

Audit and Standards Committee

25 April 2023

(10.02 - 11.44 am)

Meeting held in the Pandon Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

Approved Minutes

Present:

Chair: D Willis, OBE

Councillors L Bowman, C Ferguson, C Hardy, A McMullen, T Mulvenna and J Shaw

1 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and brief introductions were made.

Apologies for absence were received from Councillors Castle and Purvis. Councillor Bowman was attending as a substitute member.

2 DECLARATIONS OF INTEREST

None.

3 AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 24 JANUARY 2023

It was **RESOLVED** that the minutes of the meeting held on 24 January 2023 be agreed as an accurate record and were signed by the Chair.

4 FINAL STATEMENT OF ACCOUNTS 2020/21 & 2021/22 UPDATE

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide to Audit and Standards Committee an update on the finalisation of the Statement of Accounts for year ended 31 March 2021 and for the year ended March 2022.

J Gillespie, Director of Finance, introduced the report addressing each Statement of Accounts in chronological order, starting with 2020/21 financial year.

2020/21 financial year

J Gillespie explained a national decision had been agreed for the approach to be taken regarding the national issue around the valuation of infrastructure assets and the work had been completed alongside the North East Combined Authority (NECA) to produce updated consolidated accounts in preparation for the final statement of accounts to be audited and signed off by NTCA's external auditor, Mazars.

G Barker, Mazars, recalled the order of events to explain the length of time taken to conclude the audit process. He confirmed that the national infrastructure issue had been addressed by a combination of statutory override and official guidance published in January 2023. He advised how the valuation of infrastructure assets was a technical issue for all local authorities and would not impact on the resources available or level of usable reserves held by the combined authority.

G Barker confirmed in relation to the combined authority's infrastructure assets, there were no further matters or actions arising in addition to the statements, as summarised in Appendix 1. He highlighted as a result of the statutory override, in accordance with the official guidance, the only changes to the revised statements showed the net infrastructure instead of gross cost and depreciation.

He also confirmed the Value for Money work had been completed and there had been no identified weaknesses or recommendations.

G Barker advised a new copy of the draft Audit Report had been produced, previously provided in January 2022, and there were no specific issues in relation to the combined authority. He confirmed the Value for Money work had been completed and there was nothing to report.

The Chair noted that this concluded the work on the Final Statement of Accounts for 2020/21 and that Cabinet would be recommended to approve the accounts at their next meeting.

At this point, J Gillespie apologised and noted to the Chair that the report recommendation (i) should also have included reference to the 2020/21 Statement of Accounts. Also, the report recommendation (ii) related to the next agenda item.

2021/22 financial year

J Gillespie advised committee the deadline to publish the Draft Statement of Accounts for 2021/22 was by 31 July 2022 and explained how the delays caused by the national infrastructure issue had impacted on the accounting timeline.

She went on to explain that further to an actuarial valuation undertaken (for IAS 19) for year ending March 2022, and the triennial actuarial valuation of the pension fund started in March 2022, there had been some discussion as to whether the IAS 19 valuation from March 2022 was materially in line with the triennial actuarial valuation.

J Gillespie advised the issue surrounding the triennial valuation was a national issue which had caused uncertainty amongst other local authorities about how to proceed with redrafting the statement of accounts for 2021/22.

The Chair clarified with J Gillespie that the pension fund had become an issue due to the delay in completing the Statement of Accounts caused by the infrastructure issue.

G Barker acknowledged the delays to completing the Statement of Accounts were caused by the infrastructure issue and obtaining the pension fund assurance letter from the pension fund auditor, which was received at the end of March 2023.

He advised that not all local authorities were affected by the triennial valuation issue. Some local authorities, including Durham, South Tyneside, and Teesside, had been able to sign off their statement of accounts before the triennial valuation issue emerged late March 2023.

G Barker explained the pension fund valuation would not have been an issue had it not been a triennial valuation year, and that a triennial valuation would provide a more accurate and up to date information. He advised that the triennial valuation would be taken into consideration as a starting point in the preparation of the 2022/23 Statement of Accounts. However, he warned if the triennial valuation report was to be reflected within the Statement of Accounts, there would be a potential timing difficulty to obtain assurance that the data had been tested by the pension fund auditor, which would be done on a forthcoming year.

In response to the Chair, G Barker confirmed he was involved in meetings at a national level and would attend a meeting that afternoon to receive feedback of the latest position.

