

## **North of Tyne Combined Authority, Audit and Standards Committee**

Tuesday 4 July 2023 at 10.00 am

Meeting to be held in Chamber 0.02, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

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## **AGENDA**

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**Page No**

1. **Welcome and Apologies**

2. **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.

3. **Agreement of the Minutes of the Meeting held on 25 April 2023** **1 - 10**

4. **2020-21 Annual Audit Report** **11 - 34**

5. **2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control** **35 - 44**

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| 6.  | <b>Internal Audit Charter</b>  | <b>45 - 62</b>   |
| 7.  | <b>Internal Audit 2022/23 Final Quarterly Update Report and First Quarter Update on 2023/34 Audit Plan</b> | <b>63 - 68</b>   |
| 8.  | <b>Strategic Risk and Opportunities Register</b>   | <b>69 - 106</b>  |
| 9.  | <b>Draft Annual Governance Statement (2022/23)</b>   | <b>107 - 136</b> |
| 10. | <b>Draft Statement of Accounts (2022/23)</b>   |                  |

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.

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

Tuesday 19 September 2023, 10.00am at Newcastle Civic Centre

Contact Officer: Helen Thompson  
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## 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

### Draft 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.





**Subject: External Auditors Annual Report 2020-21**

**Report of: Director of Finance**

**Portfolio: All**

### Report Summary

The purpose of this report is to provide Audit and Standards Committee with the report of the External Auditors, Mazars, NTCA 2020-21 Final Auditors Annual Report (AAR). The Auditors Annual Report summarises the work undertaken as the auditor for the North of Tyne Combined Authority for the year ended 31 March 2021.

The External Auditor’s responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (“the Code”) issued by the National Audit Office (“the NAO”). The AAR outlines how the External Auditors have discharged these responsibilities and the findings from their work.

The External Auditors will also provide a verbal update on the position of the 2021-22 Audit to Audit and Standards Committee.

### Recommendations

The Audit and Standards Committee is recommended to note the NTCA 2020-21 Final Auditors Annual Report (AAR).

#### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The 2020-21 Statement of Accounts were taken to Audit and Standards Committee and then onto Cabinet in January 2022. As the Audit was not quite complete a delegation was given to authorise the Managing Director and the Chief Finance Officer in consultation with the Mayor to agree any final amendments or changes to the NTCA 2020-21 Statement of Accounts made by the external auditors after the Cabinet meeting to approve the final 2020-21 Final Statement of accounts.
- 1.2 In February 2022 a technical issue relating to Infrastructure Asset Valuation was raised preventing final completion of the 2020-21 Statement of Accounts process allowing them to be published.
- 1.3 A national approach to the infrastructure issue was agreed early this year with the relevant adjustments being made into the 2020/21 Statement of Accounts. This allowed the NTCA 2020/21 Statement of Accounts to be finalised. Due to the time that had elapsed the Director of Finance felt it was appropriate to take the 2020/21 Final Statement of Accounts and Annual Governance Statement to Audit and Standards to April Committee and then to Cabinet June 2023.
- 1.4 This report presents the NTCA Final 2020-21 Audit Annual Report to Audit and Standards Committee to note. The report summarises the work undertaken as the auditor for the North of Tyne Combined Authority for the year ended 31 March 2021. The AAR outlines how the External Auditors have discharged their responsibilities and findings from their audit work, as defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (“the Code”) as issued by the National Audit Office. As summarised below:
  1. Opinion on the financial statements
  2. Value for Money arrangements
  3. Wider reporting responsibilities

- 1.5 The External Auditors, Mazars will present the NTCA 2020-21 Audit Annual Report as attached at Appendix 1 to Audit and Standards Committee with a verbal update on the position of the 2021/22 audit.

## **2. Potential impact on Objectives**

The production of an Audited Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations 2015 and as revised Account and Audit Regulations 2022/23.

## **3. Key Risks**

The production of the NTCA accounts is reliant on the production of Nexus and NECA accounts and whilst we work together those elements are “out of our control”. A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks is part of the overall process.

## **4. Financial and Other Resources Implications**

There are no financial or other resource implications arising from this report.

## **5. Legal Implications**

The Accounts and Audit Regulations 2022/23, which take effect from 31 March 2023, reverts the requirement for the audited accounts to be published from 31 July to 30 September, with the exercise of public rights, common inspection date being removed, and the draft accounts published no later than 31 May.

## **6. Equalities Implications**

There are no equality and diversity implications arising from the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

## **7. Inclusive Economy Implications**

There are no inclusive economy implications arising from the recommendations in this report. There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA’s inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

## **8. Climate Change Implications**

There are no climate change implications arising from the recommendations in this report. There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the NTCA and the three constituent Local Authorities have each declared a Climate Emergency.

## **9. Consultation and Engagement**

Consultation will take place with the key personnel and interested parties involved in the closedown process.

**10. Appendices**

Appendix 1 Auditors Annual Report for the year ended 31 March 2021

**11. Background Papers**

2020-21 Audit Completion Report  
2020-21 Follow Up Letter to ACR  
2020-21 Further Follow Up Letter to ACR  
2020-21 NTCA Annual Governance Statement  
2020-21 NTCA Narrative Report  
2020/21 NTCA Annual Statement of Accounts

**12. Contact Officers**

Janice Gillespie, Director of Finance [Janice.gillespie@northoftyne-ca.gov.uk](mailto:Janice.gillespie@northoftyne-ca.gov.uk)

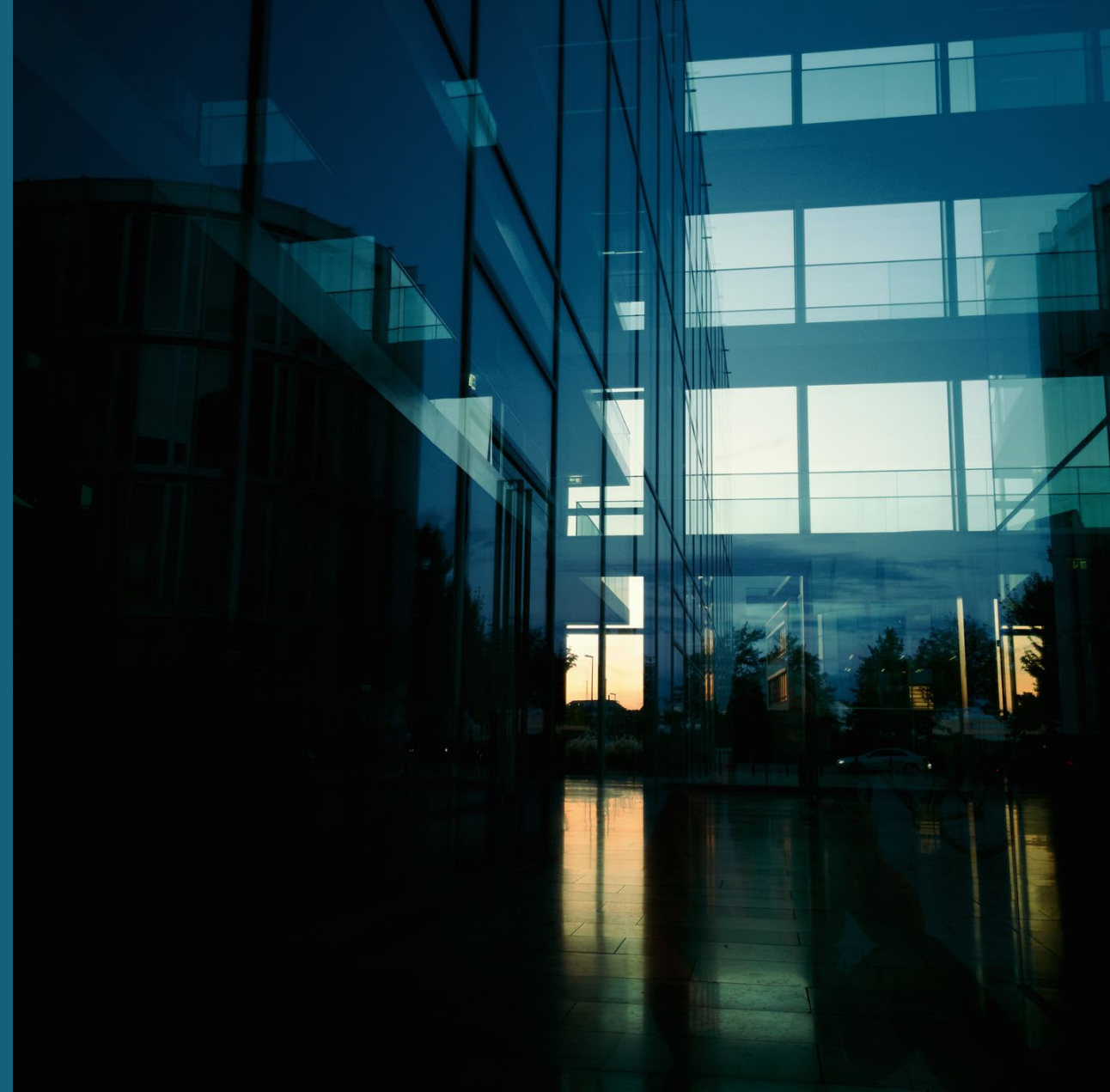
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# Auditor's Annual Report

North of Tyne Combined Authority – year  
ended 31 March 2021

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June 2023



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- 03 Commentary on VFM arrangements
- 04 Other reporting responsibilities

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for the North of Tyne Combined Authority ('the Authority') for the year ended 31 March 2021. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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### Opinion on the financial statements

There was a substantial delay of 15 months in issuing our audit report for the 2020/21 audit. This was because of a technical accounting issue in relation to infrastructure, which required a national solution and national guidance, and which has only now been resolved.

We issued our audit report on 7 June 2023. Our opinion on the financial statements was unqualified.



### Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Authority's financial statements.

We reported on Whole of Government Accounts (WGA) on 8 June 2023, as we were only able to do this after issuing our audit opinion. As the National Audit Office (NAO) has not confirmed whether the North of Tyne Combined Authority has been selected for additional 2020/21 WGA work or not, we are unable to issue our audit certificate to formally conclude the 2020/21 audit.



### Value for Money arrangements

In our audit report issued on 7 June 2023 we reported that we had completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and that we had not identified any significant weaknesses in those arrangements or made any recommendations. Section 3 provides our commentary on the Authority's arrangements.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

# 02

Section 02:

## **Audit of the financial statements**

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## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 7 June 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

### Qualitative aspects of the Authority's accounting practices

We reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 20 July 2021, well ahead of the revised statutory deadline and were of a good quality.

When we completed our audit work, we found that the financial statements were supported by comprehensive working papers, and officers were helpful in responding promptly to any queries we raised.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we had the full co-operation of management.

### Reasons for the protracted delay in completing the 2020/21 audit

We initially reported our Audit Completion report to the meeting of the Audit and Standards Committee on 18 January 2022.

As required by International Standards on Auditing (UK), we then wrote a follow up letter dated 11 April 2022 to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 14 January 2022. The follow up letter was presented to the Audit and Standards Committee on 26 April 2022.

In our follow up letter of 11 April 2022, we also reported an additional national issue that had arisen in relation to infrastructure.

The Guidance needed to address this technical issue was published in January 2023, and this enabled the Authority to determine and implement appropriate actions to address the issue. We then carried out the appropriate audit work and reported satisfactory completion in a further follow up letter to the Audit Completion Report dated 13 April 2023.

### Addressing the national issue in relation to infrastructure

The national issue in relation to accounting for infrastructure impacted on every local authority related entity with material infrastructure balances.

The issue identified that there was insufficiently detailed information available to allow local authorities to demonstrate the material accuracy of the gross carrying value of infrastructure assets. Specifically, the information deficits related to the type of assets held within the infrastructure balance, their useful lives and whether or not any capitalised expenditure was incurred to replace existing components.

This issue was entirely technical in nature and it did not impact on the resources available to the Authority or the level of usable reserves held by the Authority.

# 2. Audit of the financial statements

## Addressing the national issue in relation to infrastructure (continued)

A statutory override was put in place by Government to address the information deficits and CIPFA guidance was issued to allow authorities to disclose net infrastructure and not disclose gross infrastructure and gross depreciation in the financial statements. The statutory override made it clear that adjustments were not required to previous infrastructure balances even where errors may have existed.

The Authority adopted the statutory override in full. The Authority also made amendments to the disclosures about infrastructure in the financial statements, as required by the guidance, but the figures relating to infrastructure were not amended.

As part of our review of Authority's application of CIPFA's "Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)", we considered the Authority's asset lives per its accounting policies for infrastructure assets.

We considered CIPFA Bulletin 12, which included a commentary on the useful lives of the components of the highways network by the "UK Roads Leadership Group Asset Management Board". The guidance included a range of "reasonable useful lives" for different types of assets which we compared to those applied by the Authority.

The Authority's assets are its tunnels, and the reasonable useful lives applied were within the range in the CIPFA guidance.

We also reviewed the work of management's expert in determining the useful economic lives of the Authority's assets and there were no issues arising from this.

Following completion of our work, we were satisfied that the Authority had followed the relevant guidance when reviewing its infrastructure assets and has made the required disclosures in the financial statements.

Nexus, as a significant component within the Group accounts, was also impacted by the infrastructure issue. Nexus also applied the statutory override and there are no matters arising to report in terms of the audit of the Group accounts.

# 03

Section 03:

## Commentary on VFM arrangements

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# 3. VFM arrangements – overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the North of Tyne Combined Authority (referred to as NTCA in this section) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- Financial sustainability - how NTCA plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how NTCA ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - how NTCA uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work so we can understand the arrangements that NTCA has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses

in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. There are no significant weaknesses to report.

The table below summarises the outcomes of our work against each reporting criterion. On the following pages we outline further detail of the work we have undertaken against each reporting criterion, including the judgements we have applied.

**Overall, we have not identified any significant weaknesses in arrangements.**

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	No	No
Governance	No	No
Improving economy, efficiency and effectiveness	No	No

# 3. VFM arrangements – financial sustainability

## Overall commentary on the financial sustainability reporting criterion

### How NTCA identifies significant financial pressures that are relevant to its short and medium-term plans

NTCA covers the local authorities of Newcastle, North Tyneside and Northumberland.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the constituent authorities of the region, being the three Members from NTCA and the four Members from the North East Combined Authority (NECA) in accordance with the Order that was created on the 2nd November 2018.

A timetable for the production and consultation of the 2020-21 Budget / Medium Term Financial Strategy (MTFS) was agreed by Cabinet on 26 September 2019. The budget and MTFS has a clear link to the Corporate Plan taken to the NTCA Annual Meeting annually, in June.

The 2020-21 Budget and 2020-24 Financial Plan was approved by the NTCA Cabinet on 28 January 2020.

Regular budget monitoring/forecast of outturn reports are presented to the Cabinet, including updates on the North East Local Enterprise Partnership (LEP) and Invest North East budgets. The LEP Budget and Outturn is reported first to the LEP Board prior to appending the NTCA Cabinet Budget and Outturn report.

Budget monitoring is reported quarterly to Cabinet to monitor any financial pressures to help ensure that NTCA remains within budget. Cabinet membership includes the Lead Member and their Deputy of each of the three constituent authorities as well as the Mayor and the Head of Paid Service of NTCA. All budget monitoring, budget and outturn reports are approved by Cabinet and are then subsequently scrutinised by the Overview and Scrutiny Committee.

As at 31 March 2021, NTCA reported useable reserves of £124.4 million.

### How NTCA plans to bridge funding gaps and identifies achievable savings

The annual Budget/MTFS sets out NTCA's spending plans over the period and how any funding gaps will be met. This is developed through and consulted with the constituent local authorities of NTCA.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

### How NTCA plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of NTCA through its clear links with the Corporate Plan. This is developed through working with key delivery partners and the constituent local authorities of NTCA.

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# 3. VFM arrangements – financial sustainability

## Overall commentary on the financial sustainability reporting criterion - continued

### How NTCA ensures that its financial plan is consistent with other plans

The Budget/MTFS report considers implications including resources, equality, legal, human rights and risks.

Consultation on budget proposals is built into the NTCA Constitution and aims to ensure that appropriate and effective consultation takes place with all members and other stakeholders on the content of the budget including the voluntary and business sectors.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process. In 2020/21 NTCA did not have borrowing powers therefore no MRP Strategy was necessary

### How NTCA identifies and manages risks to financial resilience

As set out in the NTCA constitution, Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

There is an established risk management framework for NTCA with regular reviews and reporting to NTCA Audit & Standards Committee. This includes risks to financial resilience. Support is provided to NTCA by Newcastle City Council through a service level agreement (SLA).

Regular Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Cabinet and JTC and subsequently to the relevant Overview & Scrutiny Committee.

Quarterly Revenue Budget Monitoring/Forecast of Outturn reports are brought to NTCA Cabinet and subsequently to the relevant Overview & Scrutiny Committee.

The NTCA Chief Finance Officer (CFO) is in regular contact with the NECA CFO and the Nexus Finance Director on Joint Transport Budgetary and Finance matters.

NTCA and North East LEP budget managers have direct access to the financial management system for up-to-date financial information but also get the support of NTCA finance officers. NTCA uses North Tyneside Council's financial systems.

Financial Management Standards support the NTCA Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

Cabinet approved the 2020/21 budgets and the MTFS 2020 to 2024 on 28 January 2020. The report also set out that the Joint Transport Committee had determined the 2019/20 Transport Levies, which funded local and regional transport across the North of Tyne and North East Combined Authorities' areas.

**Based on our review we have not identified any significant weaknesses in NTCA's arrangements in relation to financial sustainability.**

# 3. VFM arrangements – governance

## Overall commentary on the governance reporting criterion

### How NTCA monitors and assesses risk and how NTCA gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

NTCA endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions.

NTCA seeks to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

NTCA also has an Anti-Fraud and Corruption Policy (Constitution Part 5.4) and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

NTCA is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

Through the use of a risk-based Internal Audit plan, NTCA determines the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/procedures. These are regularly reported to Audit and Standards Committee.

### How NTCA approaches and carries out its annual budget setting process

NTCA's budget setting process, including in its role as accountable body for the North East LEP, is set out in the Constitution. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups, including North of Tyne Chief Executives, Economic Development Directors, Voluntary and Community Sector and Business Community in

addition to the Public consultation notice on the website. Finance Directors across the NTCA area and wider region, in relation to the North East LEP will be involved throughout the process.

After consideration and comment by the Overview and Scrutiny Committees (NTCA and JTC) and the results of consultation, the final proposals (including consideration of the final proposals and decision of the JTC) are then considered by the Cabinet, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committees. The Cabinet must agree the final proposals in relation to NTCA's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

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# 3. VFM arrangements – governance

## Overall commentary on the governance reporting criterion - continued

### How NTCA ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

NTCA publishes a Forward Plan which lists all decisions that committees or officers of NTCA intend to take in the coming months. Details of each are usually included 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 the Combined Authority is planning to take, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

Principles of decision making are set out in the NTCA constitution and all decisions will be made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

NTCA has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

From a JTC perspective, there is also an established JTC Overview and Scrutiny Committee, which enables local councillors to scrutinise and challenge the JTC, its committees and Nexus, and to investigate matters of strategic importance to residents within the LA7 Area with a view to influencing and adding value to the decisions.

The Cabinet is made up of the Leaders of the three constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

There is an up to date Constitution in place which is available on NTCAs website.

The Cabinet Board receive appropriate and regular reports on the financial position of NTCA.

The Head of Paid Service leads a very experienced senior officer team at NTCA.

Risk management arrangements along with an up to date risk register is in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

The opinion of the Chief Internal Auditor, based on the internal audit work undertaken in year, was that there was an satisfactory framework of governance, risk management and control.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

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# 3. VFM arrangements – governance

## Overall commentary on the governance reporting criterion - continued

### How NTCA monitors and ensures appropriate standards are maintained

The NTCA Constitution sets out the how the authority operates, how its decisions are made and the procedures that are followed to ensure that NTCA operates efficiently, effectively and is both transparent and accountable.

