

Audit and Standards Committee

Tuesday 20 July 2021 at 10.00 am

Meeting to be held: Banqueting Hall, Civic Centre, Newcastle, NE1 8QH

www.northoftyne-ca.gov.uk

AGENDA

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 previous meeting** **1 - 8**
4. **2020/21 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control** **9 - 18**
5. **Internal Audit Quarterly Update Report** **19 - 26**
6. **Strategic Risks and Opportunities Register** **27 - 52**
7. **Audit Progress Report and Re-drafted Audit Strategy Memorandum (External Audit)** **53 - 110**

8. **Annual Governance Statement**

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

9. **Statement of Accounts**

111 - 114

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

10. **Standards Update**

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, 21 September 2021 at 10am.

Contact Officer:
Karen Christon
Email: karen.christon@northoftyne-ca.gov.uk
www.northoftyne-ca.gov.uk



North of Tyne Combined Authority, Audit and Standards Committee

20 April 2021

(10.00 - 11.13 am)

The meeting was held remotely

Draft Minutes

Present:

Chair: D Ross

Councillors: A Chisholm, C Ferguson, C Penny-Evans, C Seymour and M Swinburn

79 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and apologies for absence were received from Cllrs R Glindon, M Rankin and D Cox.

80 DECLARATIONS OF INTEREST

None.

81 AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 19 JANUARY 2021 - FOR APPROVAL

The minutes of the meeting held on 19 January 2021 were agreed as a correct record.

82 INTERNAL AUDIT STRATEGIC AUDIT PLAN 2021/22

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

Consideration was given to the report the purpose of which was to outline the proposed Strategic Audit Plan for 2021/22 for consideration and endorsement by the Audit and Standards Committee.

The plan was based on an assessment of risk and where Internal Audit believed that they could add value to the plan. Officers had engaged with all stakeholders including the Audit and Standards Committee at its January meeting. Given the

ongoing pandemic situation the plan had to be flexible, allowing Internal Audit to amend and react to any emerging risks during the year. Any changes to the plan would be reported back to the Audit and Standards Committee. The plan sets out each area to be covered and includes the audit objectives.

Attention was drawn to the Public Sector Internal Audit Standards which required Internal Audit to provide programme assurance and communicate with members at any given time.

RESOLVED – that Audit and Standards Committee endorse the proposed Strategic Audit Plan 2021/22, attached as Appendix A, which is based on an assessment of audit risk and which was designed to focus on the North of Tyne Combined Authority's key objectives in the 2021/22 year.

83 **INTERNAL AUDIT QUARTERLY UPDATE**

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

Consideration was given to the report the purpose of which was to provide Audit and Standards Committee with an update on progress against the 2020/21 Internal Audit Plan, agreed by the Audit and Standards Committee at its meeting on 28 July 2020.

Members noted that the areas of work to be progressed and detailed in the report would be completed by the end of July.

Comments/questions from Members included:

- A Member questioned why two areas of work have been reprogrammed to the 2021/22 Strategic Audit Plan and whether it was appropriate to delay or a capacity issue. In response the Interim Chief Internal Auditor advised that there was an impact at the beginning of the year due to the pandemic, plus the additional work as a result of the National Fraud Initiative requirements. Discussions had taken place with the Director part way through the year as to how the audits would be profiled undertaking the work so that it maximised the benefits to the Combined Authority.
- Responding to a further question the Interim Chief Internal Auditor confirmed that there was capacity to complete the work.
- Responding to a query regarding the Policy Framework – Governance and Decision Making audit, completed since the last meeting of the committee, the Interim Chief Internal Auditor gave assurances that this would be monitored.

RESOLVED – that Audit and Standards Committee note the report

84 **AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME MUNICIPAL YEAR 2021/22**

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

The report set out a proposed programme of core business to be considered by the Audit and Standards Committee during the 2021/22 Municipal Year, in line with its Terms of Reference as set out in the Combined Authority's Constitution.

