

## **Audit and Standards Committee**

4 July 2023

(10.02 - 11.26 am)

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

### **Approved Minutes**

#### **Present:**

Chair: D Willis, OBE

Councillors C Gray, A Walker, C Ferguson, C Hardy, M Murphy, A McMullen, T Mulvenna and J Shaw

#### **1 WELCOME AND APOLOGIES**

The Chair introduced himself and welcomed everyone to the meeting. Brief introductions were made.

Apologies for absence was received from Councillor Castle.

##### **(a) Appointment of Vice Chair for the municipal year 2023-24**

Councillor McMullen nominated Councillor Mulvenna as Vice Chair of the Committee. Councillor Shaw seconded the nomination. There being no other nominations received, it was **RESOLVED** that Councillor Mulvenna be appointed as Vice Chair for the municipal year 2023-24.

#### **2 DECLARATIONS OF INTEREST**

None

#### **3 AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 25 APRIL 2023**

It was **RESOLVED** that the minutes of the meeting held on 25 April 2023 be agreed as an accurate record and were signed by the Chair.

#### 4 **2020-21 ANNUAL AUDIT REPORT**

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with the report of the External Auditors, Mazars, NTCA 2020-21 Final Auditors Annual Report (AAR).

Prior to discussion about the 2020-21 Annual Audit Report, the Chair invited feedback following the workshop held last week. Members agreed that further training would be useful to increase their knowledge and understanding of the audit processes within the combined authority.

M Oldham, Acting Group Assurance Manager, agreed to liaise with the Chair to include additional questions to a recent skills survey and recirculate for the new and continuing members, with a view to collating the responses by the next Audit Committee and delivering a training session in the Autumn.

##### 2020-21 Annual Audit Report

G Barker, Mazars, presented the report that brought a conclusion to the 2020-21 audit and advised the audit opinion had been submitted on 7 June 2023 following approval of the accounts by Cabinet.

The Annual Audit Report included the areas of financial stability, governance and improving economy, efficiency, and effectiveness. G Barker highlighted that the report included commentary on value for money arrangements but did not include an opinion on whether the combined authority provided value for money.

He confirmed there were no significant weaknesses identified with the arrangements the combined authority had in place.

The 2020-21 audit was currently awaiting clearance from the National Audit Office to bring the audit to a final completion.

G Barker advised the Annual Audit Report showed a modest increase in the audit fees, which was guided by Public Sector Audit Appointments Ltd, and the lower end of the suggested range had been used. He also advised there was an additional fee in relation to infrastructure, that would be shared between both financial years (2020-21 and 2021-22) to even out the costs for the additional work incurred.

##### 2021-22 financial year

G Barker explained the 2021-22 audit was still outstanding and since the last committee meeting the 2021-22 statement of accounts had been updated to reflect the results of the triennial valuation.

He outlined the audit work required to progress the revised report and explained how assurance was needed from the pension fund auditor, which was anticipated in September 2023, however there was no confirmed date provided by the pension fund auditor. In the meantime, Mazars would complete their work on the financial statements and G Barker proposed, subject to the receipt of the information on the pension fund audit, to report the outcomes of their audit work and bring the revised financial statements to the Audit and Standards Committee meeting in September, to then submit to Cabinet for approval.

The following points were confirmed in response to questions from members:

- Pension fund assurance - it was hoped there would not be any inaccuracies, but if there were any they would be assessed upon their impact and material terms (the materiality threshold was estimated to be £6m).
- The way the Value for Money judgement is reported has changed within the new 2021 Code of Audit Practice, managed by the National Audit Office, which applied to local authorities and was adopted to provide a consistent approach.
- There was a joined-up planning approach between the three organisations (NTCA, NECA and Transport North East) within the audit group which had the same auditor appointed. It was hoped a single auditor appointment would continue with the new combined authority.

It was **RESOLVED** that:

- i) The NTCA 2020-21 Final Auditors Annual Report (AAR), be noted.
- ii) A training session for committee members be arranged for the Autumn.

## 5 **2022/23 OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to outline Internal Audit's 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

R Dunlop, Interim Chief Internal Auditor, introduced the report and advised the satisfactory frame controls and risk governance were working well.