There is a NTCA Register of Members Interests which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the NTCA website Interests for Senior Officers are also recorded.

NTCA has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to NTCA when they are acting in that capacity, and which is consistent with Nolan’s Seven Principles of Public Life.

NTCA has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of NTCA.

NTCA has a Member/Officer Relations Protocol to provide general guidance for Members and Officers in their relations with one another. It reflects the basic principles underlying the respective rules of conduct that apply to Members and Officers and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council’s Codes of Conduct.

NTCA has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by NTCA members and co-opted members, and ensure NTCA members and co-opted members observe the Members’ Code of Conduct.

NTCA has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by NTCA members and co-opted members, and ensure NTCA members and co-opted members observe the Members’ Code of Conduct.

**Based on our review we have not identified any significant weaknesses in NTCA’s arrangements in relation to governance.**

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# 3. VFM arrangements – improving economy, efficiency and effectiveness

## Overall commentary on the improving economy, efficiency and effectiveness reporting criterion

### How financial and performance information has been used to assess performance to identify areas for improvement

Final Outturn reports build on the regular reporting during the year to set out financial performance against budget for the NTCA revenue budgets and Capital element of the NTCA Investment Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid- year update and outturn update.

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

### How NTCA evaluates the services it provides to assess performance and identify areas for improvement

NTCA deliver against the Investment Plan, Adult Education Devolved Budget and the Brownfield Housing Fund. Regular updates are taken to Investment Panel which is attended by Senior Officers of the NTCA constituent authorities and to Cabinet to inform on performance against delivery.

In addition, to this there is a 5-year Gateway Review led by Central Government to determine delivery at 5 year intervals against the Investment Fund and ensure economic growth has been achieved, the first one of these for NTCA is end of 2022-23. The North East LEP report regularly to their LEP Board on delivery against their Economic Plan.

In relation to the Joint Transport Committee:

- Durham County Council and Northumberland County Council report to the JTC on the Discharge of Transport Functions setting out performance against the Transport Functions delegated to them by the JTC.
- Nexus report to the Tyne and Wear Sub Committee on its performance against its agreed Corporate Plan priorities.

- The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Appealing sustainable transport choices and Safe, secure network).
- Durham County Council and Northumberland County Council report to the JTC on the Discharge of Transport Functions setting out performance against the Transport Functions delegated to them by the JTC.
- NTCA report to the Tyne and Wear Sub Committee on its performance against its agreed Corporate Plan priorities.
- The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Appealing sustainable transport choices and Safe, secure network).

### How NTCA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

The relationship with North East LEP is detailed within the NTCA Strategic Risk Register for 2020/21 to 2021/22 detailed as an opportunity. The North East LEP Chief Executive attends Cabinet and Overview and Scrutiny to provide an update on the LEP. The Chair of LEP Board sits on the NTCA Cabinet.

NTCA meets regularly and engages and meets with the Voluntary and Community Sector and Business Community Sector.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. Nexus reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register.

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# 3. VFM arrangements – improving economy, efficiency and effectiveness

## Overall commentary on the improving economy, efficiency and effectiveness reporting criterion - continued

NTCA's Constitution (Part 4 Section 8.1) sets out that the Procurement Procedure Rules (Contract Standing Orders) for the constituent authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy)

In addition to the specific provisions of the Procurement Procedure Rules (See above), any money procurement of goods, materials, works or services shall have regard to and seek to implement the following general principles:

- The need to ensure the Authority and those within its area obtain good value for money and are properly protected as consumers of the goods, works or services;
- The need to ensure and demonstrate true and fair competition, without unlawful discrimination;
- The need to ensure the procurement process is transparent and accountable and susceptible to full audit; and
- The need to ensure the elimination of any opportunities for fraud or corruption.

NTCA receives procurement services from North Tyneside Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

Newcastle City Council Legal Officers provide a Legal SLA, part of which is to sign off all contracts and provide legal advice on contracts NTCA and the North East LEP enter into.

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 which was introduced in 2008.

NTCA work very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. NTCA supports

the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP board includes representatives from across the private and public sectors. Each of the leaders and the elected Mayor representing the seven NTCA councils are members of the NELEP and the Chair of the NELEP is a non-voting member of the NELB.

NTCA provides the formal accountability arrangements for the enterprise partnership.

Organisational change took place on 1 April 2020 with the transfer of Accountable Body responsibility for North East LEP to North of Tyne Combined Authority and resulting TUPE of staff from NECA to NTCA. Further significant organisational change is not anticipated in the near future.

**Based on our review we have not identified any significant weaknesses in NTCA's arrangements in relation to improving economy, efficiency and effectiveness.**



# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We reported on Whole of Government Accounts (WGA) on 8 June 2023, as we were only able to do this after issuing our audit opinion. As the National Audit Office (NAO) has not confirmed whether the North of Tyne Combined Authority has been selected for additional 2020/21 WGA work or not, we are unable to issue our audit certificate to formally conclude the 2020/21 audit.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy dated 21 June 2021. We indicated at that time that there would be additional fees in respect of the new value for money approach under the revised Code of Practice, along with any additional regulatory pressures that were not included in scale fees. Now we have completed the 2020/21 audit, we can confirm our final fees, which include additional costs arising from the national infrastructure issue.

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£27,500	£27,500
Additional one-off fees for specific issues (2019/20 only)	£8,000	£nil
Additional fees in respect of the new VFM approach (recurring)	£nil	£7,500
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£nil	£2,500
Additional fees in respect of resolving the national infrastructure issue (these costs have been divided equally between 2020/21 and 2021/22 audits)	£nil	£5,000
<b>Total fees</b>	<b>£35,500</b>	<b>£42,500</b>

All fees are subject to VAT. All additional fees are subject to Public Sector Auditor Appointments (PSAA) approval.

### Fees for other work

We did not undertake any non-audit services in 2020/21.

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# Gavin Barker, Director – Public and Social Sector

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# Audit and Standards Committee

## 4 July 2023

**Subject:** 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

**Report of:** Richard Dunlop, Interim Chief Internal Auditor

### Report Summary

The purpose of this report is to outline Internal Audit's 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

### Recommendations

The Audit and Standards Committee is recommended to consider and note the Chief Internal Auditor's 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control, attached as Appendix 1.

#### 1. Background Information, Proposals and Timetable for Implementation

##### **2022/23 Opinion of the Chief Internal Auditor on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control (Appendix 1)**

- 1.1 This report by the Chief Internal Auditor provides an annual opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control within the North of Tyne Combined Authority during 2022/23.
- 1.2 It is the responsibility of management both to ensure that effective internal controls are in place within the Combined Authority and to establish sound arrangements for planning, appraising, authorising, and controlling their operations. Internal Audit supports management by testing to see whether these controls are operating effectively and are appropriate.
- 1.3 For the purposes of this report, the Chief Internal Auditor undertook a programme of assurance activity in accordance with the Public Sector Internal Audit Standards (PSIAS). The programme of assurance for 2022/23 was as set out in the Internal Audit Strategic Audit Plan 2022/23 and discussed by and agreed at Audit and Standards Committee in April 2022.
- 1.4 Internal Audit can report that good progress continues to be in developing the framework of governance, risk management and control. In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must provide an annual audit opinion. The opinion of the Chief Internal Auditor is that the Authority's framework of governance, risk management and control is satisfactory overall based upon the audit work undertaken in 2022/23. This is a positive assessment of the control environment of the organisation.

1.5 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, which are subject to internal audit follow up.

1.6 The Internal Audit Service develops and maintains a quality assurance and improvement programme (QAIP) which covers all aspects of internal audit activity. This includes an internal assessment of conformance with the Public Sector Internal Audit Standards (PSIAS). A small number of areas for development have been identified from the QAIP and self-assessment of conformance with PSIAS, a summary of which is included in the Opinion Report at Appendix A. No areas of non-conformance with PSIAS were identified from the self-assessment.

## **2. Potential Impact on Objectives**

2.1 The North of Tyne Combined Authority's Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

## **3. Key Risks**

3.1 The Internal Audit coverage is based on an assessment of audit 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.

## **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. However, 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 Cities and Local Government Devolution Act 2016 establishes that Combined Authorities must arrange for the appointment of an Audit Committee as well as setting out the functions of the Audit Committee. This includes reviewing and assessing the Authority's risk management, internal control, and corporate governance arrangements.

5.2 The Accounts and Audit Regulations 2015 is a key statutory instrument which requires 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.

5.3 The Public Sector Internal Audit Standards (and related Local Government Application Note) establishes the professional standards Internal Audit must apply when planning the use of its resources. This report has been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

## **6. Equalities and Implications**

6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality

Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the Combined Authority's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the Combined Authority and the three constituent Local Authorities have declared a Climate Emergency.

## **9. Consultation and Engagement**

- 9.1 The 2022/23 opinion on the adequacy and effectiveness of the framework of governance, risk management and control, summarises Internal Audit findings communicated to, and discussed with, management throughout the course of the financial year. Throughout the year regular reports advising of the outcomes of Internal Audit's work have also been made to the Audit and Standards Committee, in accordance with the Audit and Standards Committee's planned schedule of work.

## **10. Appendices**

Appendix 1 – 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

## **11. Background Papers**

- (a) [Internal Audit Strategic Audit Plan 2022/23](#)
- (b) [Cities and Local Government Devolution Act 2016](#)
- (c) [Accounts and Audit Regulations 2015](#)
- (d) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (e) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

## **12. Contact Officers**

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**13. Glossary**

None



<p><b>NORTH OF TYNE</b> ~~~~~ <b>COMBINED AUTHORITY</b></p>	<p><b>Internal Audit Report:</b></p> <p><b>2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control</b></p>
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## **1 Purpose of Report**

- 1.1 This report by the Chief Internal Auditor provides an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control within the North of Tyne Combined Authority (the Combined Authority) during 2022/23.
- 1.2 The Chief Internal Auditor confirms that audit coverage has been based on Internal Audit's risk assessment of the organisation, and that the Internal Audit team has been allowed unfettered access to undertake the audit work set out in the Internal Audit Strategic Audit Plan 2022/23. There are no limitations on scope of the internal audit work undertaken and the Internal Audit Service has remained organisationally independent throughout the year.

## **2 Governance, Risk Management and Control**

- 2.1 It is the responsibility of the Combined Authority management both to ensure that effective internal controls are in place within and also to establish sound arrangements for planning, appraising, authorising and controlling their operations. Internal Audit supports management by testing to see whether these controls are operating effectively and are appropriate.
- 2.2 Whilst part of the Combined Authority's overall assurance framework, Internal Audit is not a substitute for effective internal control within the Combined Authority's systems.
- 2.3 Effective controls 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.

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

- 3.1 The Chief Internal Auditor is required under the Public Sector Internal Audit Standards (PSIAS), April 2017, to provide an annual internal audit opinion, based on an objective assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control. To meet this requirement, the Chief Internal Auditor provides one of two opinions:
- (a) That the organisation's framework of governance, risk management and control is **satisfactory** (i.e. that satisfactory assurance can be obtained from governance systems and procedures in place); or
  - (b) That the organisation's framework of governance, risk management and control is **not satisfactory** (i.e. that there is insufficient control in evidence within the organisation's governance systems to provide satisfactory assurance).
- 3.2 This 2022/23 programme of assurance activity was set out in the Internal Audit Strategic Audit Plan 2022/23. This plan was discussed and agreed at Audit and Standards Committee on 25 April 2022.
- 3.3 Internal Audit can report that the Combined Authority continued to improve the framework of governance, risk management and control. The Internal Audit Final Quarterly Report Update presented to Audit and Standards Committee with this Opinion report supports this view. It sets out the scope and outcome of the Internal Audit work undertaken, with three of the audits providing significant assurance and two providing limited assurance. Based upon this work the opinion of the Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory. This is a positive assessment of the control environment of the organisation.
- 3.4 This is a positive opinion, which means that the organisation has suitable internal control systems. This opinion is based on the areas reviewed by Internal Audit, and the progress made by the organisation to action Internal Audit recommendations. 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 coverage during 2022/23 as reported to Audit and Standards Committee throughout the year. A summary of work undertaken is provided in Section 4 of this report.
- 3.5 It is recommended that Internal Audit's satisfactory opinion on the framework of governance, risk management and control is considered as a source of assurance for the preparation of the Annual Governance Statement for 2022/23, and its subsequent consideration by the Audit Committee.
- 3.6 The Chief Internal Auditor has not needed to place reliance on the work of other bodies in forming this view; there are no limitations in the scope of the opinion. I confirm that the internal audit service has remained organisationally independent throughout the year.
- 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 2022/23

4.1 During 2022/23 Internal Audit work focussed upon the following areas:

Audit	Opinion
Governance Arrangements and Service Level Agreements	Limited
Governance Arrangements in relation to NELEP	Significant
Business Continuity Arrangements	Limited
Monitoring of Grant Conditions	Significant
Operational Capacity and Resources	Significant

Programme Assurance / Other Areas of Work
National Fraud Initiative
Performance Management – Programme Assurance Work
Adult Education Budget – Programme Assurance Work

Grant Certification	Value Certified
NTCA - Brownfield Housing	c£1.078m
NELEP - Growth Hub	c£0.39m
NELEP – Made Smarter	c£0.80m

4.2 The detailed reporting of the work undertaken is set out in the Quarterly reporting to the Committee on 15 November 2022, and 24 January, 25 April and this Committee on 4 July 2023.

4.3 The number of Internal Audit recommendations agreed with management during the 2022/23 audit year, classified against each priority, is provided in the table below:

Priority Level	Description	2022/23
Critical	Action that is considered critical to ensure the organisation is not exposed to unacceptable risks.	Nil
High	Action that is considered urgent to ensure that the service area / establishment is not exposed to high risks.	Nil
Medium	Action that is considered necessary to avoid exposure to considerable risks.	17 (49%)
Low	Action that is considered desirable or best practice and would result in enhanced control or better value for money.	18 (51%)
	<b>Total</b>	<b>35</b>

4.4 Prioritisation of Internal Audit recommendations is controlled through Internal Audit's quality control and review processes. This is in accordance with the requirements of PSIAS, which requires that a Quality Assurance and Improvement Programme is in place for Internal Audit's work.

#### 5 Quality Assurance and Improvement Programme & Public Sector Internal Audit Standards Summary of Conformance

5.1 All public sector internal audit providers in the UK are required to comply fully with the Public Sector Internal Audit Standards (PSIAS). The PSIAS require the Chief Internal Auditor to develop and maintain a Quality Assurance and Improvement Programme

(QAIP) to enable the Internal Audit service to be assessed against the PSIAS, and a related Local Government Application Note (LGAN), for conformance.

- 5.2 The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical, and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the PSIAS, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.
- 5.3 North Tyneside Internal Audit services was externally assessed (as part of the then Shared Service with Northumberland County Council) for compliance with the PSIAS during 2017/18. An external review is currently being planned for 2023/24 in conjunction with Newcastle City Council, Sunderland City Council and South Tyneside Council.
- 5.4 An annual self-assessment of conformance with PSIAS was concluded in May 2023. The self-assessment identified a high degree of conformance no significant areas of non-conformance. The table below demonstrates the self-assessed level of conformance against the 131 question areas. There were three question areas which were not applicable, one relating to Internal Audit services being provided by an external provider and two relating to a conformance kitemark that we do not use.

Outcome	Question Areas	Percentage
Conforms	117	89.3%
Partial Conformance	11	8.4%
Non-Conformance	0	0%
Not Applicable	3	2.3%
<b>Total</b>	<b>131</b>	<b>100%</b>

- 5.5 For those areas where partial conformance was identified an action to improve has been made and work is already underway to address and implement these as soon as possible. One of the areas for improvement identified from the self-assessment is to enhance the QAIP framework into a single central document.
- 5.6 For several years, Internal Audit has sought client feedback in respect of all audit reports issued, at the conclusion of each audit assignment. The feedback received from respondents for 2022/23 remains very positive. Clients score the service from 1 to 4 against a number of criteria, with 1 being very satisfied and 4 being very dissatisfied. From all the returned feedback forms, clients' overall opinion was that audits are constructive and provide value to management. The overall average score in 2022/23 was 1.46 which is positive. Detailed results of client feedback are shown at **Annex A**.
- 5.7 A relatively new method of measuring the quality and efficient delivery of audit assignments has been the implementation of a standardised file review feedback form / checklist. This form, which codifies and documents the longstanding quality assurance process, enables a degree of measurement by facilitating trend analysis of individuals and team performance across a number of criteria. Average scores from the assessments are shown at **Annex B**, and the overall score average of 37.42 (from a maximum score of 40) helps to demonstrate quality.

**Annex A: Overall Results from Client Feedback Forms 2022/23**

Satisfaction score between 1 and 4 with 1 being very satisfied and 4 being very dissatisfied:

**AUDIT PLANNING & CONSULTATION**

Average  
Score

- With the period of notice for commencement of the audit
- With the explanation provided of the audit process
- With the areas of coverage from the audit
- That your requirements were reflected by the audit

1.46
1.54
1.46
1.46

**AUDIT APPROACH**

- Attitude and professionalism of the auditor
- Auditor’s knowledge and understanding of auditee’s operational requirements
- Communication skills of the auditor
- Being kept informed of audit progress, including consultation on findings and likely recommendations

1.08
1.62
1.23
1.38

**REPORTING ARRANGEMENTS**

- With the arrangements for consultation on the draft report
- With the accuracy and materiality of the report findings
- With the usefulness and practicality of the conclusion and recommendations in the report
- With the clarity of the report
- With the format and presentation of the report
- The time taken to receive the report following the audit visit

1.46
1.54
1.54
1.38
1.62
1.77

**OVERALL OPINION**

- That the audit was constructive and useful

<b>1.46</b>
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**Annex B: Overall Results from File Review Feedback Quality Assurance Assessments - 2022/23**

Scores between 1 and 5. Higher scores are better:

	Average Score
<b>Technical Content and Recommendations</b>	
• Does the report cover all agreed objectives?	4.96
• Are recommendations fair and proportionate and likely to deliver a good outcome for the Authority?	4.65
<b>Evidence and Factual Accuracy</b>	
• Are conclusions adequately supported by factual evidence?	4.92
<b>Disposals</b>	
• Are findings adequately concluded and reported where necessary?	4.88
<b>Quality</b>	
• Are basic elements of the report communication accurate?	3.96
• Is the overall quality of the communication within the expected standards of the service?	4.73
<b>Keeping to Time</b>	
• Has the work been delivered within the agreed time budget?	4.62
• Has the draft report been issued by the agreed target date?	4.66
<b>Total Score Average</b>	
• Overall average score (40 is max score)	37.42

# Audit and Standards Committee

## 4 July 2023

**Subject:** Internal Audit Charter

**Report of:** Richard Dunlop, Interim Chief Internal Auditor

### Report Summary

The purpose of this report is to present Audit and Standards Committee with an updated Internal Audit Charter. The Charter meets the requirements of the Public Sector Internal Audit Standards (April 2017) and the related Local Government Application Note. As a contracted service provider, Internal Audit Service has operated under the Charter established for its role at North Tyneside Council, but following review we consider it would be beneficial to operate under a Charter specific to the Combined Authority.

### Recommendations

Audit Committee is asked to agree the updated Internal Audit Charter which is attached as Appendix 1.

#### 1. Background Information

- 1.1 The Internal Audit Charter is a formal document which brings together internal audit's purpose, authority and responsibility. It is not an annual document (but is reviewed annually), rather a framework and reference document issued as and when required, which also acts as a checklist that all internal audit's functions are properly met.
- 1.2 The Internal Audit Charter has been established to ensure that the requirements of the PSIAS continue to be met and the proposed Internal Audit Charter is attached as Appendix 1.