Comments and questions from members included:

- A Member sought clarification as to how ad-hoc items for consideration were included in the work plan. The Acting Chief Internal Auditor explained that it was incumbent on Members to bring forward any items they may wish to be brought to the committee by notifying the Acting Chief Internal Auditor or the Interim Monitoring Office. Members were also advised that a training session for all Members of the Audit and Standards Committee may be provided in the next Municipal Year.
- A Member referred to section 8 of the report, Climate Change Implications, and the climate emergency declared by each of the three constituent authorities. The Acting Chief Internal Auditor was asked if Climate change should be included in the work plan. Members were advised that there is no direct Climate Change impact connected to any of the items in the work plan.

Members noted that a report regarding the Model Code of Conduct would be reported to the July meeting of the Committee.

RESOLVED that the Audit and Standards Committee –

- 1) Agreed the proposed core business work programme as set out within the report for the 2021/22 Municipal Year.
- 2) Noted that 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.
- 3) Noted that the committee would 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

85 **AUDIT AND STANDARDS COMMITTEE SELF-ASSESSMENT OF EFFECTIVENESS**

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

The purpose of the report was to present an initial self-assessment of current Audit and Standards Committee arrangements, as a first step in undertaking a full review of the effectiveness of the Audit and Standards Committee during 2021/22, based on relevant legal requirements and the Chartered Institute of Public Finance and

Accountancy (CIPFA) good practice guidance, for Audit and Standards Committee's consideration.

Members were reminded that as a Combined Authority, there was specific legislation included in the Cities and Local Government Devolution Act which required the Authority to establish an Audit and Standards Committee. It was noted that the review of the effectiveness of the Audit and Standards Committee would in the future form the basis of an annual report from Audit and Standards Committee, which would be prepared for presentation to Cabinet.

Comments and Questions from Members included:

- Referring to the suggested programme of training for Audit and Standards Committee, a member asked if this could be undertaken in smaller bite size sessions rather than a full day. Also, assurance was sought that the Mayor and Cabinet were aware of the work of the Audit Committee given that there was no direct communication between Cabinet and the Audit and Standards Committee and could appropriate feedback be given to committee Members. In responding the Acting Chief Internal Auditor confirmed that smaller training sessions can be provided and tailored to correspond with agenda items. As to communications with Cabinet he advised that he was not aware of any feedback process. However, the suggested annual report to Cabinet would set out the terms of reference for Audit and Standards Committee, the areas of work considered for the year and any findings, demonstrating that Cabinet's expectations were met.

The Chair suggested that he could attend Cabinet to present the annual report and answer any questions. The Chair also asked if the minutes of Audit and Standards meetings were circulated to Cabinet. Members were advised that whilst the minutes were not circulated, they were available on the North of Tyne Combined Authority website.

RESOLVED that Audit and Standards Committee –

- 1) Noted the proposal to undertake a review of the effectiveness of the Combined Authority's Audit and Standards Committee arrangements during 2021/22, based on relevant legal requirements and the Chartered Institute of Public Finance and Accountancy (CIPFA) good practice guidance.
- 2) Considered and endorsed the initial self-assessment of Audit and Standards Committee arrangements attached as outlined at Annex A.
- 3) Agreed that the review of the effectiveness of the Audit and Standards Committee would form the basis of an annual report from Audit & Standards Committee, which would be prepared for presentation to Cabinet, demonstrating how the Audit and Standards Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

86 STRATEGIC RISK AND OPPORTUNITIES REGISTER - QUARTERLY UPDATE

Submitted: Report of the Risk Advisor to North of Tyne Combined Authority (previously circulated and a copy attached to the Official Minutes).

Consideration was given to the report the purpose of which was to provide assurance to Audit and Standards Committee that the most significant risks and opportunities had been identified, were being monitored and measures were being taken to mitigate them. A further review of the Authority's strategic risks and opportunities register had identified a new external risk which recognised the impact of the lockdowns imposed as a result of Covid-19 and the implementation of the new EU/UK trade deal procedures and the effect these may have upon delivery of the Authority's economic growth and employment opportunity schemes.