G Barker shared the concern of a member that another issue would arise if the combined authority were to wait for the pension fund valuation issue to be dealt with. G Barker suggested that should the actuarial variation be used, the accounts would need to be qualified on the grounds of more up to date information being available.

In response to a member, J Gillespie explained the triennial valuation was known but the national issue around infrastructure, and in particular the delay to sign off the pension fund accounts, had been a big factor in triggering the triennial valuation issue. The audit capacity issue had also impacted and added delays to the delivery of the audit work.

G Barker advised the combined authority may not want to act alone and that he would seek technical advice, when asked what the ramifications would be if the actuarial valuation was used. J Gillespie reminded committee there were implications to any decisions with the combined authority being part of the group accounts, and discussions would be held with Nexus and NECA to establish their considerations in resolving the issue.

A member agreed with G Barker's comment not to act alone given the complexities of the situation and a better understanding of the options was needed to give assurance to the committee.

The Chair agreed the need to conclude the 2021/22 Statement of Accounts and would need G Barker and J Gillespie to bring them to a conclusion should the national triennial valuation issue be ongoing, to ensure it would not impact on the new financial year 2023/24. J Gillespie agreed she could write to the committee to advise of her recommended options to conclude the matter.

A member's concern was noted about the timing to resolve the ongoing audit issues and the impact on the financial year 2023/24 given the forthcoming changes in May 2024 for the new combined authority. The Chair agreed with the concern and commented that the committee may need to accept qualified accounts and use the actuarial valuation if a solution could not be found to the triennial valuation issue.

It was **RESOLVED** that:

- (i) The update on the work to complete the audit of the 2020/21 and 2021/22 Statement of Accounts be noted.
- (ii) The committee recommends Cabinet approve the audited Statement of Accounts for 2020/21.

5 **2022/23 PREPARATION FOR THE STATEMENT OF ACCOUNTS**

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with details of the plan that will be used to produce the Annual Statement of Accounts.

J Gillespie, Director of Finance, presented the report and confirmed she was working towards the plan to try and achieve the deadline to produce the Draft Statement of Accounts by 31 May 2023. She acknowledged the outstanding national issue with the triennial valuation as mentioned on the previous item and would have an impact on achieving the deadline. She was not aware of any sanctions against the combined authority if the 31 May deadline was not met. J Gillespie would keep the committee informed of any risks associated to not meeting the 31 May deadline.

Committee were reminded of the audit timescales within the group accounts in order to publish on 31 May and the importance of finding a resolve to the triennial valuation issue, noting that in addition the 2021/22 Statement of Accounts had to be correct.

With reference to her update to the Chair around the Statement of Accounts for 2021/22, J Gillespie advised she would include the perceived risks around the Statement of Account for 2022/23.

J Gillespie admitted to the Chair that the 31 May deadline was a challenge under the existing circumstances, but they were on track and aimed to meet the deadline.

The Chair acknowledged that an additional committee meeting would therefore be required at the end of May 2023 to accept the Statement of Accounts for 2021/22 and 2022/23. Further to a discussion, committee members agreed to the proposal put forward by the Monitoring Officer for a delegation to J Gillespie in consultation

with the Chair, to sign off the statement of accounts for 2021/22 and 2022/23. An informal briefing to update committee members would be held via Teams.

It was **RESOLVED** that:

- (i) The work in respect of the closure of the 2022/23 Statement of Accounts be noted.
- (ii) The planning in place for the preparation of the 2022/23 Statement of Accounts be noted.
- (iii) Committee agreed to delegate authority to the Director of Finance, in consultation with the Chair of Audit and Standards Committee, to sign off the 2021/22 Statement of Accounts and 2022/23 Statement of Accounts; and
- (iv) An informal briefing to update committee members to be held via Teams on 30 May 2023.

6 **2022/23 REPORT ON ACCOUNTING POLICIES TO BE USED IN COMPILATION OF ANNUAL STATEMENT OF ACCOUNTS**

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with details of the proposed accounting policies to be applied in the preparation of the 2022/23 Statement of Accounts of the North of Tyne Combined Authority (NTCA), and to apprise the Audit and Standards Committee of an exceptional update to the 'Code of Practice on Local Authority Accounting in the UK 2022/23' in relation to Infrastructure Assets.