#### 2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority's Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

#### 3. Key Risks

- 3.1 The Internal Audit coverage is based on an assessment of audit 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.

#### 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. However, 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 Cities and Local Government Devolution Act 2016 establishes that Combined Authorities must arrange for the appointment of an Audit Committee as well as setting out the functions of the Audit Committee. This includes reviewing and assessing the Authority's risk management, internal control, and corporate governance arrangements.
- 5.2 The Accounts and Audit Regulations 2015 is a key statutory instrument which requires 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.
- 5.3 The Public Sector Internal Audit Standards (and related Local Government Application Note) establishes the professional standards Internal Audit must apply when planning the use of its resources. This report has been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

## **6. Equalities and Implications**

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment, and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the Combined Authority's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the Combined Authority and the three constituent Local Authorities have declared a Climate Emergency.

## **9. Consultation and Engagement**

- 9.1 The Charter was established and shared with the Director of Finance for comment.

## **10. Appendices**

Appendix 1 – Draft Internal Audit Charter

## **11. Background Papers**

- (a) [Cities and Local Government Devolution Act 2016](#)
- (b) [Accounts and Audit Regulations 2015](#)



- (c) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (d) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

## **12. Contact Officers**

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## **13. Glossary**

None

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# **Internal Audit Charter**

## **North of Tyne Combined Authority**

**Date:** July 2023

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# 1 Introduction and Purpose of the Audit Charter

1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and were revised on 1 April 2017. The PSIAS and associated CIPFA Local Government Application Note are the mandatory standards with which every Internal Audit Service in local government is required to comply.

1.2 The PSIAS require that each local authority has an internal audit charter. The internal audit charter should:

- define the purpose, authority, and responsibility of Internal Audit (Section 2);
- be consistent with the mission statement - *Mission of Internal Audit* (Paragraph 2.10);
- be consistent with professional best practice – the core principles of internal audit (Paragraph 2.11);
- set out safeguards to limit independence or objectivity if internal audit or the chief audit executive (i.e. the Chief Internal Auditor) undertakes non-audit activities (Paragraph 2.13);
- set out the role of the Board (Audit and Standards Committee) and the senior management (the Chief Internal Auditor, the Chief Finance Officer, the Chief Executive – Section 3 & 4);
- set out the arrangements for internal audit planning and appropriate resourcing (Section 5);
- set out the nature of assurance services provided to the organisation and if assurances are to be provided to parties outside the organisation, the nature of these assurances (Paragraph 2.19);
- set out the role of internal audit in any fraud-related work (Section 6);
- set out the nature of internal audit consulting services (Section 7); and
- set out the Quality and Assurance Programme in place for internal audit (Section 9).

1.3 This Internal Audit Charter complies fully with the Combined Authority's Financial Regulations.

## 2 Purpose, Authority and Responsibility of Internal Audit

2.1 **Definition of Internal Audit** - The Public Sector Internal Audit Standards define internal auditing as "*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*".

2.2 **Internal Audit's Operating Authority** - The Combined Authority's s73 Officer, the Director of Finance, is designated by the Combined Authority as the officer responsible for making proper arrangements for the administration of the organisation's financial affairs. In addition, the Accounts and Audit Regulations 2015 (SI No 234, as amended) require that the Combined Authority "must 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."

2.3 The Accounts and Audit Regulations 2015 make it a legal requirement under regulation 5, that any officer or elected member of a relevant local authority must, if required to do so for the purposes of internal audit:

- make available such documents and records (including those in an electronic form); and
- supply such information and explanations as are considered necessary by those conducting the internal audit.

This Internal Audit Charter affirms these statutory rights of access for Internal Audit.

2.4 These rights of access are also enshrined within the Combined Authority's Financial Regulations (paragraph 7, Part 4 of the Constitution). These include the provision that Internal Audit has the authority to:

- access the Combined Authority's premises at all reasonable times.
- access all assets, records, documents, correspondence, and control systems.
- receive any information and explanation considered necessary concerning any matter under consideration.
- require any employee of the authority to account for cash, stores or any other authority asset under his or her control.
- directly access the head of paid service, Chief Executive, Audit and Standards Committee and / or other appropriate committees, in accordance with the terms of reference agreed for internal audit within the Financial Regulations.
- access financial records belonging to third parties, such as contractors, organisations in receipt of grant funding, and partnering arrangements in any scheme for which the organisation has responsibility as lead or accountable body.

2.5 In turn, the Financial Regulations place a responsibility on all chief officers to ensure that Internal Audit is given access at all reasonable times to such premises, personnel, documents and assets that Internal Audit considers necessary for the purposes of its work. Chief officers are also charged with:

- ensuring that Internal Audit is provided with any information and explanations that it may seek in the course of its work.

- considering and responding promptly to recommendations in audit reports; and
  - ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 2.6 The Financial Regulations place a duty on chief officers to ensure that, where existing financial systems are proposed to be changed or new systems established, the agreement of the s73 Officer and Chief Internal Auditor is obtained before implementing any changes.
- 2.7 **Internal Audit's Remit** - The work of Internal Audit embraces the whole internal control system of the organisation, including all of its activities, funded from any source. Internal Audit's remit includes:
- assessing if operations are being carried out as planned, and if objectives / goals are being achieved.
  - assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, (i.e. rules established by either the management of the organisation or externally).
  - assessing the completeness, reliability and integrity of information, both financial and operational.
  - assessing the extent to which the organisation's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
  - assessing the economy, efficiency and effectiveness with which resources are deployed.
- 2.8 Internal Audit objectively examines, evaluates, and reports on the control environment in place as a contribution to the proper, economic, efficient, and effective use of resources. It therefore assists management in delivering the objectives of the organisation by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.
- 2.9 The Combined Authority's Anti-Fraud and Corruption Policy (5.4 Constitution) sets out the framework with how it will respond to such incidents, and which officers will be involved in coordinating an investigation. The Policy also commits that:

*“The Authority seeks in the first instance to prevent fraud and corruption and will take all action necessary to identify any occurrences if suspected. If any such instances are detected they will be investigated in a correct and agreed manner. The Authority pledges to pursue the recovery of losses and the suitable punishment of those responsible.”*

- 2.10 **The Mission of Internal Audit** (Mission Statement) - The PSIAS sets out that the mission of internal audit is “*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*”
- 2.11 **Best Practice - Core principles of Internal Audit** – In order to achieve the Mission Statement all core principles should be present and operating effectively, which are the mandatory elements of the PSIAS. These are the *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Definition of Internal Auditing*.
- 2.12 The core principles for the internal audit service are that it:
- Demonstrates integrity.
  - Demonstrates competence and due professional care.
  - Is objective and free from undue influence (independent).
  - Aligns with the strategies, objectives, and risks of the organisation.
  - Is appropriately positioned and adequately resourced.
  - Demonstrates quality and continuous improvement.
  - Communicates effectively.
  - Provides risk-based assurance.
  - Is insightful, proactive, and future-focused.
  - Promotes organisational improvement.
- 2.13 **Objectivity and Independence** – Internal Audit must be, and must be seen to be, independent. To ensure this, a number of arrangements are in place to ensure that Internal Audit operates within a framework which allows:
- unrestricted access to the board and senior management.
  - impartial and unbiased opinions.
  - reporting in its own name, and
  - segregation from line operations.
- 2.14 It is a requirement of the PSIAS that the Chief Internal Auditor reports ‘to a level within the organisation that allows the Internal Audit activity to fulfil its responsibilities.’ The PSIAS interprets organisational independence as being effectively achieved when the Chief Internal Auditor reports functionally to the board. Within North of Tyne Combined Authority these requirements are achieved by:
- the Chief Internal Auditor reporting functionally to the Audit and Standards Committee. The Chief Internal Auditor reports functionally to Audit and Standards Committee in his/her own name and has the right of free and unfettered access to the Audit and Standards Committee and Chair of Audit and Standards Committee.



- the Chief Internal Auditor reporting operationally to a member of the organisation's senior management team. At North of Tyne Combined Authority, the Chief Internal Auditor reports to the Director of Finance, who is a member of the senior management team.

In addition, the Chief Internal Auditor has free and unfettered access to the Chief Executive, Direct of Finance (Chief Finance & s73 Officer), and Monitoring Officer.

- 2.15 In line with the requirements of the PSIAS, the Chief Executive and the Chair of Audit and Standards Committee will be invited to provide input / feedback to the annual performance review of the Chief Internal Auditor. The Chief Internal Auditor will also confirm the organisational independence of Internal Audit to the Audit and Standards Committee at least annually.
- 2.16 Internal Audit shall have no responsibilities over the operations which it audits other than the furnishing of recommendations to relevant management, and advice to management on risks and controls. Where the span of management control of the Chief Internal Auditor dictates, separation of duties is enforced within the team to ensure sufficient independence.
- 2.17 Internal auditors will complete an annual declaration confirming compliance with rules on independence, conflicts of interest and the offer and / or acceptance of gifts and hospitality. In compiling the Annual Strategic Audit Plan, it will be ensured that this recognises and addresses potential conflicts of interest by ensuring that staff do not undertake an audit assignment for at least one year in an area where they have had previous operational roles.
- 2.18 All Internal auditors will be familiar with the Definition of Internal Auditing, the Code of Ethics, and the Standards, as set out in the PSIAS and will work in accordance with these requirements. This will form the basis of the performance appraisal for each Internal Auditor.
- 2.19 Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review. Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity, and respect.
- 2.20 When performing their work, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the procedures.
- 2.21 Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so.
- 2.22 **Additional Internal Audit responsibilities** – The North Tyneside Council internal audit service provides internal audit services to the North of Tyne Combined Authority. The North Tyneside Council Internal Audit service is also

required to check and certify some grant claims associated with the Combined Authority.

### **3 Role and Responsibilities of the Board**

3.1 The responsibilities of the Audit and Standards Committee (Board) as detailed in the PSIAS are:

- (i) Approving the Internal Audit Charter.
- (ii) Approving the annual risk based Internal Audit Plan in advance of the year and any amendments to the plan during the course of the year.
- (iii) Receiving the Annual Opinion on the Framework of Governance, Risk Management and Control from the Chief Internal Auditor.
- (iv) As part of the Annual Audit Plan approving the resource plan and establishing that there are sufficient resources with regard to the provision of an annual audit opinion.
- (v) Considering communications from the Chief Internal Auditor on Internal Audit performance (such as key and final audit outcome reports) relative to its plan and other matters.
- (vi) Receiving annual confirmation from the Chief Internal Auditor that Internal Audit is organisationally independent.
- (vii) Considering the results of the quality assurance and improvement programme from the Chief Internal Auditor.

### **4 Role and Responsibilities of Senior Management**

4.1 The Chief Internal Auditor has responsibility for managing the internal audit activity in accordance with this Internal Audit Charter and associated mandatory requirements. The Chief Internal Auditor must periodically review this Charter and present it to senior management and the Board (Audit and Standards Committee) for approval.

4.2 The responsibilities of Senior Management as detailed in the PSIAS are:

- (i) Providing input to the Annual Strategic Internal Audit Plan.
- (ii) Actioning Internal Audit reports and follow-up reports.
- (iii) Receiving the results of the quality assurance and improvement programme (see section 9) from the Chief Internal Auditor.

4.3 In addition, the organisation's chief officers – those at Director level and above – are responsible for ensuring that appropriate and adequate internal controls exist, **independently of any Internal Audit activity**. Chief officers must establish sound arrangements for planning, appraising, authorising, and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness; and for achieving their financial performance targets.

- 4.4 When an Internal Audit report is issued, it is for management to decide whether to accept and implement audit findings and recommendations, subject to adherence to Combined Authority policy and Financial Regulations. Any decision to reject a formal recommendation must be justified in writing. It is the Chief Internal Auditor's duty to consider taking matters to a higher level of management, or to the Audit and Standards Committee, if it is felt that a risk should not (or need not) be borne.

## **5 Appropriate Planning and Resourcing**

- 5.1 Internal Audit prepares a Strategic Audit Plan, setting out the scope of work to be undertaken within the Combined Authority each year. This detailed plan is prepared in consultation with the Chief Executive, Director of Finance (s73 Officer), other senior management, and is approved by the Audit and Standards Committee. Proposed coverage is also shared with the relevant Cabinet / Portfolio holder and the external auditor.
- 5.2 Internal Audit must however be independent in its planning and operation. In producing the Strategic Audit Plan, the Chief Internal Auditor will have an unrestricted range of coverage of the Combined Authority's operations. The Chief Internal Auditor will have freedom to determine the priorities of Internal Audit, following consultation with the senior management of the organisation.
- 5.3 The Strategic Audit Plan will provide a broad scope of each audit assignment, together with the resources required and the respective priorities. The Plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments, fraud investigations and staff vacancies which could not be reasonably foreseen.
- 5.4 If the Audit and Standards Committee considers it suitable, an appropriate budget of time will be included to cover a defined number of assurance assignments relating to specific areas of assurance requested by the Audit and Standards Committee. In such cases, the Chief Internal Auditor will be responsible for defining the scope and coverage of this work to ensure that this remains within the definition and remit of Internal Audit activity.
- 5.5 The Strategic Audit Plan, once set, will be compared to resource availability and where there is an imbalance between the two, the Audit and Standards Committee will be informed of this and proposed solutions. The Local Government Application Note which supports the PSIAS on which this Internal Audit Charter is based, makes clear that significant matters that jeopardise delivery of the plan, or require changes to the plan, should be identified, addressed, and reported to the board.
- 5.6 In determining the resourcing of Internal Audit, the staffing of the Internal Audit Service will be kept under annual review. As a minimum, resourcing will ensure that the Service is able to comply with the requirements of the Public Sector Internal Audit Standards. Resourcing required will be identified by the Chief Internal Auditor, ensuring that as minimum resources are sufficient to provide a

level of coverage necessary to give an annual evidence-based opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. Local factors within each organisation covered by the Chief Internal Auditor will determine this minimum level of coverage. A risk-based audit plan will be prepared which reflects the Chief Internal Auditor's view about the level of audit coverage and optimum resources to be devoted to Internal Audit.

## **6 Internal Audit Work and Fraud Related Work**

- 6.1 Internal Audit performs investigations into suspected fraud or irregularity. It is important that the organisation can call upon Internal Audit resource to respond quickly to assess the extent of potential problems and to secure evidence if required.
- 6.2 Internal Audit will also review weaknesses in control to establish the reasons for the fraud / irregularity occurring and recommend improvements in the control environment to minimise the risk of reoccurrence.

## **7 Consulting Activity**

- 7.1 In addition to performing internal audits of existing systems, Internal Audit has a significant role in providing an advice and consultancy role for the organisation. This includes advising on controls during the introduction of new systems. This helps to minimise the risk of weaknesses in new systems and therefore strengthens the overall control environment. This activity comprises 'consulting activity' under the PSIAS.
- 7.2 The PSIAS define consulting services as:  
*"Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training."*
- 7.3 The Strategic Audit Plan, agreed by the Audit and Standards Committee in April each year, will identify any assignments which fall within the above definition. In addition, in terms of the requirements of the PSIAS, any significant additional consulting services identified during the course of the year will be approved by the Audit and Standards Committee prior to accepting the assignment. Within the Combined Authority, it is considered appropriate to define "significant" as any single assignment which is estimated to require a resource of 15 days or more.

## **8 Reporting**

- 8.1 At the end of every Internal Audit assignment, a draft audit report will be issued to the relevant audit client, as identified in the project brief prepared at commencement of the assignment and agreed with the audit client. The project brief will set out clearly the circulation of the report and Internal Audit will normally observe this circulation list very closely.
- 8.2 Should the Chief Internal Auditor consider that a matter of governance or control is so serious as to warrant communication to other officers of the organisation, or to an external agency such as the Police, the Chief Internal Auditor has the authority to do so. Accordingly, the Chief Internal Auditor will have direct access to, and freedom to report to, all senior management and elected members, and any external agency which, in his/her professional judgement, she/he considers appropriate.
- 8.3 The organisation's management is expected to implement all accepted recommendations within a reasonable timescale, determined by management and agreed with Internal Audit at the end of the audit assignment. Each audit will be followed up to assess the extent to which this has happened. Summary information will be reported to the respective senior management team and Audit and Standards Committee on a periodic basis.
- 8.4 Internal Audit has a vital role in providing assurance to the organisation and achieves this by providing an annual opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is developed through careful risk-based structuring of the Strategic Audit Plan to ensure sufficient audit review of the Combined Authority's operations. The opinion is then evidenced and supported by the individual audit assignments which are undertaken in accordance with the Strategic Audit Plan. It is important to emphasise with regard to the annual opinion, that Internal Audit's responsibilities extend to the entire framework of governance, risk management and control and is not restricted to financial controls. In this respect the work of Internal Audit provides a key input to the Combined Authority's Annual Governance Statement.

## **9 Quality Assurance and Improvement Programme**

- 9.1 Quality assurance procedures have been in place within the Internal Audit team for many years as part of the team's adherence to the prevailing relevant professional standards. The PSIAS introduced a requirement to develop a 'quality assurance and improvement programme' (QAIP). The PSIAS recognised that the new requirement should not add significantly to existing quality requirements.

- 9.2 The Chief Internal Auditor will codify all existing qualitative measures used to manage effectiveness of Internal Audit activity under one QAIP. In addition, the QAIP will include any new qualitative measures required by the PSIAS, such as the requirement for an external assessment at least once in every five years. The results of the QAIP will be reported to senior management and the board as required by the PSIAS.
- 9.3 As required by the PSIAS, the Chief Internal Auditor will discuss with senior management and the board the qualifications and independence of the independent external assessor and will identify an appropriate sponsor for this process.

IA/RD/MO  
July 2023

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## Audit and Standards Committee 4 July 2023

**Subject:** Internal Audit 2022/23 Final Quarterly Update Report and First Quarter Update on 2023/34 Audit Plan

**Report of:** Richard Dunlop, Interim Chief Internal Auditor

### Report Summary

The Work Programme for the Audit and Standards Committee approved at its meeting on 25 April 2023 includes quarterly updates from Internal Audit at each of the four scheduled meetings during the year. This report provides Audit and Standards Committee with a final update on the 2022/23 Audit Plan, and first progress update against the 2023/24 Audit Plan. Apart from one deferral requested by management, all work from 2022/23 has been concluded. A minor clarification is outstanding on one audit, as detailed below. Indicative timelines have been suggested for 2023/24 work.

### Recommendations

The Audit and Standards Committee is recommended to consider and note Internal Audit's report.

#### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The 2022/23 Internal Audit Plan approved by Audit and Standards Committee on 26 April 2022 set out a number of assignments selected on a risk-based approach. The Plan also included a contingency for advice and guidance, and programme assurance work. A summary of each of these areas, and any other work included in internal audit's work programme is provided below.

