

## **Audit and Standards Committee**

5 July 2022

(10.05 - 11.00 am)

Meeting held: Banqueting Hall, Civic Centre, Newcastle upon Tyne, NE1 8QH

### **Draft Minutes**

#### **Present:**

Chair: Doug Ross

Councillors: L Bowman, G Castle, C Ferguson, C Hardy, T Mulvenna and S Sheraton

The Chair welcomed everyone to the meeting, noting that the committee was not quorate at that point.

*[During discussion of item 9 (Draft Statement of Accounts) the meeting became quorate and the Chair then revisited agenda items previously discussed and matters were agreed where required]*

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

Apologies for absence were received from Cllr Shaw. Cllr Mulvenna and Cllr Bowman were attending as substitute members.

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

None.

#### **3 APPOINTMENT OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2022-2023**

Returning to this item once the meeting was quorate, there being no nominations, it was **RESOLVED** that the matter be deferred to the next meeting.

4 **AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 26 APRIL 2022**

Returning to this item once the meeting was quorate, it was **RESOLVED** that the minutes of the meeting held on 26 April 2022 be agreed as an accurate record, subject to the inclusion of Cllr C Seymour who was present at the meeting.

5 **2021/22 OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL**

Submitted: Report of the Interim Chief Internal Auditor (previously circulated and a copy attached to the official records), which outlined the Internal Audit 2021/22 opinion on the adequacy and effectiveness of the framework of governance, risk management and control.

R Dunlop, Interim Chief Internal Auditor, presented the report drawing committee attention to work carried out during 2021/22 to confirm that adequate controls were in place.

Returning to this item once the meeting was quorate, it was **RESOLVED** that the report be noted.

6 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

Submitted: Report of the Interim Chief Internal Auditor (previously circulated and a copy attached to the official records), which provided a progress update on the 2021/22 Internal Audit Plan and other recent work undertaken.

R Dunlop, Interim Chief Internal Auditor, presented the report highlighting work completed during 2021/22 and audits that had been rescheduled into 2022/23.

The Chair welcomed the work that had been carried out, noting the change in focus from the introduction of new controls, to a focus on controls that underpinned ongoing delivery.

Returning to this item once the meeting was quorate, it was **RESOLVED** that the report, be noted.

7 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

Submitted: Report of the Risk Advisor to the North of Tyne Combined Authority (previously circulated and a copy attached to the official records), which provided assurance to the committee that the most significant risks had been identified, were monitored and measures were in place to mitigate them.

P Slater, Risk Advisor, presented the report noting that there had been no changes to the risk register following the last meeting, with actions due to be reviewed and updated in September 2022. Reference was made to risk A3, innovation in recovery, where an update had been provided by the Chief Economist. In due course the LEP risk register would also be updated into a similar format.

Responding to a query, the Risk Advisor confirmed that work would take place to consider the impact of the increase in the cost of living. Commenting further, J

Gillespie confirmed that the impact of inflationary cost pressures on programmes would be a challenge and would be closely monitored.

The Chair welcomed the format and level of detail provided in the risk register.

Returning to this item once the meeting was quorate, it was **RESOLVED** that the outcomes of the strategic risk review be accepted.

## 8 **DRAFT ANNUAL GOVERNANCE STATEMENT (2021/22)**

Submitted: Report of the Risk Advisor to the North of Tyne Combined Authority (previously circulated and a copy attached to the official records), which presented the outcome of the annual review of the authority's governance and internal control arrangements.

P Slater, Risk Advisor, presented the report noting that since the draft statement had been presented to committee at the last meeting, no significant weaknesses had been identified and only minor amendments to the narrative in section 7 were proposed for the benefit of the reader.

It was noted that the final content of the statement would be subject to the outcome of the external audit and may be amended further prior to signature.

Returning to this item once the meeting was quorate, it was **RESOLVED** that:

- i. The draft NTCA 2021/22 AGS be approved for consideration as part of the audit of the authority's financial statements.
- ii. Committee acknowledged that the 2021/22 AGS would be kept under review and amended as necessary should any weakness come to light before the committee received a final version at its next meeting together with the Statement of Accounts.