J Gillespie, Director of Finance, introduced the report and noted the Code of Practice on Local Authority Accounting in the UK 2022/23 was a technical document that contained standard methods and estimation techniques used to produce the statement of accounts, and was reviewed annually. She advised there were no significant amendments in the accounting policies, other than a change to the policy around the infrastructure assets.

It was **RESOLVED** that:

- (i) The key accounting changes to the Code in relation to temporary relief in respect of the reporting of Infrastructure Assets from 2021/22 and 2022/23 (Appendix 1) be noted.
- (ii) The Accounting Policies to be adopted by the Combined Authority and used to compile the Accounts for the financial year ended 31 March 2023 (Appendix 2) be noted.

7 **2022/23 DRAFT ANNUAL GOVERNANCE STATEMENT**

Submitted: Report of Risk Advisor to North of Tyne Combined Authority (NTCA) (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with the approach that will be taken to produce the NTCA 2022/23 Annual Governance Statement (AGS).

P Slater, Risk Advisor, explained the report set out the process to produce the Annual Governance Statement (AGS) which had started. The AGS would sit alongside the draft 2022/23 statement of accounts that was expected 31 May 2023.

It was **RESOLVED** that the approach to produce the NTCA 2022/23 Annual Governance Statement, including the Authority's assurance framework, be agreed.

8 STRATEGIC RISK AND OPPORTUNITIES REGISTER

Submitted: Report of Risk Advisor to North of Tyne Combined Authority (NTCA) (previously circulated and a copy attached to the official records) to provide assurance to Audit and Standards Committee that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to mitigate them.

P Slater, Risk Advisor, provided a summary of the report and highlighted the current position with devolution had been taken into account and was reflected across all risks rather than shown as an individual risk on the risk register. The North East Local Enterprise Partnership (North East LEP) had also reflected the impact of devolution in their risks.

J Gillespie, Director of Finance, provided a presentation to committee on the work being undertaken in response to the Devolution Deal (copy attached to the official records).

Responding to a member's query about what would happen to the planned work if started and there was political change, J Gillespie explained the importance of a future based plan with a set of priorities for the region and it would be needed regardless of what happens with the devolution proposals in order to bid for funding, if and when available, to deliver projects. With regard to the ongoing work of the North East LEP, J Gillespie advised there was an expectation that the functionality of the career's hub would continue into the new combined authority. In terms of what North East LEP work would cease as a result of the new combined authority, J Gillespie acknowledged that whilst some North East LEP activities would naturally come to a conclusion, the Enterprise Zones would continue as a function in the new combined authority. Economic data analysis work would also continue and be led in the new combined authority, along with the Regional Economic Plan.

In response to a question from the Chair about risks associated to devolution and the transitional workstream structure, J Gillespie advised there were a different set of risks for the existing combined authority compared to the operational preparations for the new combined authority. The risks associated to devolution and the impact of transition and change of the combined authority had been recognised in the risk register and had started to be developed further.

The Chair observed there were a lot of red-rated risks around devolution shown on the LEP in contrast to the risk register for the combined authority. In response, J Gillespie noted that devolution would provide a significant change for the LEP which was reflected in the risk register and gave the committee assurance there was a clear transition process to ensure the best operational workstreams across the range of organisations involved would be taken forward. Discussions had not yet

taken place which may explain why the North East LEP had represented the risks as red.

It was **RESOLVED** that:

- (i) The outcomes of the strategic risk review be accepted.
- (ii) The summary of the strategic risks identified by the North East LEP, included for information (Appendix D), be noted.
- (iii) The summary of the strategic risks identified by the North East Joint Transport Committee (North East JTC), (Appendix E) included for information, be noted.

9 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with the fourth progress update against the 2022/23 Internal Audit Plan, and included any other unplanned work undertaken.

M Oldham, Acting Group Assurance Manager, introduced the report and confirmed the audit review of the North East LEP governance arrangements had been completed and given a good overall opinion.

Trade creditor reports from the National Fraud Initiative data matching exercise had identified two organisations operating from the same postcode; this had been reviewed and confirmed that they were two different organisations operating from the same office block.

The governance review of the Net Zero Transition had been deferred into the 2023/24 financial year work plan, as requested by management.

It was **RESOLVED** that the report be noted.

10 **REVIEW OF AUDIT AND STANDARDS COMMITTEE ARRANGEMENTS**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to present to Audit and Standards Committee a 2022/23 self-assessment of the effectiveness of Audit and Standards Committee (ASC) arrangements.