#### Summary and Status of all work items in the 2022/23 Audit Plan

Audit Assignment	Status	Opinion
Governance Arrangements and Service Level Agreements	Complete	Limited
Governance Arrangements in relation to NELEP	Complete	Significant
Business Continuity Arrangements	Complete	Limited
Monitoring of Grant Conditions	Complete	Significant
Operational Capacity and Resources	Complete	Significant
Net Zero Transition	Deferred to 23/24	N/A
Other Areas of Work		Status
National Fraud Initiative		Complete
Performance Management – Programme Assurance		Complete
Adult Education Budget Steering Group – Programme Assurance		Continues into 23/24

## Work Completed Since Previous Meeting

Area of Review	Description of Assignment and Current Status
<p>Monitoring of grant conditions (in respect of grant funding both received by NTCA and issued by NTCA)</p> <p>(Governance Review)</p> <p>2022/23 Work</p>	<p>The objective of the audit was to examine and evaluate the arrangements established to:</p> <ul style="list-style-type: none"> <li>• its own grant conditions as a grant funding recipient and ensuring that the specified outcomes are delivered; and</li> <li>• its arrangements as a grant funding body to set appropriate grant conditions when issuing funding to other organisations and monitor and evidence compliance with those grant conditions.</li> </ul> <p>Overall, the audit identified that the procedures in place for administration of grants and projects were operating effectively and a Significant Assurance opinion was provided. Four medium and six low priority recommendations for improvement were made. The main findings included:</p> <ul style="list-style-type: none"> <li>• limited functionality of the North East Open Project System (NE OPS - the application used for project performance management) to produce quality and timely performance information. (Further assurance work on performance covering the system was completed and is recorded later in this report)</li> <li>• instances where performance reporting lacked benchmarking data for comparisons, and</li> <li>• lack of compliance with the established escalation procedure where breaches of grant funding agreements were identified.</li> </ul>
<p>Operational Capacity and Resources</p> <p>(Governance Review)</p> <p>2022/23 Work</p>	<p>The objective of the audit was to examine the arrangements in place to ensure that as the North Tyneside Combined Authority (NTCA) continues to develop, it has the necessary operational capacity, skills and expertise available in order to successfully deliver agreed objectives, plans and responsibilities. The audit included a review of the workforce planning framework, and recruitment retention and flexibility of resource, in conjunction with planned objectives.</p> <p>Overall, the audit confirmed that the systems in place for the management of capacity and resources were operating effectively, and a Significant Assurance opinion was provided. The audit noted that very good progress had been made in the relatively short time the Authority had been operating. Three medium and three low priority recommendations for improvement were made. Areas of good practice were identified, including the varied and dynamic approach to resourcing and workforce planning to meet a changeable funding environment.</p> <p>The main findings included:</p> <ul style="list-style-type: none"> <li>• Improvements could be made to the resource plan, linked to the corporate plan and organisational goals</li> </ul>

	<ul style="list-style-type: none"> <li>• Additional details should be recorded in workforce planning meeting minutes to demonstrate the rationale for new posts</li> <li>• On occasions, there was a lack of record keeping to demonstrate Senior Management approval of temporary or agency staff</li> </ul>
<p>National Fraud Initiative (NFI) Data Matching Exercise</p> <p>(Financial Systems and Probity)</p> <p>2022/23 Work</p>	<p>The NFI is the Cabinet Office's data matching exercise to aid with the prevention and detection of fraud. Data relating to Trade Creditors and Payroll was submitted to the Cabinet Office in October 2022 and six reports were made available for review late January 2023.</p> <p>Approximately 140 matches were returned for review across six different reports. The matches mainly related to trade creditors. The matches were mainly 'fuzzy', in that invoice details were not exactly the same, and queries related to potential duplicate payments.</p> <p>All matches were subject to detailed review, and no issues were identified.</p>
<p>Performance Management</p> <p>(Advice and Programme Assurance)</p> <p>2022/23 Work</p>	<p>As previously brought to the attention of Audit and Standards Committee, it was agreed with NTCA Management that assurance in this area would be provided in the form of 'programme assurance' support rather than a traditional audit. The change in approach was agreed to take into account a refresh of current arrangements by NTCA.</p> <p>The actual work undertaken complemented the grant monitoring audit and focussed on an assessment of NE OPS. An Internal Audit briefing note was issued and in summary, the work confirmed management's view that NE OPS currently lacked the functionality to be an effective performance management tool for NTCA. There were a number of 'workarounds' in place to assist with performance reporting, which is inefficient and increases the potential for error in the reporting. Management already has plans to address the weaknesses in the short and longer terms.</p>
<p>Evidence Checking of Recommendations</p> <p>(Corporate and cross Cutting)</p> <p>2022/23 Work</p>	<p>In accordance with Internal Audit's established processes, evidence checking is undertaken in relation to the implementation of medium and high priority recommendations that have passed their agreed implementation date.</p> <p>During May and June 2023 Internal Audit followed up on nine medium priority recommendations which had passed the agreed implementation date. Two recommendations relating to performance reporting were confirmed as implemented and appropriate revised target dates were agreed for the remaining seven. In relation to those where revised target dates were agreed, including four relating to Business Continuity Management, there was clear evidence that work was in progress to implement the recommendations.</p>

## Work In Progress

Area of Review	Description of Assignment and Current Status
Adult Education Budget (AEB) Steering Group  (Advice and Programme Assurance)  2022/23 & 2023/24 Work	One aspect of Internal Audit's work is to attend the AEB steering group approximately once a month in a 'programme assurance' capacity.  Recent work has included providing advice and guidance on a revised contract management performance framework that is being developed, and a sense check of a small number of operational risk registers.
Transition to new North-East Mayoral Combined Authority  (Advice and Programme Assurance) 2022/23 Work	Initial preparation work is currently being undertaken.

## Work from 2022/23 Deferred to 2023/24

Area of Review	Description of Assignment and Current Status
Net Zero Transition  (Governance Review)	Following discussions with Management it was agreed to defer the audit to the 2023/24 municipal year due to resourcing issues in this area within NTCA.

## Summary, Status and Indicative Timetable of all work items in the 2023/24 Audit Plan

Audit Assignment	Scheduled	Opinion
Net Zero Transition	Q2	N/A
Information Governance	Q2	N/A
Risk Management	Q2/Q3	N/A
Key Financial Systems – Creditors Purchasing & Payments	Q3/Q4	N/A
Key Financial Systems – Payroll	Q3/Q4	N/A
Key Financial Systems – Budget Monitoring and Reporting	Q3/Q4	N/A
Other Areas of Work		Status
Performance Management – Programme Assurance		Complete
Adult Education Budget Steering Group – Programme Assurance		Ongoing
Transition to new North-East Mayoral Combined Authority		Commenced

## **2. Potential Impact on Objectives**

- 2.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

## **3. Key Risks**

- 3.1 Internal Audit coverage is based on an assessment of audit 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 Cities and Local Government Devolution Act 2016 established that Combined Authorities must arrange for the appointment of an Audit Committee and sets out the functions of the Audit Committee. This includes reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.
- 5.2 The Accounts and Audit Regulations 2015, as amended, 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.
- 5.3 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. This report and the Internal Audit Strategic Plan 2022/23 have been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

## **6. Equalities and Implications**

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy

ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the NTCA and the three constituent Local Authorities have each declared a Climate Emergency.

## **9. Consultation and Engagement**

- 9.1 The Chief Executive, Chief Finance Officer and Director of Policy and Performance were consulted in preparation of Internal Audit's 2022/23 and 2023/24 audit coverage.

## **10. Appendices**

There are no appendices.

## **11. Background Papers**

- (a) [Internal Audit Strategic Audit Plan 2022/23](#)
- (b) [Internal Audit Strategic Audit Plan 2023/24](#)
- (c) [Cities and Local Government Devolution Act 2016](#)
- (d) [Accounts and Audit Regulations 2015](#)
- (e) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (f) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

## **12. Contact Officers**

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## **13. Glossary**

NFI	National Fraud Initiative - The Cabinet Office's data matching exercise
NELEP	North East Local Enterprise Partnership
AEB	Adult Education Budget



**Subject:** Strategic Risk and Opportunities Register  
**Report of:** Risk Advisor to North of Tyne Combined Authority  
(NTCA)

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### Report Summary

The aim of the report is 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.

Each risk and opportunity action plan has been revisited by the responsible officers to ensure they remain on track for delivery and continue to support NTCA plans and priorities.

Since the risk register was presented to Audit and Standards Committee in April 2023 there are no major changes to the risks to highlight to the Committee at this reporting period, with many of the action plans not due for delivery or review until later in the year.

A detailed assessment of each risk and future activity to reduce the overall risk exposure is attached at Appendix B.

### Recommendations

The Audit and Standards Committee is recommended to:

1. Review, challenge and accept the outcomes of the strategic risk review
2. Note a summary of the strategic risks identified by the North East LEP are included for information (Appendix D)
3. Note a summary of the strategic risks identified by the North East Joint Transport Committee (North East JTC) (Appendix E) are also included for information

#### 1. Background Information, Proposals and Timetable for Implementation

The aim of the report is 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.

#### 2. Strategic Risk and Opportunities Update

- 2.1 Each risk and opportunity action plan has been revisited by the responsible officers to ensure they remain on track for delivery and continue to support NTCA plans and priorities.

Since the risk register was presented to Audit and Standards Committee in April 2023 there are no major changes to the risks to highlight to the Committee at this reporting period, with many of the action plans not due for delivery or review until later in the year.

A detailed assessment of each risk and future activity to reduce the overall risk exposure can be found at Appendix B.

### **3. Additional Risk Information**

- 3.1 The NTCA risks are strategic risk areas which will be monitored by this Committee and presented at each meeting. Lower level operational and project risks will continue to be managed at a project level. However, there are communication plans and escalation processes developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the strategic risk register.

### **4. North East Local Enterprise Partnership (North East LEP)**

- 4.1 The strategic risks identified by the North East LEP are also included at Appendix C for information. This provides NTCA visibility of the North East LEP strategic risk areas to consider if the risks identified by the North East LEP have any impact upon the delivery of NTCA's plans and priorities or the Strategic Risk Register.

### **5. North East Joint Transport Committee (North East JTC)**

- 5.1 The North East JTC Strategic Risk Register is reported for information only and records the biggest threats to the achievement of the strategic objectives of the North East JTC and its organisational risks. It was updated by the North East Combined Authority's (NECA) risk management service and last presented to the JTC Audit Committee at its meeting on 13 July 2022. A summary of the strategic risks as reported in July 2022 is provided at Appendix E for information only. A full copy of the JTC strategic risk register and mitigation plans can be found on the JTC Audit and Standards Committee Agenda [here](#).

### **6. Potential Impact on Objectives**

- 6.1 The development of the strategic risk and opportunities register will not impact directly on the objectives of NTCA, however the approach to strategic risk management will support delivery of its aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

### **7. Key Risks**

- 7.1 There are no direct risk management implications from this report. The approach to risk management is documented within the NTCA's risk management policy and strategy, which will be updated over the coming months to reflect the activity underway to reframe the Combined Authority's approach to the management of risk. The key risks will continue to be reported regularly to the Audit and Standards Committee.

### **8. Financial and Other Resources Implications**

- 8.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA (and the North East LEP) during 2023/24 through a Service Level Agreement with Newcastle City Council.

### **9. Legal Implications**

- 9.1 There are no legal implications arising specifically from this report.

### **10. Equalities Implications**

- 10.1 There are no equality and diversity implications arising from this report

### **11. Inclusive Economy Implications**

- 11.1 There are no direct inclusive economy implications arising out of the recommendations in this report



## **12. Climate Change Implications**

12.1 There are no climate change implications arising from this report.

## **13. Consultation and Engagement**

13.1 The Chief Executive, Monitoring Officer, Chief Finance Officer and NTCA Senior Management Team have been consulted on the strategic risk register.

## **14. Appendices**

14.1 Appendix A – ‘Risk at a glance’ shows the strategic risks and opportunities, including the risk priorities and direction of travel assessments

Appendix B – Provides a detailed assessment of the NTCA strategic risks and opportunities and future activity to reduce the overall risk exposure

Appendix C – Provides an ‘at a glance’ view of the North East LEP strategic risks, including the risk priorities and direction of travel assessments

Appendix D – Provides a detailed assessment of the North East LEP strategic risks and future activity to reduce the overall risk exposure.

Appendix E – A summary of the strategic risks, risk priorities and direction of travel assessments identified by the North East Joint Transport Committee

Appendix F – Risk Analysis Toolkit to determine the risk priority

## **15. Background Papers**

15.1 The North East Joint Transport Committee (JTC) strategic risks can be found on the NECA website as part of the July 2022 North East JTC Audit Committee agenda [here](#).

## **16. Contact Officers**

16.1 Philip Slater – Chief Internal Auditor – Newcastle City Council. (Acting as Risk Advisor to NTCA)

E-mail: [Philip.slater@newcastle.gov.uk](mailto:Philip.slater@newcastle.gov.uk)

Telephone – 0191 2116511

## **17. Glossary**

17.1 North East LEP – North East Local Enterprise Partnership

North East JTC – North East Joint Transport Committee

**'Risk at a glance'**

**Appendix A**

	<b>Risk Priority</b>	<b>Direction of Travel</b>
<b>Strategic Risks &amp; Opportunities</b>		
<b>External Risks</b>		
<b>A1 – Net Zero Transition</b> Failure to address climate change and environmental implications through North of Tyne investment in line with Local Authority and national net zero targets. Failure to take advantage of and seize the opportunities for green and inclusive growth.	<b>Amber 8</b>	Static
<b>A2 – Inclusive Economy</b> Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure 'good work' and jobs are available to traditionally underserved groups. To meet current and future employer demand and grow a more resilient local economy in the North of Tyne.	<b>Amber 9</b>	Static
<b>A3 – Innovation in Recovery</b> Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.	<b>Amber 8</b>	Static
<b>External Opportunity</b>		
<b>B1 – Promote Trust and Confidence</b> Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.	<b>Green 4</b>	Static
<b>Organisational Risks</b>		
<b>C1 – Business Continuity</b> Failure to maintain business continuity in the event of a major disruption to the Combined Authority and its business.	<b>Amber 8</b>	Static
<b>C2 – Operational Capacity and Resources</b> NTCA is unable to demonstrate to Government, partners and stakeholders, that it has the necessary operational capacity, skills and expertise to successfully deliver its objectives, plans and responsibilities.	<b>Amber 8</b>	Static

A External Risks							
<b>1. Net Zero Transition</b>							
<b>Aim</b>	Ensuring our whole programme supports carbon reduction, clean growth and a new generation of jobs.						
<b>Risk</b>	Failure to address climate change and environmental implications through North of Tyne investment in line with Local Authority and national net zero targets. Failure to take advantage of and seize the opportunities for green and inclusive growth.						
<b>Risk Owner</b>	Chief Economist	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	Amber 8	<b>Current RAG</b>	Amber 8
Reason for change/current RAG rating: N/A							
Issues to be aware of & potential impact	Existing Controls & Mitigation Plans			Additional Mitigation Plans		Review date	
a) The UK Climate Change Act sets a legally binding target to achieve net zero greenhouse gas emissions across the UK economy by 2050 and reduce emissions by 78% by 2035 compared to 1990 levels. The constituent LA's have their carbon reduction targets. The scale of the challenge is enormous, and leadership is key to enabling everyone to play their part in the fight against climate change.	<ul style="list-style-type: none"> <li>Full political commitment and leadership from the Mayor and Cabinet to recognise the climate emergency and NTCA's role in reducing emissions and seizing the opportunities of the green economy.</li> <li>NTCA's approach learns from and builds on the work already being done in the region. Our work is developed collaboratively with the three constituent Local Authorities and wider regional stakeholders including developing a joint Net Zero/energy team with the North East LEP.</li> <li>NTCA Corporate Environment Policy and annual report on organisational carbon emissions.</li> <li>Newcastle City Council, North Tyneside Council and Northumberland County Council all have ambitious carbon reduction targets for their local areas, and all have approved climate emergency plans.</li> </ul>			<ul style="list-style-type: none"> <li>Development of proposals for the 2023-2028 investment programme will provide an opportunity to continue to focus on green and inclusive economic growth</li> <li>Regular reviews of delivery programme to ensure alignment with delivery of targets.</li> <li>Over £20m of investment by NTCA in low carbon economy, including the recent launch of the Green New Deal Fund and SME decarbonisation programme.</li> <li>NTCA co-funds the North East Energy Accelerator to support</li> </ul>		September 2023	

	<ul style="list-style-type: none"> <li>• NTCA Energy, Green Growth and Climate Change Blueprint - £28m package of investment up to 2023.</li> <li>• The Low Carbon Working Group (LCWG) is made up of officers from NTCA, the three constituent LAs and the North East LEP and meets monthly to discuss climate change and low carbon issues.</li> <li>• Net Zero North East England (NZNE) is a new collaboration between local government, business, education, the public sector and civil society to drive a comprehensive regional approach to tackling the climate emergency.</li> </ul>	the development of low carbon projects	
b) The impacts of climate change and the green economy covers a wide range of areas including but not limited to energy policy, climate change and biodiversity. National policy related to climate change can change and be updated regularly. Mayoral Combined Authorities are not currently required to develop climate adaptation plans	<ul style="list-style-type: none"> <li>• In addition to drawing on the expertise of the regular members of the Low Carbon Working Group (LCWG), NTCA will reach out to experts from other policy areas and attend regional and national events/conferences/webinars.</li> <li>• NZNE has published a regional evidence base, including decarbonisation, clean growth, environmental protection and a just transition and will continue to develop this regional North East Evidence base.</li> <li>• Building on the Local Nature Recovery Pilot in Northumberland, NTCA will work with Local Authorities to build out the approach regionally</li> </ul>	Existing controls sufficient at time of report.	September 2023
c) Climate change is a complex problem and solutions are likely to require significant social as well as technical transformations. This has direct implication for a more inclusive economy. Citizens, businesses and wider stakeholders need to be engaged,	<ul style="list-style-type: none"> <li>• The North of Tyne Citizens Assembly on Climate Change provided representative citizen engagement and their findings will help shape the development of the NTCA programme.</li> <li>• The NTCA programme also covers a broad range of thematic areas, as</li> </ul>	Cabinet has agreed to receive regular reports detailing how NTCA intends to work with the three constituent Local Authorities and wider regional stakeholders including the joint team with the North East LEP and Transport North East to	September 2023

supported and at the centre of our response to the climate emergency.	described further in the September 2021 report to Cabinet.	respond to the recommendations of the Citizens' Assembly.  NTCA has an officer in post to support the development of Net Zero North East	
d) The scale of the challenge and the resources required to deliver local and national long-term carbon reduction targets and green growth ambitions is large, not fully known and requires a national as well as local approach. Attracting investment is essential to enable the North of Tyne to realise the potential and be a world leader in green growth.	<ul style="list-style-type: none"> <li>• Collaborative working across the North of Tyne, North East, with other Mayoral Combined Authority's and Government to develop knowledge, share best practice and to collaborate on projects/funding bids.</li> <li>• Develop pipelines of projects which are investment ready via programmes such as the Offshore Wind Programme and Energy Accelerator.</li> <li>• Work with academic institutions, VCSE sector and businesses to promote opportunities and share best practice e.g., Green Economy Summit.</li> <li>• NTCA leveraged £9m of investment to its Green New Deal Fund</li> </ul>	Existing controls sufficient at time of report.	September 2023
e) New jobs and new green skills are likely to be increasingly required in all sectors. Therefore, NTCA must understand the projected skills requirements and ensure the necessary provision is in place	<ul style="list-style-type: none"> <li>• Regular reviews of National and Local research to assess skills demand in the Green Economy – and input into the annual update of NTCA Strategic Skills Plan</li> <li>• Collaborative working with LAs, and the North East LEP to share research and insight into green skills requirements</li> </ul>	In 2022 NTCA allocated £2m of its Skills for Growth funding to support the development of Green Growth Skills. The fund is supporting 4 projects providing insight into skills demand as well as a training offer which meets skills demand in areas such as offshore wind, retrofit and green construction.  In FY 2022-23 NTCA secured over £14m £5.4m of funding for the delivery of Skills	March 2024

		<p>Bootcamps across our region. £1m will support residents to access the growing demand for skills in the Green Economy. A further £9m was secured for FY 2023-24, providing an additional £1.5m of funding to support skills demand for a low carbon economy.</p> <p>A growing proportion of AEB delivery supports Green Skills with provider incentives to develop sector-based Work Academy Programmes to enhance opportunities for the unemployed to take advantage of the job opportunities that will be created in the transition to a green economy.</p>	
f) Many of the measures required to reduce carbon emissions and adapt to climate change are not within the Combined Authority's remit.	<ul style="list-style-type: none"> <li>• Work with partners to help make the changes required.</li> <li>• Influence decision makers at all levels.</li> </ul>	Work with business, constituent LAs and North East LEP to develop key messages and policy positions/asks, including through Net Zero North East	September 2023