## 9 **DRAFT STATEMENT OF ACCOUNTS (2021/22)**

Submitted: Report of the Chief Finance Officer (previously circulated and a copy attached to the official records), which presented the Draft Statement of Accounts for the year ended 31 March 2022, including the Draft Narrative Report and the Draft Annual Governance Statement.

J Gillespie, Chief Finance Officer, presented the report highlighting the complexity of the accounts due to the authority's share of revenue, expenditure, assets and liabilities that related to the joint transport arrangements and Nexus. Narrative would be finalised in respect of achievements during the year, in line with the corporate plan.

*[Cllr Bowman joined the meeting and committee was then quorate]*

K Laing, Strategic Finance Manager, provided a presentation to committee on the key points within the draft Statement of Accounts (copy attached to the official records).

Responding to a query on how useable reserves would be determined, J Gillespie confirmed that a substantial element of reserves related to unspent Investment Fund resources. In line with good practice, the authority also held a small amount of earmarked risk based reserve. The remaining earmarked reserves related to grant funding and sources of income pertaining to NECA and Nexus and were ringfenced for a specific purpose. It was agreed that additional information would be circulated on the distinction between ringfenced and un-ringfenced reserves.

In respect of the increase in surplus to £55m, K Laing confirmed that the increase related to Covid related grant funding for transport that had been received by the joint transport committee.

Assurance was sought on the confidence that officers had in the job creation forecast by 2023/24. In response, J Gillespie indicated that the forecast was based on agreements that were in place on a number of projects and programmes that had included job creation targets. The significant increase in later years reflected that the organisation had started from a stand-still position.

Noting that the job creation graph provided to committee the previous year had included a forecast over a longer period, J Gillespie undertook to provide a further report in respect of the forecast of jobs created to the next meeting.

K Laing confirmed that the graph mirrored that provided in the Corporate Plan and presented to Cabinet.

**RESOLVED** that –

- i. The NTCA Draft Statement of Accounts be noted.
- ii. Additional information be circulated on the distinction between ringfenced and un-ringfenced reserves.
- iii. A report be provided to the next meeting on the forecast of jobs created.

## 10 **EXTERNAL AUDIT PROGRESS REPORT**

Submitted: Audit Strategy Memorandum by Mazars (previously circulated and a copy attached to the official records).

G Baker, External Auditor, provided an update on completion of the 2020/21 external audit, noting outstanding work in relation to: a resolution from CIPFA to national issue on the accounting of infrastructure; the value for money exercise; and work necessary to conclude the Whole of Government Accounts consolidation pack.

It was noted that external audit capacity was in place for the 2021/22 audit and work on Nexus accounts would take place in July/August prior to NECA and then NTCA, with a view to completing the external audit by the end of November 2022.

J Dafter, External Auditor, presented the Audit Strategy Memorandum and drew members attention to: the summary of engagement and responsibilities; team capacity and the appointment of new team leader; the scope and approach of the audit, which would be similar to the previous year; significant risks and key judgement areas, which included accounting for Tyne Tunnel income and the pension fund defined benefit liability valuation; value for money work that would be

completed; fees; independence and materiality, which was different to the previous year, but not unexpected.

Responding to a query, G Baker confirmed that certificates to close the 2020/21 external audit could only be issued once a national position had been reached on accounting for infrastructure as this would need to be considered first. The position impacted on all authorities with material infrastructure.

**RESOLVED** that the report be noted.

## 11 **DATE AND TIME OF NEXT MEETING**

Noted as Tuesday 15 November 2022 at 10am.

The Chair advised that, due to other commitments, this would be his last meeting as Chair of the committee, subject to an appointment being made before the next meeting and he thanked members and officers for their support and contribution to the work of the committee.

On behalf of the committee and the combined authority, R Redfern thanked the Chair for his commitment and the outstanding contribution that he had made to the work of the committee, and she wished him well for the future.