The following points were confirmed in response to questions from members:

- Scoring rates – the low scores translated to good client feedback, within Annex A of the report. The higher scores in Annex B, were qualitative.
- A culture of engagement was encouraged in response to recommendations; a two-way process was important.

J Gillespie, Director of Finance, valued the role undertaken by internal audit and highlighted the importance of checking estimates and balances were in place to align with best practice.

The Chair acknowledged there was a good working relationship with internal audit within the combined authority.

M Oldham, Acting Group Assurance Manager, advised the quarterly update recommendations were indicative, and confirmed to the Chair that if any of the recommendations listed under 4.3 of the report were not clearly evidenced, they would be reported back to the Audit and Standards Committee.

It was **RESOLVED** that 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, be noted.

## 6 **INTERNAL AUDIT CHARTER**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) 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.

R Dunlop, Interim Chief Internal Auditor, briefly introduced the report and advised there were no fundamental changes to the updated Internal Audit Charter.

There were no following questions from members.

It was **RESOLVED** that the updated Internal Audit Charter, attached as Appendix 1, be agreed.

## 7 **INTERNAL AUDIT 2022/23 FINAL QUARTERLY UPDATE REPORT AND FIRST QUARTER UPDATE ON 2023/34 AUDIT PLAN**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with a final update on the 2022/23 Audit Plan, and first progress update against the 2023/24 Audit Plan.

R Dunlop, Interim Chief Internal Auditor, introduced the report and advised there was one agreed deferral from 2022/23 to 2023/24 for the governance review of Net Zero Transition due to a resource issue, as outlined on page 66 of the agenda pack. This was the only audit that had been affected.

J Gillespie, Director of Finance, added there had been a change of staffing within the Net Zero team following the transition from the North East LEP, and the team needed time to settle.

In response to the Chair, J Gillespie gave an update on the Performance Management review in terms of delivery of projects, programmes, outcomes, etc. She explained how the current management system and processes appeared complex and risked duplication of effort. Consequently, internal audit was asked to provide assurance and undertake an assessment to make a judgement if the system was fit for purpose. Internal audit were progressing with their assessment and would look at next steps if the system was not classed fit for purpose.

M Oldham, Acting Group Assurance Manager, advised that another risk assessment would be undertaken in the new financial year. Performance management would get looked at as part of the transition arrangements to the new combined authority.

It was **RESOLVED** that Internal Audit's report be noted.

## 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.

The Chair commented that the risks identified around the transition to the new combined authority were needed to be more explicit. An agenda item to discuss matters surrounding the transition would therefore be included at meetings going forward.

As requested by the Chair, J Gillespie, Director of Finance, provided a transition update to committee, explaining groups of officers and Members from across the seven local authorities met at least monthly since February to discuss operational matters, which included considerations of communications with staff and external wider engagement. An online SharePoint page was used and formed part of the dialogue with staff.

From a financial perspective there was a risk identified around the planned year-end audit work required at the end of March 2024, which would cause a significant capacity and resource issue as another set of accounts would be needed when NTCA folded into NEMCA in May 2024. J Gillespie was therefore involved in the governance workstream, working with government lawyers, to try and provide within the new Order an extension to NTCA's year-end date from 31 March to 5 May 2024.

J Softly, Monitoring Officer, advised there was a lot of technical work being undertaken to ensure that the new combined authority could inherit the work from NTCA and officially operate from day one, in May 2024.

He explained the Secretary of State had been provided with the public consultation analysis from the relevant local authorities for consideration, as part of their decision making. As part of preparations for the new combined authority, legislation was being drafted with government lawyers with a view that it would come into effect for the Mayoral election in May 2024 and the subsequent set up of the new combined authority.

The following points were confirmed in response to questions from members about the risks associated to the transition to the new combined authority:

- Funding approvals from NTCA, North East LEP and Transport North East were expected to continue as business as usual, and spend in accordance with existing plans. There were no significant funding timelines, other than the NTCA Brownfield Housing Fund and the UKSPF which had to be spent by March 2025.
- Arrangements were within legislation to ensure there was no unspent grant, and all balances would transfer to the new combined authority.

- The position statement was continually reviewed and there were no small amounts of funding identified that could not be delivered or were at risk of clawback.
- The end of year balance sheet would be reviewed for risks with the Strategic Management Team.

