Local Enterprise Partnerships.

Section 6: North East Joint Transport Committee and North East Combined Authority

Regional transport is operated and governed by a newly formed North East Joint Transport Committee, bringing together the two Combined Authorities, which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered.

NECA as accountable body for the Joint Transport Committee and the functions delegated to it, are responsible for overseeing the legal and financial management of all regional transport resources, recognising that the assets are, in many cases jointly owned by the two Combined Authorities. NECA also host the Regional Transport Team, including the newly appointed Proper Officer for Transport.

Section 7: Significant Weaknesses In Governance and Internal Control

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control from 2 November 2018 to 31 March 2019.

Section 8: Conclusion

We consider the governance and internal control environment operating from 2 November 2018 up to 31 March 2019 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

This review has shown that the arrangements from 2 November 2018 up to 31 March 2019 are in place and operating as planned.

**Mayor of the North of Tyne
Combined Authority**

Interim Head of Paid Service

Full Name:

Full Name:

Signature:

Signature:

Date:

Date:

This page is intentionally left blank