Questions and comments from Members included:

- A Member questioned why the new risk had been presented as only one risk to the authority as they were two different areas. In response the Risk Advisor explained that in terms of the risk impacts and controls both areas were very similar and it was difficult to know whether the impact was as a result of Covid-19 or the implementation of the new EU/UK trade deal procedure . Responding to a further question the Risk Advisor agreed that if it became evident that the risks had diverged then they could be split.
- Reference was made to Risk 2, Delivery of Devolution, and the cause leading to the risk. The Risk Advisor was questioned as to where he sourced the information relating to national political instability. The Risk Advisor stated that he would refer the risk back to the owner for review.

RESOLVED that the Audit and Standards Committee –

- 1) Acknowledged the new risk which would monitor the impact of Covid-19 and the new EU/UK trade deal procedures on the Authority's delivery plans.
- 2) Noted the review and where necessary challenged the outcomes of the strategic risk review.
- 3) Noted a summary of the strategic risks identified by the North East LEP (Appendix C) and North East Joint Transport Committee (North East JTC) (Appendix D) were included for information.

87 REPORT ON ACCOUNTING POLICIES TO BE USED IN COMPILATION OF ANNUAL STATEMENT OF ACCOUNTS

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

The Strategic Finance Manager presented the report the purpose of which was to update Audit and Standards Committee on North of Tyne Combined Authority (NTCA) accounting policies to be applied in the preparation of the 2020/21 Statement of Accounts and to seek confirmation from the committee that appropriate policies were being applied.

It was noted that the accounting policies were the same as those used for the 2019/20 accounts. The details of the policies were set out in appendix1 of the report.

A verbal update was provided in relation to the preparation of the 2020/21 accounts. The Accounts and Audit Regulations 2020/21, which take effect from 31 March 2021, had revised the requirement for the audited accounts to be published from 31 July to 30 September. The revised regulation would also apply to the 2021/22 accounts. The draft accounts would be presented to Audit and Standards Committee on 20 July 2021 prior to publication on 30 September.

The accounts included the assets and liabilities for the Joint Transport Committee (JTC) and Nexus. It was noted that meetings had taken place with partners to agree a timetable to ensure that statutory guidelines were met. The accounts for the financial year 2020/21 would be the first year that the North East Local Enterprise Partnership (North East LEP) and Invest North East England (INEE) figures were included within the NTCA Accounts, since NTCA became the Accountable Body on 1 April 2020. Members noted that additional capacity had been brought into the North of Tyne finance team to assist with the production of the accounts.

In response to a request from the Chair it was agreed to circulate in writing the information provided to Members in respect of the verbal update.

RESOLVED that Audit and Standards Committee –

- 1) In response to a request from the Chair, information be circulated in writing in respect of the verbal update provided.
- 2) Note the Accounting Policies to be adopted by the Combined Authority and used to compile the accounts for the financial year ended 31 March 2021.
- 3) Authorise the Chief Finance Officer to review the accounting policies as necessary, and report changes to Audit and Standards Committee.

88 **DRAFT ANNUAL GOVERNANCE STATEMENT**

Submitted: Report of the Risk Advisor to North of Tyne Combined Authority (previously circulated and a copy attached to the Official Minutes).

The Risk Advisor introduced the draft 2020/21 Annual Governance Statement (AGS). The AGS highlights the provisional outcome of the annual review of the Authority's governance and internal control arrangements.

Officers have begun to gather the evidence required to support the AGS. The internal and external audit opinion would be completed later in the year. In

accordance with the new CIPFA Financial Management Code, the Authority would undertake a self-assessment of the Code and the results would be included in the AGS.

RESOLVED that Audit and Standards Committee –

- 1) Considered the attached first draft of the NTCA 2020/21 Annual Governance Statement (Appendix A) acknowledging the activity underway to prepare for the introduction of the new Financial Management Code, which was highlighted in section 14 of the Statement.
- 2) Acknowledge that the Statement would be kept under review and amended as necessary should any weaknesses come to light before the committee receive a further draft at its July meeting and up to the date of final approval of NTCA financial statements.