With reference to the risk register, S Richards, Risk Advisor, explained there was not much change to the action plan since the last committee meeting and there were no major key issues to report.

The Chair agreed it would be helpful to include a separate appendix to manage the risks around devolution and the transition to the new combined authority.

In response to a member's query about the complexities of the transition over a large geographical area with regard to managing the annual accounts, J Softly, Monitoring Officer, clarified that the transitional accounting arrangements being worked upon expanded across the region's seven local authorities involved in the new combined authority.

It was acknowledged by J Gillespie that it would be challenging and there would be two sets of 2023-24 statement of accounts for the new combined authority to consider in the first year for NTCA and NECA, thereafter there would be one set of accounts. The statement of accounts for 2023-24 would need to go to the new mayoral authority for consideration and approval. She confirmed the 2023-24 annual opinion however would still need to be considered by an audit committee.

The Service Level Agreement for the transition of the existing internal audit arrangements was being worked upon and the appointment of the internal auditors was expected soon.

The Chair noted the committee would not be able to sign-off the 2023-24 statement of accounts at the committee's last meeting scheduled in April 2024, but suggested committee could still receive the accounts as they stood at the time.

It was **RESOLVED** that:

- i) The outcomes of the strategic risk review, be accepted.
- ii) 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), be noted.
- iv) The devolution and transitional risks would be shown in an appendix to the risk register and the transition to the new combined authority would be added as an agenda item to future meetings.

## 9 **DRAFT ANNUAL GOVERNANCE STATEMENT (2022/23)**

Submitted: Report of Risk Advisor to North of Tyne Combined Authority (NTCA) (previously circulated and a copy attached to the official records) to present the NTCA draft 2022/23 Annual Governance Statement (AGS).

S Richards, Risk Advisor, introduced the report and outlined the work undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) good governance framework principles, to meet governance and internal control arrangements.

The AGS would be presented to committee at the final stage of the process before getting signed-off by the Mayor, the Director of Finance as the Chief Finance Officer, and Chair of Audit and Standards Committee.

The Chair commented that the AGS made a good read, and that ethical governance was a responsibility of the committee.

J Gillespie, Director of Finance, explained how the AGS provided an overarching view to the approach local government took around decision making, assuring accountability and good governance, to deliver actions and services in the community.

J Softly, confirmed there was a framework of policies and protocols related to ethical governance in place for the NTCA.

In response to the Chair's query that overview and scrutiny was not listed under Section 5 of the AGS, J Gillespie advised the AGS would provide the evidence to ensure that overview and scrutiny requirements were in place, and they fulfilled their role of reporting to Cabinet and provide challenge when required. External Audit would also need to be satisfied that the scrutiny function was operating successfully.

It was **RESOLVED** that:

- i) The first draft of the NTCA 2022/23 AGS (Appendix A), be noted.
- ii) The Financial Management Code action plan is substantially in place and therefore not considered as an area requiring improvement, be noted.
- iii) The 2022/23 AGS be kept under review and amended as necessary. A report would be provided if any changes were made following the audit of the NTCA 2022/23 financial statements.

## 10 **DRAFT STATEMENT OF ACCOUNTS (2022/23)**

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with an updated position on the preparation of the Draft NTCA 2022-23 Statement of Accounts.

J Gillespie, Director of Finance, presented the report and explained that the draft statement of accounts for 2022-23 would be circulated to the committee once the quality assurance process had been concluded, which was expected soon.

It was hoped the draft statement of accounts would be published in the next couple of weeks. Once committee were happy to sign-off and publish the draft statement of accounts, J Gillespie advised she would produce a briefing note for committee members.

The audited accounts would not be ready until January 2024, however J Gillespie would provide a progress update at the committee's meetings to keep members informed.

In response to the Chair's request for an update about the recruitment of external auditors, G Barker, confirmed there was a recruitment and retaining problem across the sector. Improvements had been made to the graduate programme to help attract new recruits. He advised that there was more stability in recruitment than there was 12 months ago.

It was **RESOLVED** that the updated position on the publication of the Draft NTCA 2022-23 Statement of Accounts, be noted.

11 **DATE AND TIME OF NEXT MEETING**

19 September 2023, 10.00am at Newcastle Civic Centre