<b>A</b>	<b>External Risks</b>						
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**2. Inclusive Economy**

<b>Aim</b>	Ensuring our work is underpinned by people, communities and inclusive economic growth, as well as ensuring inclusive economy thinking and practice is fully embedded across NTCA and our partnerships.						
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<b>Risk</b>	Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure ‘good work’ and jobs are available to traditionally underserved groups. To meet current and future employer demand and grow a more resilient local economy in the North of Tyne.						
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<b>Risk Owner</b>	Head of Inclusive Growth	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	Amber 9	<b>Current RAG</b>	Amber 9
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**Reason for change/current RAG rating:** N/A

Issues to be aware of & potential impact	Existing Controls & Mitigation Plans	Additional Mitigation Plans	Review date
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<p>a. External factors, primarily COVID-19 recovery, cost of living crisis and Brexit counteract the impacts of the investment NTCA is able to make to reduce inequality and deliver good jobs.</p>	<p>NTCA’s new portfolio structure covers Education, Inclusion and Skills, as well as Social Economy and Communities.</p> <p>Inclusive economy is a cross-cutting theme within the Corporate Plan and is supported by the advisory NTCA Inclusive Economy Board (IEB).</p> <p>Significant breadth and depth of IE projects and programmes now into delivery mode.</p>	<p>Wider promotion of the concepts of economic inclusion via:</p> <ul style="list-style-type: none"> <li>• National networks and influencing e.g., M10 (the 10 directly elected Mayors in England),</li> <li>• Locally good relationships with our provider base to enable agility in reaction to further economic shocks</li> <li>• Roll out of a new NTCA Post-16 Skills flexible procurement framework to provide additional join-up and agility to respond to labour market skills needs.</li> <li>• Peer-learning and support e.g., national, Independent Inclusive Growth Network</li> <li>• New NEMCA devolution deal commits to a significant investment to reduce inequality and create good jobs.</li> </ul>	<p>November 2023</p>
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		The UKSPF investment has been co-developed in partnership with a wide range of stakeholders to ensure the funding is targeted where it is needed most.	
b. Reducing inequality is a key commitment made by the NTCA. However, many challenges around poverty and inequality are structural and have national or international drivers. These are beyond the scope of NTCA to influence.	<p>NTCA's Inclusive Economy Policy Statement and Equalities Objectives provide a clear statement of our organisational commitment to be a more inclusive economy with an emphasis on reducing poverty and inequality and promoting equity and cohesion.</p> <p>Inclusive economy is a cross-cutting theme in the Corporate Plan driven forward by the Inclusive Economy Board.</p>	<p>Working up proposals to extend the Inclusive Economy Innovation Fund beyond 2023</p> <p>The traction of the Good Work Pledge, which now has over 100 business sign ups who employ over 46,000 NoT residents is championing and driving the movement of reducing poverty (particularly in-work poverty), beyond the scope of what NTCA can do alone.</p>	November 2023
c. To support NTCA's corporate plan we require a skills infrastructure that is fully aware of, and responsive to the sectors that have labour and skills shortages. The need to ensure our residents have the right skills to get a good job and progress in work, and employers have access to an adaptable, resilient and skilled local workforce, has never been greater.	<p>NTCA Strategic Skills Plan reflects the area's skills needs for an inclusive and productive economy</p> <p>Working with the devolved Adult Education Budget (AEB) provider base, to ensure delivery plans are aligned to labour market demand and skills shortages.</p> <p>Monitoring devolved AEB participation data to ensure provision is accessible to a broader range of under-represented groups.</p> <p>Monitoring the volume of provision and funding utilised by providers to address barriers to employment, including improving attainment in basic English, Maths and Digital.</p>	<p>Ongoing dialogue with Government, NTCA adult education providers and employers to ensure delivery continues to meet area skills needs.</p> <p>Utilising in year funding flexibilities to ensure AEB funding is flexible and responsive to labour market changes.</p> <p>In addition to the devolved Adult Education Budget, NTCA have secured further funding from the NTCA Investment Fund and DfE to ensure our residents have the right skills to get a good job and progress in work, and employers have access to an adaptable, resilient and skilled local workforce e.g. Level 3 Free Courses for Jobs, Skills Bootcamps, Skills for Growth, UKSPF and Multiply.</p>	November 2023



		DfE have also routed additional funding through the devolved AEB for programmes such as Traineeships and Sector Based Work Academy programmes (SWAPS).	
d. Continuity of funded provision for NTCA residents is at risk if providers and grant-recipients across skills, employability and wider interventions become financially unstable.	<p>Adult Education Budget - The launch of the 2021-2023 Strategic Skills Plan will ensure updates can be implemented quickly to ensure its ongoing relevance during the pandemic and into recovery.</p> <p>Employability and Wider Skills Interventions - Inclusive growth team's strategic framing includes DWP Employment Support Framework, Inclusive Economy Policy Statement, Inclusive Economy Board (governance) which work together to manage, mitigate, and react to risks.</p>	<p>Continued engagement with NTCA AEB providers, via provider roundtables and quarterly one to one performance monitoring meetings which inform the direction, priorities, flexibilities and allocations for the NTCA AEB providers</p> <p>Continued engagement with recipients of funding and wider stakeholders such as sector representative organisations, central government departments and local authority partners.</p> <p>Key priorities set out in the Strategic Skills Plan include supporting residents of all ages, including those in work to develop their skills to progress into better jobs. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups.</p> <p>Launch of Post 16 Skills Flexible Procurement Framework to secure continuity of funding for providers from AY2023-2024, bringing all Skills funding together, and providing longer term contracts where possible, to increase the stability of the provider base.</p> <p>Co-developing UKSPF Skills and</p>	November 2023

		Employability interventions to reduce the 'cliff edge' of European Social Fund funding ceasing.	
e. National and local conditions e.g., economic instability limit NTCA's ability to promote and drive good jobs and local economic resilience.	<p>The Investment Fund Business case includes a strengthened inclusive economy case, co-designed by the Programme Management Office and Inclusive Economy Team, to monitor, measure and assess Inclusive Economy impacts.</p> <p>Our Good Work Pledge promotes the value of good work, which is well-paid and secure, and drives positive change across the area's employers at all sizes and scales – 100 organisations accredited as at March 2023 who represent over 46,000 NoT residents</p>	<p>NTCA has developed an anchor network proposition to encourage large institutions across all sectors to support local economic resilience. First meeting of key stakeholders was held and next steps agreed.</p> <p>Leadership on key priorities is distributed across partners improving resilience and reducing reliance on one lead organisation to deliver.</p>	November 2023
f. NTCA does not sufficiently fulfil its commitment to co-production and co-design by creating projects and programmes which are effective for local communities and residents.	NTCA co-design and co-production strategy includes activities and mechanisms to make sure residents can contribute directly to our work and plans This is supported by our VCSE Accord with the voluntary sector, and our Mayoral VCSE Ambassador.	<p>Organisation-wide commitment to co-design and co-production with active investment in tools and platforms to get direct input and views from residents and businesses</p> <p>Eg Commonplace, Crowdfund NoT, NextDoor, Poverty Truth Commission, Equalities Assembly, Wellbeing Framework, plus programme specific surveys, workshops etc.</p> <p>Co-production and co-design targets are embedded within NTCA's Equalities Objectives.</p>	November 2023

<b>A</b>								<b>External Risks</b>											
<b>3. Innovation in Recovery</b>																			
<b>Aim</b>		To ensure that our businesses, people and places can adapt, recover and thrive post coronavirus pandemic and that outcomes of NTCA investment are seen to clearly and directly contribute to this success. Overall, ensuring the NTCA area is attractive to residents, businesses and visitors as a result of a thriving economy, green credentials, exceptional quality of life and improved opportunities for all.																	
<b>Risk</b>		Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.																	
<b>Risk Owner</b>		Chief Economist				<b>Risk Priority</b>		<b>Static</b>				<b>Previous RAG</b>		<b>Amber 8</b>		<b>Current RAG</b>		<b>Amber 8</b>	
<b>Reason for current RAG rating:</b> While there remain significant uncertainties in the external environment that are impacting on the pace and shape of the economic recovery, the NTCA's ability to demonstrate meaningful impact on recovery and innovation is steadily maturing. Recent developments in this respect are progress made on the stakeholder surveys and gateway review process, implementation of the NTCA's investment plan priorities, and the steady increase in reporting of outputs and outcomes from early investments and projects which are now fully implemented. Overall, our judgement is that despite the organisation's progress in delivery and mitigation, on balance this risk remains Amber due to wider external factors – including the cost-of-living crisis and continuing inflationary pressures on business.																			
<b>Issues to be aware of &amp; potential impact</b>				<b>Existing Controls &amp; Mitigation Plans</b>				<b>Additional Mitigation Plans</b>				<b>Review date</b>							
a) NTCA must respond to major economic shocks – and the pace of change externally.				Regular updates are provided to NTCA Cabinet on the current economic context and implications for the NTCA's activities.  Significant stakeholder networks ensure NTCA is tuned in to the external environment and the major economic trends.  Clear processes and delegations provide opportunities to bring forward activity at pace – should the context demand it.				NTCA business and assurance framework processes are reviewed regularly to ensure maximum agility and fitness for purpose.				September 2023							

	<p>Good relationships with NTCA grant recipients allow for activity to be refocussed and re-prioritised to meet external demands – if required</p>		
<p>b) NTCA must be able to clearly articulate policy priorities and how they deliver improved Innovation and recovery: this is included as a part of the 5-year Gateway Review.</p>	<p>NTCA policy priorities are drawn from NTCA’s Devolution Deal, the Mayor’s Manifesto, and the subsequent strategic direction agreed by our Cabinet through its decisions. The evaluation framework provides a systematic way that the investments made by NTCA are assessed in terms of effectiveness and value for money, but also that we can learn, adapt and improve the way that we work in a changing environment.</p> <p>Through the strategic and economic cases within the Green Book process all projects are required to clearly articulate their rationale which includes fit with NTCA objectives, contribution to headline devolution deal targets and the relevant NTCA output indicators that will be used to monitor this through the QMR process.</p>	<p>The Programme Management Office (PMO) monitor all projects on a quarterly basis – following Standard Operating Procedures and NTCA’s agreed output indicators.</p> <p>NTCAs investment plan and individual projects are aligned to the delivery of the corporate plan – giving a clear line of sight from priorities, investment decisions and impact.</p> <p>An evaluation framework to capture our achievements and learning has been approved and is supported by the introduction of a programme management system which will improve programme management and monitoring, streamlining the interface with delivery organisations for claims and output reporting.</p> <p>This evaluation framework was shared with Government, as part of the Investment Fund Gateway Review. On 31 March 2023 NTCA informed by DLUHC that it had passed its first Gateway Review.</p>	<p>September 2023</p>

		<p>A review of NTCAs evaluation approach in relation to projects is being undertaken in 2023 which will result in improved guidance and conventions relating to proportionate evaluation of projects.</p> <p>An 'Insights' platform is being commissioned which will provide an online channel for NTCA to communicate its views and impact to semi-technical audiences.</p>	
c) The level of funding required may be beyond NTCA resources, and there is uncertainty associated with bidding for additional resources – which has both internal capacity risks and a need to be able to clearly demonstrate a track record in delivery and impact.	<p>Senior Management Team (SMT) regularly review organisational capacity requirements and upcoming activity through the situation reporting process. NTCA collaborations with key officers within its constituent authorities ensures expertise is available when required. External consultancy budgets can be utilised to provide short term capacity for specific pieces of work.</p>	<p>NTCA is making good progress in mobilising recent additional funding streams to come into the organisation including UK Shared Prosperity Fund and other funding announced in the Budget 2023.</p> <p>Project management capacity has been increased significantly to ensure existing funding is delivered on and proposals for future funding can be resourced.</p>	September 2023
d) Ability of NTCA to demonstrate clear targets and outcomes at all levels (organisational, theme, programme, project) and to have the ability and capacity to monitor them.	<p>NTCAs Monitoring and Evaluation Framework demonstrates:</p> <ul style="list-style-type: none"> <li>• How our priorities, mission and values translate into mechanisms for delivery</li> <li>• How these mechanisms create value; and</li> </ul>	<p>Monthly SitReps (situation reports) provide regular updates to managers and directors on all of the NTCAs key workstreams – which are reviewed, and areas of concern are picked up directly with lead officers.</p> <p>Project evaluations are undertaken where there is an identified need. The</p>	September 2023

	<ul style="list-style-type: none"> <li>• How we understand, measure and learn from the impact that we are making.</li> </ul> <p>NTCAs Assurance Framework and Green Book Business case process ensures projects are robustly developed and well-articulated and appraised in line with accepted conventions and best practice.</p> <p>Officer and Cabinet member scrutiny through the Technical Officer Group (TOG) and Investment Panel provides robust challenge and assurance. Projects are monitored through standard operating procedures by the PMO with agreed thresholds for escalation of performance issues to Investment Panel.</p>	<p>findings of these feed into overall programme design.</p> <p>A new post has been recruited into the Data and Insight function to lead on an organisation wide assessment of data and IT systems and to develop and implement a plan for ongoing development in consultation with the Chief Finance Officer.</p>	
<p>e) National or international economic downturns or the medium-longer term impact of Covid-19 on businesses and employment could have significant implications for the perceivable impact of NTCA innovation and growth investments, using official data sources.</p>	<p>Investment Fund Programme has been re-orientated to support recovery in the NTCA area, including through the Innovation Recovery Fund and measures to support the Kickstart programme of Youth unemployment – which provides a direct relevance to the specific needs of the economy during lockdown and recovery.</p> <p>Real life case studies are collected across a range of NTCA projects which provide a library of contemporary accounts of how the interventions have added value.</p>	<p>Existing controls sufficient at time of report.</p>	<p>September 2023</p>

	<p>Impact can be evidenced through a number of metrics for which NTCA collects its own data and evidence – e.g., investment made, jobs created, and outputs achieved.</p>		
<p>f) It is important that all communities benefit from economic growth; Inclusive Economy thinking, and practice has an important role in shaping innovation in recovery from pandemic and other economic challenges e.g. cost of living crisis</p>	<p>Inclusive economy is a cross-cutting theme within the Corporate Plan and is supported by NTCA Inclusive Economy Advisory Board.</p> <p>The PMO is leading work to ensure inclusive economy outcomes and impacts are captured throughout the investment life cycle (business case, delivery, reporting and insight, Investment Fund evaluation)</p>	<p>Portfolio structure brings together Education, Inclusion and Skills. Social Economy and Communities bridges economic growth and inclusive economy work.</p> <p>NTCA equality objectives for 2021-25 shape policy, practice and learning.</p> <p>NTCA's investment has a prominent 'place based' dimension including investment in Culture and Creative Zones and High Street Recovery ensuring targeted impact on the most deprived communities.</p>	<p>September 2023</p>

<b>B</b>		<b>External Opportunity</b>					
<b>1. Promote Trust and Confidence</b>							
<b>Aim</b>	Supporting a system response to complex challenges and collaborating strongly in everything we do with our local, national and cross-sector partners.						
<b>Opportunity</b>	Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.						
<b>Opportunity Owner(s)</b>	Chief Executive/ Director of Policy and Performance	<b>Opportunity Priority</b>	Static	<b>Previous RAG</b>	<b>Green 4</b>	<b>Current RAG</b>	<b>Green 4</b>
<b>Reason for change/current RAG rating:</b>							
This opportunity is moving in a positive direction of travel. Partners and stakeholders have been key to the development of the Authority's values. The launch of the Customer Relationship Management system will further strengthen relationships with partners and stakeholders - ensuring the successful delivery of the Authority's aims and objectives. The proposed North East Mayoral Combined Authority (NEMCA) demonstrates our strength in this area – the October review date will allow a better understanding of what the new NEMCA will look like to enable a more informed entry.							
<b>Benefits</b>							
a) Collective understanding of the Authority's aims and ambitions to encourage the co-production of our delivery plans.							
b) Encourage a more participatory approach to risk which is built on trust and transparency which encourages everyone to share their uncertainties and challenges and work together to resolve them							
<b>Barriers</b>							
<ul style="list-style-type: none"> <li>• Failure to maintain trust, cohesion and credibility with and between local NTCA system and partners</li> <li>• Failure to develop trust, cohesion and credibility with those organisations who contribute to the achievement of our objectives who we don't currently engage with</li> </ul>							
<b>Strategies to enhance the opportunity</b>				<b>Action Taken</b>		<b>Review date</b>	
a) Encourage inclusive dialogue with our partners and stakeholders				We have worked with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work: <ul style="list-style-type: none"> <li>• Driven by our mission</li> <li>• Collaborative by design</li> <li>• Innovative and agile in delivery</li> <li>• Inclusive and aware</li> <li>• Showing leadership</li> </ul>		October 2023	



	<p>The evidence for this is in our policies and supported by our team values and behaviours - demonstrating collaboration, taking ownership, being curious, empathetic, respectful, and in the strong focus on inclusion within our programme.</p> <p>NTCA priorities, projects and performance are regularly communicated externally – including through Cabinet reports and the Corporate Plan.</p>	
b) Internal Communications – ensuring the family of organisations (e.g., NTCA, NELEP etc) are kept well informed during the transitional integration period for the organisations as we move towards the new NEMCA	<p>Work continues on the shared intranet site to make information centrally available in one place.</p> <p>Clear and consistent messages communicated to existing employees about the process of the transition to the new NEMCA.</p>	July 2023
c) External Communications – balancing clear comms about NEMCA and the new devolution deal while being sensitive to ongoing regional politics regarding NTCA's role as we move towards the new Mayoral Combined Authority	<p>We continue to work closely with communication leads from the LA7 to work together on messaging and communications.</p> <p>Communicating with the public and partners in relevant ways that help them to feel included in the work as it develops.</p> <p>Navigating political sensitivities as the formation of the new organisation progresses and as the election for the Mayor approaches.</p>	July 2023
d) Identify those organisations who we don't currently engage with to communicate our vision and purpose – offering support	<p>NTCA officers are undertaking significant and deep engagement with a range of stakeholders and in many cases engaging in active co-design processes with stakeholders. Several strategic partners (e.g. Power to change have been engaged for their reach into audiences NTCA is less well known.</p>	September 2023
e) Continued engagement with AEB providers, employers and stakeholders in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority's vision.	<p>Published documents which enable the alignment:</p> <p>NTCA Strategic Skills Plan</p> <p>NTCA Corporate Plan</p> <p>NTCA Inclusive Economy Policy Statement</p>	Complete
f) VCSE Ambassador appointed to engage with the VCS (Voluntary and Community Sector).	<p>VCSE (Voluntary, Community and Social Enterprise) Accord - how the NTCA can add value to the work of our local government partners with the VCSE to build capacity, sustainability and be a catalyst for an inclusive economy.</p>	September 2023