M Oldham, Acting Group Assurance Manager, introduced the report and confirmed the 2022/23 self-assessment had shown the committee were performing well with a high degree of performance. He advised there was a suggestion to split the audit and standards functions of the committee, however it was not considered practical given the forthcoming proposed changes of devolution to the combined authority. There were also two other areas of development highlighted around the committee's membership standard skills and knowledge. Informal training was suggested to help and support members understanding of the committee's matters of business. Quoracy at meetings was also identified as an area of development from meetings held in 2022/23 that were inquorate, however it was acknowledged the previous two meetings held had been quorate.

In response to the suggested areas of development, the Chair confirmed the suggestion to split the committee would not be taken forward due to the proposed changes of the devolution deal. He also confirmed he was pleased that the previous two meetings he had attended had been quorate and had stressed the need for quoracy at meetings in order for members to understand the trail of the debate.

An open invitation for member training was welcomed by members and it was agreed an educational session via Teams would be arranged outside of the committee meetings. This would be developed by internal and external audit officers to include individual officers' roles, to help members understand the relevant rules and guidelines. The Chair noted the point made that there may be a change to the committee's membership following the local elections, in terms of arranging training.

M Oldham confirmed the results from the self-assessment would be presented in a report to Cabinet in June/July 2023, and he would liaise with the Chair about the report.

The Chair also recommended the government document 'Managing Public Money' [Managing public money - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/managing-public-money) was a useful document to help understand the technical aspects of working within government and included the roles of the audit committee, board, executive and finance officers.

It was **RESOLVED** that:

- (i) The self-assessment of Audit and Standards Committee arrangements, attached as Appendix A, be endorsed.
- (ii) The self-assessment and actions contained within will form the basis of an annual report from Audit and Standards Committee, which will be authored on behalf of the committee by the Chair and Chief Internal Auditor, for presentation to Cabinet, be agreed.
- (iii) A training session for members be arranged and held via Teams in June 2023.

11 **AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME - 2023/24 MUNICIPAL YEAR**

Submitted: Report of Interim Chief Internal Auditor and Interim Monitoring Officer (previously circulated and a copy attached to the official records) to set out to Audit and Standards Committee a proposed programme of core business to be considered by the Audit and Standards Committee during the 2023/24 Municipal Year.

M Oldham, Acting Group Assurance Manager, introduced the report and noted that the work programme was indicative and could fluctuate.

In response to a query from a member, M Oldham advised that if IT arrangements of the combined authority were considered they would probably form part of the quarterly updates.

Another member identified there was a need for assurance around the implementation process of the devolution deal and whether it should form part of the

audit work. M Oldham advised that programme assurance was covered in the next agenda item. J Gillespie, Director of Finance, added it was recognised the need to be clear and manage appropriately the audit committees across the group (North of Tyne Combined Authority, North East Combined Authority and Joint Transport Committee) to ensure a consistent approach. She also confirmed the NTCA Overview and Scrutiny Committee had been informed of the process.

The Chair requested an update on devolution was included as an agenda item at future Audit and Standards committee meetings.

On a last point, a member said he was interested to be assured that the regular work of the existing combined authority would be ongoing and not become involved in the implementation of the new combined authority. Officers provided that assurance.

It was **RESOLVED** that:

- (i) The proposed core business work programme set out within this report for the 2023/24 Municipal Year be agreed; with the addition of a Devolution Update as a standing item.
- (ii) Committee noted it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues and to respond to emerging trends during the year.
- (iii) Committee noted it will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference.

12 **INTERNAL AUDIT PLAN 2023/24**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to outline the proposed Strategic Audit Plan for 2023/24.

M Oldham, Acting Group Assurance Manager, introduced the report and advised the proposed Strategic Audit Plan outlined the work for 2023/24 following an assessment of risks for the combined authority in the next 12 months. He highlighted a key area was to support the transition to the new combined authority in a programme assurance capacity. This would be undertaken by working with key people on an ongoing basis throughout the financial year and quarterly updates would be provided to the committee.

The Chair acknowledged the Internal Audit Plan was subject to change going forward.

It was **RESOLVED** that the proposed Strategic Audit Plan 2023/24, attached as Appendix A, be endorsed.

13 **DATE AND TIME OF NEXT MEETING**

Provisional date noted as 4 July 2023, 10.00am - to be confirmed after the NTCA annual meeting.