	The VCSE Stakeholder Engagement Group Annual Report 2022/23 outlines the achievements and progress over the past twelve months.	
g) Continued engagement with regular meetings and consultation with the business community	<p>Frequent engagement with individual businesses and business representative organisations by officers and the Mayor.</p> <p>NTCA Inclusive Economy Board with member representation from the public, private and voluntary sector, including constituent LA's and North East LEP.</p> <p>The Inclusive Economy Board Annual Report 2022/23 outlines its achievements and progress over the past 12 months. The first meeting of 2023/24 will provide an opportunity for the Board to explore how NTCA's UKSPF investment is helping deliver a more inclusive economy that works for all our people and places across the North of Tyne.</p> <p>NTCA Housing and Land Board membership. The Housing and Land Board Annual Report 2022/23 outlines its achievements over the past 12 months. Over the next year the Board will focus on delivery; ensuring that priorities identified are progressing toward development and that working relationships continue to add value.</p> <p>NTCA collaborates strongly in everything it does with local, national and cross-sector partners. The evidence for this is in the number of partnerships that have grown and been curated within the region and beyond.</p>	September 2023
h) Use of an agreed Assurance Process to ensure that the NTCA only funds high quality projects and through the development of the Investment Fund Evaluation Framework to improve our learning and understanding.	<p>Assurance Process includes internal project analysis, full appraisal (external for largest projects) and technical and political scrutiny.</p> <p>An evaluation framework to capture NTCA's achievements has been approved and is supported by the introduction of a programme management system which will improve programme management and monitoring, streamlining the interface with delivery organisations for claims and output</p>	September 2023

	reporting. This evaluation framework has been shared with Government, as part of the Investment Fund Gateway Review. No material concerns with NTCA processes were raised at the Gateway Review Challenge Sessions with Government – final outcome report is still awaited.	
i) Customer Relationship Management (CRM) system	A CRM system was piloted in 3 key areas of the organisation the Good Work Pledge, Kickstart and Mayor’s Office. Learning from this pilot will be taken forward in a wider workstream around ongoing development of organisational IT systems and data handling/analysis capability.	Complete
j) We continue to utilise existing expertise in our constituent authorities	Extensive engagement and involvement of LA colleagues, at all levels, across the organisation	September 2023

C Organisational Risks							
<b>1. Business Continuity</b>							
<b>Aim</b>	To ensure the corporate core of NTCA provides the necessary policies, procedures and plans to enable the Authority to carry out its work efficiently and effectively in all circumstances.						
<b>Risk</b>	Failure to maintain business continuity in the event of a major disruption to the Combined Authority and its business.						
<b>Risk Owner</b>	Director of Policy and Performance	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	Amber 8	<b>Current RAG</b>	Amber 8
<b>Reason for change/current RAG rating:</b> Risk was moving towards green as all existing controls and mitigation plans were delivering as expected however RAG retained at Amber 8 due to NTCA's BCP being reviewed by Internal Audit with recommendations for improvement made. It has remained at Amber for Spring 2023 as the work to implement the internal audit recommendations, whilst good progress is being made, is still ongoing.							
<b>Issues to be aware of &amp; potential Impact</b>		<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>		<b>Review date</b>	
a. Organisational arrangements are insufficient to deter, detect and prevent unauthorised access to ICT systems and to respond effectively as and when breaches do occur.		Compulsory IT and data protection training modules for new starters and regular refreshers for existing staff.  ICT SLA with Newcastle City Council.  Monitoring is undertaken of training completion with escalation to senior management where not completed. Good compliance to date.  All SLAs reflect business need and Newcastle ICT policy and procedures for BCP purposes.		Existing controls sufficient at time of report.		October 2023	
b. Organisational arrangements need to be flexible enough to enable NTCA to adjust from usual office working to home working quickly and efficiently without causing delays to decisions and delivery.		Delegations and urgent decisions procedures robust and understood. All NTCA staff can work from home for a sustained period of time if necessary		Constituent authorities can provide ad hoc space for individuals if required.		October 2023	

<p>c. There should be no single point of failure in the organisation in case of unexpected leave or resignation.</p>	<p>No working files stored only on individuals' computers; all are saved in a folder accessible to at least the team if not the whole organisation.          Induction and leaving processes to reiterate this policy.          Regular team meetings (small work teams, service team and full staff meetings) to update each other on work and progress.          SMT Delivery meetings allow Heads of Service to update each other on work and progress.          Organisational Development Strategy in place to develop existing staff and encourage internal progression.</p>	<p>Existing controls sufficient at time of report.</p>	<p>October 2023</p>
<p>d. In the event of a major incident does NTCA have an agreed senior management protocol and incident command structure?</p>	<p>Business Continuity Plan (BCP) in place. Internal Audit reviewed the BCP in August 2022 and recommended that a formal business impact analysis process needed to be developed further and the BCP itself strengthened including processes for testing and staff training. These recommendations have all been accepted and are being actioned with good progress being made.</p>	<p>Discussions will need to take place about a wider BCP for the new mayoral combined authority with a draft plan ready for its creation.</p>	<p>October 2023</p>
<p>e. Do Service Level Agreements (SLAs) have sufficient controls/reference to BCP to ensure NTCA is kept informed/aware of action to be taken should something happen to a provider.</p>	<p>SLAs (e.g., HR, Democratic Services, Procurement, ICT) reflect expectations of the local authority and NTCA, should a service be unable to deliver.</p>	<p>Existing controls sufficient at time of report.</p>	<p>October 2023</p>

C Organisational Risks							
<b>2. Operational Capacity and Resources</b>							
<b>Aim</b>	Innovative and agile in delivery - proactively looking for new ways of working, delivering, and ensuring we add value, learn and adapt in a constantly changing context.						
<b>Risk</b>	NTCA is unable to demonstrate to Government, partners and stakeholders, that it has the necessary operational capacity, skills and expertise to successfully deliver its objectives, plans and responsibilities.						
<b>Risk Owner(s)</b>	NTCA Senior Management Team	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	<b>Amber 8</b>	<b>Current RAG</b>	<b>Amber 8</b>
<b>Reason for change/current RAG rating:</b> Remaining at Amber as there are some challenges nationally in the recruitment market and NTCA may have to sit with some vacancies to new positions which could impact on delivery and review of business processing ongoing. Consultation on new North East Mayoral Combined Authority closed at the end of March 2023 and outcome and impact on NTCA capacity as yet unknown.							
<b>Issues to be aware of &amp; potential impact</b>	<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>			<b>Review date</b>	
Existing resources do not fully align with NTCA's policy intentions which may impact upon delivery of the Authority's strategic priorities.	<p>The Corporate Plan sets out the work programme to be achieved across the organisation providing visibility and clarity of expectations to all staff and is referenced in all appraisals.</p> <p>Weekly SMT meetings and monthly SMT Strategy meetings provide a regular touchpoint for SMT to raise and discuss resource issues</p> <p>A resource planning exercise was undertaken in February 2023 and recruitment to new roles commenced.</p> <p>The North East LEP operational capacity and resourcing risk is a significant risk to the LEP but will not impact upon the Authority's capacity and resources risk.</p>		<p>SitReps and work programmes are updated by all teams monthly, approved by Heads of Service and submitted to Chief Executive/Director, enabling an assessment of progress and the ability to flag issues/areas of concern.</p> <p>In summer 2023 a further review of capacity will be undertaken to assess whether additional staff to assist in the transition to the new Mayoral Combined Authority will be required subject to a positive outcome from the spring consultation.</p>			October 2023	

<p>b. NTCA is a prototyping, learning organisation in which there will be 'failures' but the team will learn from them.</p>	<p>Regular anonymous pulse surveys to gauge feeling and experiences among the whole team followed up by drop-in sessions to allow for discussion of issues. SMT and Managers' meetings share learning and experiences and receive reminders of best practice and procedure.</p>	<p>Review of business processes extended to ensure it can accommodate the implications of a larger mayoral combined authority and work on developing a Corporate Plan for 2023/24 has been agreed.</p>	<p>October 2023</p>
<p>c. CIPFA Financial Management Code – Non-compliance with the Code could lead to ill-informed decision making which could adversely impact on the Authority's financial sustainability.</p>	<p>In preparation for the first full year of compliance with the Code (2021/22) the Authority has undertaken a self-assessment to measure its compliance with the FM Code.</p>	<p>Monitoring of the Authority's compliance with the Code is included in the 2022/23 AGS as an area requiring improvement. Implementation of the actions to ensure full compliance with the Code will be monitored by SMT and regularly by Audit and Standards Committee as part of the AGS review process.</p>	<p>September 2023</p>
<p>d. NTCA is a very lean organisation with staff operating to a very high level. There is a nationwide recruitment shortage and NTCA may be unable to undertake new funding opportunities if unable to recruit officers to undertake the work as employee well-being is important to the Authority. Uncertainty over the larger MCA may impact on NTCA's ability to recruit.</p>	<p>The Authority has a good retention rate and low sickness. Implementation of learning and development programme after all staff completed individual assessments.</p> <p>Agile Working Policy in place to support employees maintain a good work/life balance.</p>	<p>Internal promotion of benefits (e.g. salary sacrifice schemes for purchase of bikes, cars and electronic goods, agile working) available to NTCA employees and implementation of exit interviews to identify any issues.</p> <p>Learning and development offer live for every member of staff.</p> <p>Change management sessions to mitigate uncertainty over target MCA.</p>	<p>August 2023</p>

## North East Local Enterprise Partnership – Strategic Risks

## 'Risks at a glance'

	Risk Priority	Direction of Travel
<b>Strategic Risks</b>	<b>RAG</b>	
<b>A1 – Inability to deliver the North East Strategic Economic Plan</b>	<b>Red 12</b>	Static
<p>The North East Strategic Economic Plan has a target to deliver 100,000 more and better jobs into the North East Economy between 2014 and 2024. The North East Local Enterprise Partnership is the custodian of the Plan.</p> <p>In March 2022, government changed the policy around the role of Local Enterprise Partnerships. They would no longer be tasked with setting strategy and policy, and this would instead revert to elected politicians within local and combined authorities. To support this policy decision national funding allocations were also aligned to combined and local authorities.</p> <p>A Devolution Deal was agreed for the North East in December 2022, which, whilst an incredibly positive step for the region, sees the region moving towards a new governance model, into which the LEP functions will be integrated.</p> <p>Collectively, these decisions have impacted the LEPs ability to effectively complete the delivery of the North East Strategic Economic Plan, as strategic priorities and funding are no longer determined by the LEP, and there is a strategic risk that decisions may not be aligned to the Plan.</p>		
<b>A2 – The ‘business voice’ not having a meaningful platform to influence decision making</b>	<b>Red 12</b>	Static
<p>Listening to the voice of business is vital to inform regional economic decision-making as it brings hands-on knowledge and expertise, particularly around the economic markets, employment, skills and training needs, supply chains, as well as promotes job creation and investment, aligns strategies with market demand and competitiveness, supports resource mobilisation, and fosters stakeholder engagement. As a business led organisation, the LEP has championed business led decision making, by recruiting strong private sector leadership to its board, convening business leaders to inform policy and strategy and to champion our region.</p> <p>It’s critical that the support and influence of the business community is not lost as the regional governance model of the new mayoral combined authority is developed and implemented. By having a strong voice of business to inform decision-making processes in a meaningful way, regional economic development can be better informed, more effective, and inclusive, leading to sustainable and balanced economic growth.</p>		
<b>A3 – Loss of regional knowledge and expertise as the regional governance and delivery model changes</b>	<b>Red 12</b>	Static
<p>The loss of the LEP executive team and developed partnerships’ regional knowledge and expertise during the governance and delivery model changes is a significant risk that needs to be addressed and invested in during the transition year. The LEP further developed the previous Regional Development Agency (RDA) work, and it is important the nationally recognised work of the LEP, developed over the past 12 years is not lost but built upon. Effective knowledge transfer is important to ensure the new Mayoral Combined Authority (MCA) is the strongest it can be and can better from early portfolio wins.</p>		



Operational Risks		
<p><b>B1 – Inability to meet contractual commitments and timelines due to reduced team capacity</b></p> <p>Uncertainty around future governance and team structures inevitably brings about changes within the team. Some people choose to seek more secure, stable employment, as well as the transition arrangements is seeing some employees accelerate into new interim team structures more quickly. Recruitment into vacant posts at a time of change may also experience reduced interest from applicants. Collectively, this could lead to reduced capacity within the team and our ability to deliver contractual arrangements.</p>	<b>Red 12</b>	Static
<p><b>B2 – Maintaining staff morale and commitment during a period of uncertainty and change</b></p> <p>Change, particularly when it is accompanied by uncertainty, can create feelings of insecurity, stress, and anxiety among staff members. This can have a negative impact on their morale and commitment to their work, leading to decreased productivity, increased absenteeism, and turnover. It can also impact team dynamics, collaboration, and overall organisational performance.</p>	<b>Amber 9</b>	Static
<p><b>B3 - Having a meaningful route into developing the new MCA portfolios as the LEP functions transfer into the new organisation.</b></p> <p>The North East Local Enterprise Partnership has over a decade of experience of working with businesses and developing an executive team that hosts nationally recognised expertise in their areas of responsibility. Effective collaboration and partnership working with the local authorities as they develop their portfolios is essential to avoid the expertise not being utilised and delivery on the ground to continue to ensure the portfolio content is maximised and the region’s reputation is not damaged.</p>	<b>Amber 9</b>	Static

A	Strategic Risks			
<b>A1 - Inability to deliver the North East Strategic Economic Plan</b>				
<b>Aim</b>	To continue to deliver and evaluate the North East Strategic Plan in its final year and to ensure that knowledge exchange is implicit in the transition development			
<b>Risk</b>	<p>The North East Strategic Economic Plan has a target to deliver 100,000 more and better jobs into the North East Economy between 2014 and 2024. The North East Local Enterprise Partnership is the custodian of the Plan.</p> <p>In March 2022, government changed the policy around the role of Local Enterprise Partnerships. They would no longer be tasked with setting strategy and policy, and this would instead revert to elected politicians within local and combined authorities. To support this policy decision national funding allocations were also aligned to combined and local authorities.</p> <p>A Devolution Deal was agreed for the North East in December 2022, which, whilst an incredibly positive step for the region, sees the region moving towards a new governance model, into which the LEP functions will be integrated.</p> <p>Collectively, these decisions have impacted the LEPs ability to effectively complete the delivery of the North East Strategic Economic Plan, as strategic priorities and funding are no longer determined by the LEP, and there is a strategic risk that decisions may not be aligned to the Plan.</p>			
<b>Risk Owner</b>	LEP Chief Executive	<b>Risk Priority</b>	Static	<b>Current RAG</b> <span style="background-color: red; color: white; padding: 2px;">Red 12</span>
<b>Issues to be aware of &amp; potential impact</b>			<b>Mitigation Plans</b>	<b>Review date</b>
Funding allocated by other partners. Delivery priorities agreed by other partners. Loss of regional mandate to develop the successor plan to the SEP.			A coordinated approach to ensure transition arrangements is taking place. Updates to the LEP Board.	30 September 2023

A		Strategic Risks		
<b>A2 – The ‘business voice’ not having a meaningful influencing route to influence decision making.</b>				
<b>Aim</b>	To position the business board and the voice of business centrally within the new mayoral Combined Authority governance structure.			
<b>Risk</b>	<p>Listening to the voice of business is vital to inform regional economic decision-making as it brings hands-on knowledge and expertise, particularly around the economic markets, employment, skills and training needs, supply chains, as well as promotes job creation and investment, aligns strategies with market demand and competitiveness, supports resource mobilisation, and fosters stakeholder engagement. As a business led organisation, the LEP has championed business led decision making, by recruiting strong private sector leadership to its board, convening business leaders to inform policy and strategy and to champion our region.</p> <p>It's critical that the support and influence of the business community is not lost as the regional governance model of the new mayoral combined authority is developed and implemented. By having a strong voice of business to inform decision-making processes in a meaningful way, regional economic development can be better informed, more effective, and inclusive, leading to sustainable and balanced economic growth.</p>			
<b>Risk Owner</b>	LEP Chief Executive	<b>Risk Priority</b>	Static	<b>Current RAG</b>
				<b>Red 12</b>
<b>Issues to be aware of &amp; potential impact</b>			<b>Mitigation Plans</b>	<b>Review date</b>
<p>Change in the regional governance from a private sector led economic development board (LEP Board) to the new MCA model.</p> <p>To ensure the MCA business board is fit for purpose and maintains the strong private sector leaders on the current LEP Board.</p> <p>To ensure the business community have a meaningful pathway to input and influence the MCA decision making.</p>			<p>The LEP continues the role of ensuring a robust evidence base is available to inform economic strategy development and investment decisions across the region, and key to this is ensuring the business voice is heard.</p> <p>Maintaining the business voice through effective LEP governance to the time of transition.</p> <p>New MCA governance to ensure the business voice and influence is built in a meaningful way into the governance model.</p> <p>Recent LEP Board recruitment was completed to ensure a strong private sector leadership to represent the ‘business voice’ across the North East.</p>	30 September 2023

<b>A</b>	<b>Strategic Risks</b>				
<b>A3 - Loss of regional knowledge and expertise as the regional governance and delivery model changes</b>					
<b>Aim</b>	To build upon the regional knowledge and expertise and ensure effective knowledge transfer into the new Mayoral Combined Authority				
<b>Risk</b>	The loss of the LEP executive team and developed partnerships' regional knowledge and expertise during the governance and delivery model changes is a significant risk that needs to be addressed and invested in during the transition year. The LEP further developed the previous Regional Development Agency (RDA) work, and it is important the nationally recognised work of the LEP, developed over the past 12 years is not lost but built upon. Effective knowledge transfer is important to ensure the new Mayoral Combined Authority (MCA) is the strongest it can be and can better from early portfolio wins.				
<b>Risk Owner</b>	LEP Chief Executive	<b>Risk Priority</b>	Static	<b>Current RAG</b>	<b>Red 12</b>
<b>Issues to be aware of &amp; potential impact</b>			<b>Mitigation Plans</b>		<b>Review date</b>
<p>Loss of regional expertise and capacity during time of change and uncertainty as staff leave for more secure opportunities.</p> <p>Degree of LEP executive and board member involvement in the development of the new portfolio plans yet to be determined, risking loss of knowledge and expertise transfer, and risk of impacting on current delivery performance.</p>			<p>Transition Steering Group established to ensure a coordinated approach.</p> <p>Regular LA7 Economic Directors' meetings.</p> <p>Regular one-two-one meetings between LEP CEO and interim NEMCA CEO.</p>		30 September 2023

<b>B</b>	<b>Operational risk</b>				
<b>B1 – Inability to deliver on contractual commitments, spend funding on time and achieve outputs due to reduced capacity in the team due to uncertainty about the future and funding constraints</b>					
<b>Aim</b>	Proactive management of these challenges through clear communication, resource prioritisation, and support to team members can help mitigate the risks and ensure effective delivery of regional economic development initiatives.				
<b>Risk</b>	<p>Uncertainty around future governance and team structures inevitably brings about changes within the team. Some people choose to seek more secure, stable employment, as well as the transition arrangements is seeing some employees accelerate into new interim team structures more quickly.</p> <p>Recruitment into vacant posts at a time of change may also experience reduced interest from applicants.</p> <p>Collectively, this could lead to reduced capacity within the team and our ability to deliver contractual arrangements.</p>				
<b>Risk Owner</b>	LEP Chief Executive	<b>Risk Priority</b>	Static	<b>Current RAG</b>	<b>Red 12</b>
<b>Issues to be aware of &amp; potential impact</b>			<b>Mitigation Plans</b>		<b>Review date</b>
Funding not being spent on time if there are further staff losses, leading to reduced outputs being delivered and potential clawback.			<p>Monitoring throughout 2023-2024 will be undertaken at a programme and project level to ensure commitments are on target.</p> <p>Funds will be monitored through Senior Management Team, Technical Officer Group, Investment Board, LEP Board, with reporting to the Board to review performance.</p>		30 September 2023

<b>B</b>	<b>Operational risk</b>				
<b>B2 – Maintaining staff morale and commitment during a period of uncertainty and change</b>					
<b>Aim</b>	Supporting the team during transition.				
<b>Risk</b>	Change, particularly when it is accompanied by uncertainty, can create feelings of insecurity, stress, and anxiety among staff members. This can have a negative impact on their morale and commitment to their work, leading to decreased productivity, increased absenteeism, and turnover. It can also impact team dynamics, collaboration, and overall organisational performance.				
<b>Risk Owners</b>	LEP Chief Executive	<b>Risk Priority</b>	Static	<b>Current RAG</b>	<b>Amber 9</b>
<b>Issues to be aware of &amp; potential impact</b>			<b>Mitigation Plans</b>		<b>Review date</b>
Decrease in productivity and organisational performance.			Through 1:1s with line managers and reviews the team will be supported to ensure that priorities are being met but that the individual also feels supported.		30 September 2023
Increased absenteeism, morale and commitment.			Supporting the team with 1:1 support, advice and guidance.		30 September 2023
Supporting change management and understanding the transition.			Training and support with change management offered across the team and sessions undertaken. Regular communication sessions including Team Huddles are held with the team to ensure they are aware of changes.		30 September 2023

<b>B</b>	<b>Operational risk</b>			
<b>B3 - Having a meaningful route into developing the new MCA portfolios as the LEP functions transfer into the new organisation.</b>				
<b>Aim</b>	To ensure effective collaboration and partnership working as the LEP functions transfer.			
<b>Risk</b>	The North East Local Enterprise Partnership has over a decade of experience of working with businesses and developing an executive team that hosts nationally recognised expertise in their areas of responsibility. Effective collaboration and partnership working with the local authorities as they develop their portfolios is essential to avoid the expertise not being utilised and delivery on the ground to continue to ensure the portfolio content is maximised and the region's reputation is not damaged.			
<b>Risk Owners</b>	LEP Chief Executive	<b>Risk Priority</b>	Static	<b>Current RAG</b>
		<b>Amber 9</b>		
<b>Issues to be aware of &amp; potential impact</b>		<b>Mitigation Plans</b>		<b>Review date</b>
Reduced respect for political leaders from the business community		LEP to input into governance arrangements of new NEMCA business board		30 September 2023
Reputational damage to the region		A coordinated approach and partnership working with the local authorities to ensure that portfolio development can be maximised, through regular meetings and expertise/knowledge transfer.		30 September 2023
Loss of nationally recognised expertise and knowledge		There have been a number of staff who have secured opportunities elsewhere. This is being discussed and gaps in delivery being identified by the Senior Management Team.		30 September 2023

**North East Joint Transport Committee Strategic Risks (for information only)**

*The North East JTC Strategic Risk Register has been prepared by NECA's risk management service  
The register is presented regularly to the North East JTC Audit Committee.*

<b>JTC Risks to Achievement of Strategic Objectives</b>	<b>Risk Priority</b>	<b>Direction of Travel</b>
<p><b>Carbon Neutral Transport</b> Failure to achieve the aspiration of carbon neutral transport network within the JTC area by 2035.</p>	<b>Red 12</b>	<p><b>Static</b> <i>Due to possible negative impact of Covid-19/Cost of Living Crisis on future funding and need for behavioural change</i></p>
<p><b>Inequality and Growth of the Economy</b> Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.</p>	<b>Red 12</b>	<p><b>Static</b> <i>Due to possible negative impact of Covid-19/Cost of Living Crisis on future funding and cost and service availability users of public transport</i></p>
<p><b>Health</b> Failure of the transport system to achieve the planned outcomes to contribute the improvements in health of the population in the JTC area.</p>	<b>Amber 8</b>	<p><b>Static</b> <i>Positive impact of Covid-19 on active travel counter balanced by possible negative impact of Covid-19 /Cost of Living Crisis on future funding and need for behavioural change</i></p>
<p><b>Appealing Sustainable Transport</b> The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.</p>	<b>Red 12</b>	<p><b>Static</b> <i>Due to possible negative impact of Covid-19/Cost of Living Crisis on future funding and cost and service availability to users of public transport</i></p>
<p><b>Safety and Security</b> The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.</p>	<b>Amber 8</b>	<p><b>Static</b> <i>Arrangements in place but possible negative impact of Covid-19/Cost of Living Crisis on future funding</i></p>



<b>JTC Organisation Risks</b>		
<b>Future Availability of Funding</b> Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.	<b>Red 12</b>	<b>Static</b>
		<i>Reduced opportunities for Non-mayoral Authorities and impact of Cost of Living Crisis</i>
<b>Funding Opportunities</b> Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.	<b>Amber 8</b>	<b>Static</b>
<b>Use of Funding and Resources</b> Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	<b>Amber 8</b>	<b>Static</b>
<b>Governance Arrangements</b> The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	<b>Green 4</b>	<b>Static</b>
<b>Operational Capacity and Resourcing</b> The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	<b>Amber 8</b>	<b>Static</b>
<b>Delivery of Transport Improvement Projects/Programmes</b> Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	<b>Green 4</b>	<b>Improving</b>
		<i>Positive Internal Audit Opinion</i>
<b>Transport Infrastructure Assets</b> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	<b>Green 6</b>	<b>Static</b>
<b>Service Delivery</b> Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	<b>Green 6</b>	<b>Static</b>
<b>'Catastrophic Event'</b> Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel)	<b>Amber 8</b>	<b>Static</b>

## Appendix F

Risk Management Toolkit – Criteria to assess the likelihood of a risk occurring and its impact i.e. High (4) x Critical (4) = Red (16)

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 104	<ul style="list-style-type: none"> <li>Over half the objectives/programmes affected</li> <li>More than one critical objective affected</li> <li>Partners do not commit to the Shared vision</li> </ul>	<ul style="list-style-type: none"> <li>Significant change in partner services</li> <li>Relationship breakdown between major partners and stakeholders</li> <li>Serious impact on delivery of objectives</li> <li>Unplanned major re-prioritisation of resources and/or services in partner organisations</li> <li>Failure of a delivery programme/major project</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure or loss of significant funding opportunity (£5m)</li> <li>Significant financial loss in one or more partners (£2m)</li> <li>Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget)</li> </ul>	<ul style="list-style-type: none"> <li>Adverse national media attention</li> <li>External criticism (press)</li> <li>Significant change in confidence or satisfaction of stakeholders</li> <li>Significant loss of community confidence</li> </ul>
Significant	<ul style="list-style-type: none"> <li>One or more objectives/programmes affected</li> <li>One or more partners do not commit to shared vision</li> <li>Significant environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Partner unable to commit to joint arrangements</li> <li>Recoverable impact on delivery of objectives</li> <li>Major project failure</li> </ul>	<ul style="list-style-type: none"> <li>Prosecution</li> <li>Change in notable funding or loss of major funding opportunity (£2m)</li> <li>Notable change in a Partners contribution</li> <li>Notable adverse impact on budget (£0.5m-£1.5m Transport budgets)</li> </ul>	<ul style="list-style-type: none"> <li>Notable external criticism</li> <li>Notable change in confidence or satisfaction</li> <li>Internal dispute between partners</li> <li>Adverse national/regional media attention</li> <li>Lack of partner consultation</li> <li>Significant change in community confidence</li> </ul>

Minor	<ul style="list-style-type: none"> <li>• Less than 2 priority outcomes adversely affected</li> <li>• Isolated serious injury/ill health</li> <li>• Minor environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Threatened loss of partner's commitment</li> </ul>	<ul style="list-style-type: none"> <li>• Minor financial loss in more than one partner</li> <li>• Some/loss of funding or funding opportunity threatened</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to reach agreement with individual partner</li> <li>• Change in confidence or satisfaction</li> <li>• Minor change in community confidence</li> </ul>
Insignificant	<ul style="list-style-type: none"> <li>• Minor effect on priorities/service objectives</li> <li>• Isolated minor injury/ill health</li> <li>• No environmental impact</li> </ul>		<ul style="list-style-type: none"> <li>• Isolated/minor financial impact in a partner organisation</li> </ul> <p>(Financial limits are under review)</p>	

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**NORTH  
OF TYNE**



**COMBINED  
AUTHORITY**

## **Audit and Standards Committee**

**4 July 2023**

**Subject: 2022/23 Draft Annual Governance Statement**

**Report of: Risk Advisor to North of Tyne Combined Authority (NTCA)**

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### **Summary**

This report presents the NTCA draft 2022/23 Annual Governance Statement (AGS).

The AGS details the provisional outcome of the annual review of the authority's governance and internal control arrangements operating during 2022/23.

The review highlighted no significant weaknesses in the internal control environment during 2022/23.

The Authority's 2021/22 AGS included an area of governance and internal control which required improvement. This was in response to the introduction of the Chartered Institute of Public Finance and Accountancy (CIPFAs) Financial Management Code.

In preparation for the first full year of compliance with the Code (2021/22) the Authority carried out a self-assessment in line with guidance issued by CIPFA. Action plans were developed to address the improvement areas - with all action plans now being implemented, resulting in the Authority being fully compliant with the CIPFA Financial Management Code, therefore it is no longer seen as an area requiring improvement.

To provide the Committee with the background to the improvement area and details of the actions that have been undertaken to improve their effectiveness, the action plan which has been put in place to ensure compliance with the Code can be found at Appendix A to the AGS - Following acknowledgement from Audit and Standards Committee the action plan will be removed from the 2022/23 draft AGS.

The AGS will be considered as part of the audit of the Authority's financial statements before it is finalised and further approved by Audit and Standards Committee.

A copy of the draft 2022/23 Annual Governance Statement is provided at Appendix A.

### **Recommendations**

The Audit and Standards Committee is recommended to:

1. Consider the first draft of the NTCA 2022/23 AGS (Appendix A) and comment on its content
2. Note that the Financial Management Code action plan is substantially in place and therefore not considered as an area requiring improvement
3. Acknowledge that the 2022/23 AGS will be kept under review and amended as necessary should any weaknesses come to light before the Committee receive a further draft at its September meeting and up to the date of the final approval of the NTCA financial statements

## **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 Chartered Institute of Public Finance and Accountancy (CIPFAs) publication “Delivering Good Governance in Local Government” (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against:
- Ensuring openness and comprehensive stakeholder engagement
  - Developing the entity’s capacity, including the capability of its leadership and the individuals within it
  - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Managing risks and performance through robust internal control and strong public financial management
  - Defining outcomes in terms of sustainable economic social and environmental benefits
  - Implementing good practices to transparency, reporting and audit to deliver effective accountability

## **2. Annual Governance Statement Assurance Framework– 2022/23**

- 2.1 The approach to produce the 2022/23 AGS is based on a framework of assurance and in preparing it, it has been necessary to review evidence from the following sources. This approach complies with the 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
  - Internal Audit Activity – including the Chief Internal Auditor’s annual opinion
  - Risk Management – Strategic risk reviews
  - Performance Management – outcomes reported during 2022/23
  - Views of the external auditor and other external inspectorates
  - Key partnerships, including the voluntary, community and social enterprise organisations (VCSE)
  - Nexus, through an assurance statement signed by Nexus’ Director of Finance and Resources
  - North East Local Enterprise Partnership, through a partnership assurance statement, signed by the Chief Executive

## **3. Outcomes of the Review of Assurances**

- 3.1 The NTCA 2022/23 AGS fully complies with the CIPFA Framework and provides detailed evidence against each of the above principles highlighted in paragraph 1.2, to show how the Authority has adhered to its governance commitments as set out in the Constitution. The Statement includes hyperlinks to sources of further information detailed on the North of Tyne Combined Authority website, (for example the Authority’s Corporate Plan, Freedom of Information Scheme and Annual Report), demonstrating how the Authority has implemented its commitments and complied with the governance standards and principles.

#### **4. Governance and Internal Control Improvements – 2022/23**

- 4.1 The Combined Authority must comply with the CIPFA Financial Management Code. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.
- 4.2 In preparation for the first full year of compliance with the Code (2021/22) the Authority carried out a self-assessment in line with guidance issued by CIPFA. The action plans developed to address the improvement areas have been implemented during 2022/23, which has resulted in the Authority now being fully compliant with the CIPFA Financial Management Code, therefore it is no longer seen as an area requiring improvement.
- 4.3 To provide the Committee with the background to the improvement area and details of the actions that have been undertaken to improve their effectiveness, the action plan which has been put in place to ensure compliance with the Code can be found at Appendix A to the AGS - following acknowledgement from Audit and Standards Committee the action plan will be removed from the 2022/23 AGS.

#### **5. Next Steps**

- 5.1 The AGS will be updated to reflect comments from Audit and Standards Committee members today before it is considered as part of the audit of the Authority's financial statements before it is finalised.
- 5.2 The AGS will be kept under review and amended as necessary should any weaknesses come to light, before it is presented to the Committee for further approval at its next appropriate meeting.

#### **6. Potential Impact on Objectives**

- 6.1 No direct impact on objectives.

#### **7. Key Risks**

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

#### **8. Financial and Other Resources Implications**

- 8.1 This work to develop the Annual Governance Statement has been carried out by Newcastle City Council's Internal Audit Service under the Service Level Agreement.

#### **9. Legal Implications**

- 9.1 There are no direct legal implications arising from this report.

#### **10. Equalities Implications**

- 10.1 There are no direct equalities implications arising from this report.

#### **11. Inclusive Economy Implications**

- 11.1 There are no direct inclusive economy implications arising from this report.

#### **12. Climate Change Implications**

- 12.1 There are no direct climate change implications arising from this report.

**13. Consultation and Engagement**

13.1 The Chief Executive, Monitoring Officer, Chief Finance Officer have been consulted on the draft 2022/23 AGS.

**14. Appendices**

14.1 Appendix A – Draft 2022/23 Annual Governance Statement

**15. Background Papers**

15.1 None

**16. Contact Officers**

16.1 Philip Slater, Chief Internal Auditor Newcastle City Council (acting as Risk Advisor to NTCA)

E mail: [philip.slater@newcastle.gov.uk](mailto:philip.slater@newcastle.gov.uk)

Tel: 0191 2116511

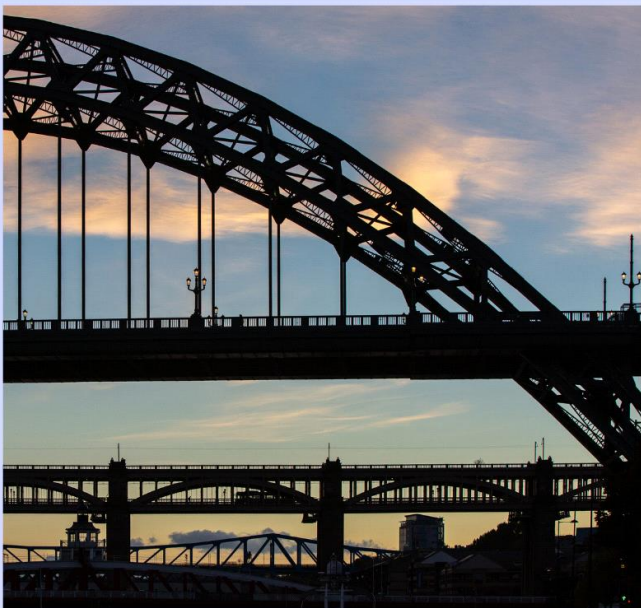
**17. Glossary**

17.1 None





# ANNUAL GOVERNANCE STATEMENT 2022/23



**NORTH  
OF TYNE**  
~~~~~  
**COMBINED  
AUTHORITY**

## Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance and internal control arrangements operated during 2022/23, including how they are reviewed annually to ensure they remain effective.

## Section 2: Scope Of Responsibility

The North of Tyne Combined Authority (NTCA) is a cross-party, cross-region collaboration led by a Mayor and Cabinet to create 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 ensuring that all residents have a stake in our region's future.

It was established on 2 November 2018 to deliver the devolution deal agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership (North East LEP) and Central Government. Devolution has given us the chance to make our own decisions about our own future - with a shift of power, funding and responsibility from central government to the region. It does not replace the three constituent councils, nor take away any of their statutory powers.

We work in partnership and create connections between our programmes and projects for the region. We target investment where we know we need it most and make connections between economic growth and providing the skills, education and confidence local people need to benefit. We work collaboratively with:

- The North East LEP to support delivery of the objectives of the regions Strategic Economic Plan. We are the accountable body of the North East LEP with all its funding decisions being held to account through NTCA.
- The North East Combined Authority to support the region, including transport. To oversee strategic transport functions a Joint Transport Committee has been established with members from both Combined Authorities.
- All seven Local Authorities, and other regional bodies on issues that relate to the wider region.

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 which is reported regularly at 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

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Authority complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the achievement of the Authority's priorities and to consider whether those priorities have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2023 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 principles and outcomes of our Governance Framework are set out overleaf. This includes examples of how the Authority has adhered to its governance commitments set out in the Constitution and includes hyperlinks to sources of further information which include more detail about how NTCA has implemented its commitments.

#### Principles of Good Governance

- |                                                                                                                      |                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | <b>E.</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| <b>B.</b> Ensuring openness and comprehensive stakeholder engagement                                                 | <b>F.</b> Managing risks and performance through robust internal control and strong public financial management      |
| <b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits                     | <b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |
| <b>D.</b> Determining the interventions necessary to optimise the achievement of the intended outcomes               |                                                                                                                      |

| <b>The Governance Framework</b>                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                       |
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| <b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                       |
| <b><i>The Authority's Commitment of Good Governance</i></b>                                                          | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b><i>Where you can see Governance in action</i></b>                                                                                                                                                  |
| <p><b>Behaving with Integrity</b></p>                                                                                | <p>The 2023 budget and our medium-term financial plan for the period 2024-25 to 2026-27 has been developed within the context of the Authority's strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans are delivered within the financial resources available.</p> <p>The Corporate Plan provides a clear blueprint for the work of the Authority and shows how it will deliver on the outcomes shaped by the Mayor and Cabinet. The Plan builds on well-established portfolios, clear strategic priorities and a culture of collaboration that is knitted into everything it does.</p> <p>A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region.</p> <p>A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> | <p><a href="#">2023-2027 Budget Proposals (Agenda item 6a– page 15)</a></p> <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> <p><a href="#">Gifts and Hospitality Policy</a></p> |

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                     |
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|                                                          | <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the NTCA Chief Finance Officer.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>Demonstrating Strong Commitment to Ethical Values</p> | <p>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.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>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 deal with issues of conduct and generally promote high standards among officers and members.</p> <p>Our Freedom of Information Scheme is published on our website</p> <p>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</p> <p>The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.</p> | <p>The <a href="#">Constitution</a> is available on the NTCA website.</p> <p>Cabinet Rules of Procedure (“Standing Orders”) can be found at <a href="#">part 3.1</a> of the Constitution</p> <p>Codes of Conduct can be found at <a href="#">Part 5.2</a> of the Constitution</p> <p><a href="#">Freedom of Information Scheme</a></p> <p><a href="#">Whistleblowing Policy</a></p> |



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|                                                                                                                 | <p>Data Protection and Confidentiality; Environmental; Equalities and Diversity; Inclusive Economy, Modern Slavery; and Social Value policies are in place and available on the Transparency page of our website.</p> <p>We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p><a href="#">Transparency Policies</a></p> <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> |
| <p>Respecting the Rule of Law</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 116</p> | <p>NTCA has measures to address breaches of its legal and regulatory powers. The Authority’s Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration.</p> <p>We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks.</p> <p>Scheme of Delegations - The proposed scheme identifies a number of officers as “designated officers” who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Chief Executive and Director of Policy and Performance, as well as the Chief Executive of the North East LEP (whose delegation relates to North East LEP matters only).</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer.</p> <p>The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.</p> | <p><a href="#">Constitution</a> 2.9 – Scheme of Delegations</p>                                                    |

**B. Ensuring openness and comprehensive stakeholder engagement**

| <b><i>The Authority's Commitment to Good Governance</i></b>                                  | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b><i>Where you can see Governance in action</i></b>                                                                                                                                                              |
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| <p><b>Ensuring Openness</b><br/>Engaging Comprehensively with Institutional Stakeholders</p> | <p>We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region</p> <p>The Authority's significant partners (Nexus and the North East LEP) provide signed assurance statements which contains an assessment of their governance and internal control systems. The statement provides additional evidence for this AGS.</p> <p>The Authority produces an Annual Report to set out the Authority's achievements and the work of the Mayor and Cabinet over the last year. The report 'Devolution Delivers' includes information on how NTCA is delivering its Vision through the three cross-cutting themes of Net Zero Transition, Inclusive Economy and Innovation in Recovery and across all the Delivery Themes. In addition, there are also annual updates from the Inclusive Economy Board, the</p> | <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> <p><a href="#">Devolution Delivers - Annual Report</a> (Agenda Item 5)<br/><a href="#">Devolution Delivers – Annual Report Document</a></p> |

Housing and Land Board and the Voluntary, Community and Social Enterprise Group

The Elected Mayor chairs the Cabinet and Cabinet decisions will be subject to scrutiny by the Overview and Scrutiny Committee. The Elected Mayor has a number of specific powers and financial resources which Cabinet can make representations on, and which can also be subject to scrutiny by the Overview and Scrutiny Committee.

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 across the seven local authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

The NTCA Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It highlights strengths, opportunities and challenges across our region and sets out the NTCA key priorities to ensure our residents have the skills to get a good job, progress in work and that employers have people with the right skills.

To make the Strategic Skills Plan a reality we launched a Flexible Procurement Framework for Post-16 Skills providers in November 2022. This new framework is an opportunity for providers to get involved and join up the region's skills and training offer, reduce duplication and make sure it will reach those communities most disadvantaged.

[Overview and Scrutiny Committee – Annual Report](#) – Agenda item 6

[North East Joint Transport Committee](#)

[Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023](#)

[Market engagement event – Post 16 Flexible Procurement Framework for skills provision](#)



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| <p>Engaging stakeholders effectively, including individual citizens and service users</p> | <p>Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information).</p> <p>We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority 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.</p> <p>Our Freedom of Information Scheme is published on our website.</p> <p>The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework to deliver our shared vision of an inclusive economy.</p> <p>We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.</p> <p>Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015.</p> <p>We continue to work closely with our adult education providers providing stability and flexibility to ensure delivery is maintained beyond the Covid-19 pandemic. The hyperlink to the mid-year update provides an update on provision for the period 1 August 2022 to 4 February 2023.</p> | <p>NTCA <a href="#">website</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Freedom of Information Scheme</a></p> <p><a href="#">VCSE Stakeholder Engagement Group Annual Report 2022/23</a> – Appendix 1c - page 17</p> <p><a href="#">Transparency Information</a></p> <p><a href="#">Devolved Adult Education Budget – mid year update</a> (Agenda item 8 – page 27)</p> |
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**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

| <b><i>The Authority's Commitment to Good Governance</i></b>     | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b><i>Where you can see Governance in action</i></b>                                                                                                                                                                          |
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| <p>Defining Outcomes</p>                                        | <p>The Corporate Plan sets out the ambitions of Cabinet for the authority for the year ahead with a roadmap for action. It captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working.</p> <p>The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the UK's Industrial Strategy.</p> <p>We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</p> | <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> <p><a href="#">Strategic Economic Plan</a></p> <p><a href="#">UK's Industrial Strategy.</a></p> <p><a href="#">Significant Partnership Register</a></p> |
| <p>Sustainable, Economic, Social and Environmental Benefits</p> | <p>To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change.</p> <p>NTCA have embedded our 'zero-carbon – zero poverty' approach; the Energy, Green Growth and Climate Change programme, improving the north bank of the Tyne, green crowdfunding and our Green New Deal which will create jobs, reduce emissions, and save money – it's the kind of</p>                                                                                                                                                                                                                       |                                                                                                                                                                                                                               |

innovation that's needed for local areas to become net-zero. Creating jobs need not cost the Earth.

As part of the business planning process the Authority sets out how it will work towards its agreed equality objectives, with Equality Impact Assessments undertaken to ensure we consider the likely impact of our policies and plans on different groups of people to ensure they do not inadvertently disadvantage anyone.

Equality implications are considered in all our decision-making reports - with reporting templates prompting report authors to record the equality implications arising from their reports.

Our Social Value Policy sets out how the Authority will deliver social value through their commissioning and procurement activities and to set the Authority's priorities in relation to social value.

NTCA has developed a programme to understand what 'Good Work' should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of 'Good Work'. This has included the development of a Good Work Pledge, which enables employers to understand the key elements of 'Good Work', what they can do to achieve this for their employees and what support is available to help them get there. The pledge covers over 40,000 employees who now have secure employment, a decent wage and proper representation and a ladder to boost skills to turn a job into a career.

[Annual update on NTCA's performance against its Equality Objectives 2021-25](#)  
(Agenda item 9 – page 35)

[Social Value Policy](#)

[Good Work Pledge Article](#)

The Adult Education Budget provision supports key elements of the North East Strategic Economic Plan, and the emerging Local Industrial Strategy and plays a key role in NTCA's economic growth and reform agenda.

We established a digital equipment loan scheme to support residents across the region giving them access to digital services and opportunities during the pandemic. Encouraging digital inclusion for everyone will help our residents' access new opportunities and in turn support our inclusive economy.

Inclusive Economy Board was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA vision and supporting the area to become a national exemplar in inclusive growth

The Housing and Land Board provides robust governance around an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area.

A North of Tyne Poverty Truth Commission will bring together community, civic and business representatives with people with experience of living in poverty. It will aim to better understand the specific effects of the Covid -19 pandemic for people living in Newcastle, North Tyneside, and Northumberland and come up with practical solutions. The project began in August 2021 and will run for two years.

Crowdfund North of Tyne will fund projects to help communities - its aim is to bring people together, create or improve green spaces, improve mental health, inspire

[Adult Education Budget Annual Update – Agenda Item 8](#)

[Digital Inclusion Scheme](#)

[Inclusive Economy Board Annual Report 2022/23 – 1a page 11](#)

[Housing and Land Board Annual Report 2022/23– 1b page 13](#)

[Children North East to lead on Poverty Truth Commission](#)

[Education Improvement and Child Poverty Prevention Report – Agenda item 7 – Page 19](#)

[Crowdfund North of Tyne](#)

|  |                                                                                                |  |
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|  | creativity and opportunity for all, or support social enterprise and co-operative development. |  |
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| D. Determining the interventions necessary to optimise the achievement of the intended outcomes |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                   |
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| <i>The Authority's Commitment to Good Governance</i>                                            | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <i>Where you can see Governance in action</i>                                                                                                                                                                                                                                     |
| Determining Interventions<br><br>Page 123                                                       | <p>Cabinet approved its draft budget for 2023/24, and the medium-term financial plan for the period 2024/25 to 2026/27 at its January 2023 meeting.</p> <p>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 and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> | <p><a href="#">Cabinet Report</a> (Agenda item 6a – Page 16)</p> <p><a href="#">Constitution (Part 1.2)</a></p> <p><a href="#">Cabinet Scrutiny Protocol (Agenda item 6)</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 6 – Page 17</p> |

|                                             |                                                                                                                                                                                                                                                                                                                                                                  |                                                                                              |
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|                                             | Strategic risks are owned by our Senior Leadership Team and reported to Audit and Standards Committee on a regular basis                                                                                                                                                                                                                                         | <a href="#">Strategic risks and opportunities register report April 2023</a> - Agenda item 8 |
| Optimising Achievement of Intended Outcomes | The strategic, crosscutting nature of much of the Authority's work means that delivery is often achieved through collaboration with NTCA partners and North of Tyne Council's. An example of this collaboration is in our Recover, redesign, reimagine plan which was put forward to Government demonstrating our commitment to post-covid recovery and renewal. | <a href="#">Recover, Redesign, Reimagine</a>                                                 |

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

| <b>The Authority's Commitment to Good Governance</b>                             | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                  | <b>Where you can see Governance in action</b>                                                     |
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| Developing the Organisation's Capacity                                           | 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. | <a href="#">Part 2 Constitution – Responsibility for Functions - NTCA (northoftyne-ca.gov.uk)</a> |
| Developing the Capability of the Organisation's Leadership and Other Individuals | We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training.                                                                                                                                                                                                                     |                                                                                                   |

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|  | <p>Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme.</p> <p>Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health &amp; Safety Executive to ensure all our staff work safely at home.</p> |  |
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| <b>F. Managing risks and performance through robust internal control and strong public financial management</b> |                                                                                                                                                                                                                                                                                                                                                            |                                                                                                     |
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| <b>The Authority's Commitment to Good Governance</b>                                                            | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                            | <b>Where you can see Governance in action</b>                                                       |
| Managing Risk                                                                                                   | 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. |                                                                                                     |
| Managing Performance                                                                                            | Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.                                                                                                                                                                                            | <a href="#">Overview and Scrutiny Committee March 2023 Budget Monitoring Report</a> - Agenda item 8 |

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|                                        | <p>Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p><a href="#">Funding Decisions</a> – Agenda item 13</p>                                                                                           |
| <p>Effective Overview and Scrutiny</p> | <p>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.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> <p>There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.</p> | <p><a href="#">Adoption of Cabinet-Scrutiny Protocol</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 6</p> |
| <p>Robust Internal Control</p>         | <p>An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority’s Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations.</p> <p>The Authority regularly reviews policies relating to records management, data quality, data protection and information security.</p> <p>The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent</p>                                                                                                                                                                                                                                                                                                  | <p><a href="#">Data Protection and Confidentiality Strategy</a></p>                                                                                 |



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|                                           | <p>assurance on the adequacy of the risk management framework and internal control environment.</p> <p>An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2022/23 to support this Annual Governance Statement.</p> <p>A 2023/24 Strategic Audit Plan which was approved by Audit and Standards Committee April 2023, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. Progress against the 2022/23 Audit Plan was reported to Audit and Standards Committee at its January 2023 meeting.</p> | <p><a href="#">Internal Audit report April 2023</a> – Agenda item 12)</p> |
| <p>Managing Data</p>                      | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2023/24.</p> <p>The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.</p>                                                                                                                                                                                                                                                                                                                                                                                   | <p><a href="#">Freedom of Information Scheme</a></p>                      |
| <p>Strong Public Financial Management</p> | <p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2022/23 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                           |

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

| <b>The Authority's Commitment to Good Governance</b> | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Where you can see Governance in action</b>                                                                                                                               |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Implementing Good Practice in Transparency           | <p>Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues.</p> <p>We publish details of delegated decisions on our website.</p> <p>We publish NTCA's £500+ spend monthly</p>                                                                                                                                                                                                                                                    | <p>Mayor's Facebook Page - Mayor's question time</p> <p><a href="#">delegated decisions on our website.</a></p> <p><a href="#">2022/23 Transparency Spend Documents</a></p> |
| Implementing Good Practices in Reporting             | <p>We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018.</p> <p>Internal Audit compliance with Public Sector Internal Audit Standards</p> <p>Production of the Authority's Annual Report and Accounts</p>                                                                                                                                                                             | <p><a href="#">Review of Audit and Standards Committee Arrangements</a> – April 2023 – Agenda item 10</p>                                                                   |
| Assurance and Effective Accountability               | <p>The Assurance Framework explains the arrangements for NTCA to:</p> <ul style="list-style-type: none"> <li>• Demonstrate that arrangements are in place to ensure accountable and transparent decision-making</li> <li>• Appraise projects and allocate funding; and</li> <li>• Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes</li> </ul> <p>The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks,</p> |                                                                                                                                                                             |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |
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|  | <p>issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.</p> <p>Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework.</p> <p>The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.</p> <p>Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority's website and can be accessed quickly and easily.</p> |  |
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## 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 led by Officers and Members of Audit and Standards Committee who provide independence and challenge. The review is informed by:

- (a) An assessment of the Authority's Constitution, including its committee structure.
- (b) The views of Internal Audit. The Chief Internal Auditor's report to the July 2023 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 2022/23: *Opinion will be added following July A&S meeting.*
- (c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.
- (d) The views of External Auditors. *Opinion will be added once audit has been completed*
- (e) **The results of the Authority's self-assessment of compliance with the new CIPFA Financial Management Code**
- (f) Activity of the Audit and Standards Committee, including ethical governance
- (g) Partnerships, including the North East Joint Transport Committee
- (h) The Risk Management process, particularly the Strategic Risk Register
- (i) Performance information which is reported to Cabinet and other meetings on a regular basis.

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

Regional transport is operated and governed by the 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. The Committee receive regular updates on North East and Regional Transport Plans. The Committee also receive regular updates from the Managing Director, Transport North East, in respect of transport partnerships, including East Coast Mainline, HS2 and Northern Powerhouse Rail.

The Joint Transport Committee, Audit Committee is also a key component of the corporate governance arrangements and is an important source of assurance about the Joint Transport Committee's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and performance matters.

The Joint Transport Committee also has an Overview and Scrutiny Committee to enable local councillors, on behalf of their communities, to scrutinise and challenge the Joint Transport Committee, its committees and Nexus, and to investigate matters of strategic importance to residents with a view to influencing and adding value to the decisions.

## **Section 7: North East Devolution Deal**

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed in principle to a devolution deal which the Government has confirmed it is 'minded to' approve.

A devolution deal for the region means unlocking £4.2 billion of investment, over 30 years, and seeing additional powers transferred from Whitehall to local people with better knowledge and experience of our communities.

It is expected to create 24,000 extra jobs, create 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment.

This deal represents a significant opportunity to make a difference to people who live and work in the North East and could have a hugely positive impact on the big issues that matter.

Whether that is new and better paid jobs, more affordable housing or placing ourselves at the forefront of Net Zero revolution, the chance of more decision-making powers and millions of pounds in funding will have a major impact on the North East.

This devolution deal is subject to adopting the model of a directly elected mayor over the whole of the Combined Area and replacing the North of Tyne Mayoral Combined Authority and the North East Combined Authority, with a single new North East Mayoral Combined Authority.

The new authority, which would cover an area which is home to around 2 million people, will have the power to make decisions on areas such as transport, skills, housing, finance and economic development.

A public consultation was launched in January 2023 inviting residents, businesses and anyone else in the region to submit their views on this historic deal. The consultation period ended on 23 March, with all 7 Local Authority Cabinets. The next stage will involve submitting a consultation report to the Secretary of State (SoS). The SoS will decide whether the statutory criteria have been met to make the necessary order to establish the new mayoral combined authority.

It is anticipated that this request will be made in the autumn ahead of the parliamentary process for the laying and making of the order. It is envisaged that the new mayoral combined authority would come into existence in May 2024 at the point at which the mayoral election would take place.

## **Section 8: 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 during 2022/23.

## **Section 10: Governance and Internal Control Improvements**

The review also identifies activities that may need improvement, but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

### **Section 11: Conclusion**

We consider the governance and internal control environment operating during 2022/23, 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.

The annual review has shown that the arrangements for 2022/23 are in place and operating as planned.

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

**Full Name: Jamie Driscoll**

**Signature:**

**Date:**

**Chair of Audit and Standards Committee**

**Full Name: David Willis**

**Signature:**

**Date:**

**Chief Executive**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Chief Finance Officer**

**Full Name: Janice Gillespie**

**Signature:**

**Date:**

**CIPFA Financial Management Code**

**Background Risk**

The Financial Management Code (FM Code) was an additional requirement in 2020/21 and is mandatory from 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.

In preparation for the first full year of compliance with the Code the Combined Authority undertook a self-assessment to ensure that it complied with the FM code in line with guidance issued by CIPFA and in a way that is appropriate and proportional to its own circumstances reflecting the structure, function and size of the Combined Authority.

The overall conclusion of each Financial Management Principle has been assigned a red, amber, or green rating in line with the scale of the improvements required for full compliance. A red rating indicates that significant improvements are required, an amber rating indicates that moderate improvements are required, and a green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each Principle are noted below:

- Leadership – Green
- Accountability – Green
- Transparency – Green
- Standards – Green
- Assurance – Green
- Sustainability – Green

The overall results from the self- assessment were green, however, the code requires any areas for improvement to be disclosed within an action plan. The self-assessment identified 4 areas for improvement, which once implemented will ensure the Combined Authority fully complies with the Financial Management Code.

**Accountable Officer: Chief Finance Officer**

**Action(s) required to enhance effectiveness**

**Implementation date**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                            |
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| <p><b>Assurance Principle</b> – Standard (F) The authority has carried out a credible and transparent financial resilience assessment.</p> <p><i>This requirement relates to whether the Combined Authority has undertaken an independent, credible, and transparent financial resilience assessment. Unlike Local Government the Combined Authority has full control over the grant and funding programmes it has with more certainty around the financial envelope to plan with, and no risk associated with Demand Led Services as our constituent authorities have. The factors which should be considered as part of the financial resilience assessment, will include getting routine financial management right, planning and managing revenue and capital resources well and using performance information effectively. As no assessment has been carried out to date externally, this has been consequently assessed as Amber.</i></p> <p><b>Progress update:</b><br/>An annual external assessment is carried out by the External Auditor to ensure the Combined Authority is a going concern and has put proper arrangements in place to secure value for money. In addition, the first 5-year Government Gateway Review is due to be undertaken in 2022-23 to provide independent assurance of the Combined Authorities funding programmes have resulted in positive impact for the Region.<br/>Confirmation received in April 2023 that the North of Tyne Combined Authority was successful in passing their first 5-year Government Gateway Review, this unlocks the next 5 year tranche of Investment Fund.</p> | Action fulfilled.          |
| <p><b>Standards Principle</b> – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p> <p><i>Borrowing powers need to be secured to enhance the Combined Authority’s ability to achieve its ambitions. These powers may be secured during Q4 of 2021/22 (January – March 2022). At which time an appropriate Capital Investment Strategy will be laid before the Mayor and Cabinet for their consideration.</i></p> <p><b>Progress update:</b><br/>Confirmation received 28 March 2022 that the Minister had signed the Combined Authority (Borrowing Powers) Regulations 2022 on 22 March 2022. Chief Finance Officer will work on an appropriate Capital Investment Strategy including Minimum Revenue Provision (MRP) Policy to be laid before the Mayor and Cabinet for their consideration. The Capital Investment Strategy and MRP Policy will be taken alongside the Budget Proposals Report for 2023/24 to January 2023 Cabinet.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Action fulfilled.          |
| <p><b>Sustainability Principle</b> - Standard (E) The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</p> <p><i>The Authority has evolved as a new entity in its entirety. The nature of the funding sources and delivery mechanisms the Authority has to achieve the Ambition and the requirements of the devolved funding mean that the</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Action no longer relevant. |



*level of risk associated with Financial Sustainability traditionally associated with Local Government Tiers is not the same. A peer review is not a requirement for compliance with the FM Code, the benefit of doing so will enable:*

- The creation of an action plan for any areas of improvement.*
- Review adequacy of financial management support.*

**Progress update:**

Head of Paid Service and members of the Senior Management Team to take this action forward with consideration of engaging on a peer review with a fellow Mayoral Combined Authority.

A Devolution Deal bringing together all 7 North East Local Authorities into one, larger Mayoral Combined Authority with additional powers has now been agreed and will be established from May 2024. Therefore, due to the timeframe of the new Mayoral Combined Authority being established this is no longer a consideration for the North of Tyne Combined Authority.

**Transparency Principle - Standard (M)** Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in the International Federation of Accountants/Professional Accountants in Business Publication – Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?

*The Combined Authority have an Assurance Framework for appraising all projects, in line with the HM Treasury Green Book recommendations - a review is currently ongoing to further strengthen the requirements for options appraisals and relate this to the Business Case Guidance.*

**Progress update:**

An external review has now taken place to further strengthen the requirements for options appraisals and relating this to Business Case Guidance in relation to the Assurance Framework and Business Processes supporting the Assurance Framework. NTCA Senior Management Team were informed at each stage of the review. Actions arising from the outcome of the review are now being implemented.

Action fulfilled

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