89 **EXTERNAL AUDIT - AUDIT STRATEGY MEMORANDUM**

Submitted: Report of Mazars, External Auditor (previously circulated and a copy attached to the Official Minutes).

G Barker presented the report for the North of Tyne Combined Authority (the Authority) and the Group (the Group) for the year ending 31 March 2021. The purpose of this document was to summarise the audit approach, highlight significant audit risks and areas of key judgements. It was anticipated that the audit would be completed by September 2021

During the presentation G Barker highlighted the following areas –

Significant risks identified during the audit and the planned response: management override of controls, revenue recognition and Tyne Tunnel income and pensions fund. Members were reminded that the Tyne and Wear Pension Fund audit was not undertaken by Mazars.

Value for money - Identified risks of significant weaknesses in arrangements. This area of work was still to be completed and the value for money conclusion would be provided at a later time.

Fees – due to additional work requirements it was anticipated that the fees would be higher than the previous year.

G Barker responded to questions/comments from Members which included:

- A Member referred to the Tyne Tunnel toll income and asked G Barker about the nature of the handling, was this physical cash. Members were advised that the planned audit response was to ensure that income received was accounted for in the correct period.
- A further question was asked regarding the timeline for the audit of the pensions fund and whether there are any significant risks to the Combined Authority if the deadline was extended. G Barker advised that the pensions fund was an issue

for other authorities for the year ending 2020 but the fund was not audited by Mazars. The risk for the Combined Authority is whether Mazars can successfully recruit additional staff to ensure that they were properly resourced to react to potential issues. If the audit was not completed by September an update would be published on the North of Tyne website. The Interim Chief Finance Officer advised Members that the Combined Authority was required to ensure that the production and quality of the accounts was appropriate. Finance officers were involved in continuous discussions with Mazars. Any delay in the production of the accounts would be notified to Cabinet in the outturn report.

RESOLVED: that Audit and Standards Committee note the report.

90 **DATE AND TIME OF NEXT MEETING**

20 July 2021 at 10.00am

Audit and Standards Committee

20 July 2021

Subject: 2020/21 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

Report of: Kevin McDonald, Acting Chief Internal Auditor

Report Summary

The purpose of this report is to outline Internal Audit's 2020/21 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 2020/21 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control, attached as **Appendix 1**.

1. **2020/21 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 has been written by the Chief Internal Auditor to provide 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. This is the third annual opinion provided to the Combined Authority following its inception in November 2018.
 - 1.2 It is the responsibility of management to ensure that effective systems of internal control are in place within the Combined Authority and to establish sound arrangements for planning, appraising, authorising and controlling their operations. Internal Audit assists management by testing to see whether the controls established for any given system are appropriate.
 - 1.3 For the purposes of this report, the Chief Internal Auditor has undertaken a programme of assurance activity as defined by the Public Sector Internal Audit Standards (PSIAS). The programme of assurance for 2020/21 was as set out in the Internal Audit Strategic Audit Plan 2020/21 discussed by and agreed at Audit and Standards Committee on 28 July 2020.
 - 1.4 The Chief Internal Auditor notes that the Combined Authority remains a relatively new entity, formed in November 2018. As such, it would be normal and expected that procedures for the new authority continue to evolve.
 - 1.5 Internal Audit can report that good progress has continued to be made during 2020/21 in establishing and embedding the framework of governance, risk management and control. This was evidenced in our reviews of Risk Management and IT Arrangements which were given Significant Assurance audit opinions and also within the Policy Framework audit, which, whilst receiving a Limited Assurance audit opinion, found a comprehensive suite of policies was in place with further development required in relation to the framework for reviewing and approving policies and establishing training requirements.

1.6 The opinion of the Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development and given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation.

1.7 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.

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Corporate Plan 2021-2022 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 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 establishes 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 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 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 2020/21 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 2020/21. Regular reports have also been made to the Audit and Standards Committee throughout the year, advising of the outcomes of Internal Audit's work, in accordance with the Audit and Standards Committee's planned schedule of work.

10. Appendices

Appendix 1 – 2020/21 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

11. Background Papers

- (a) [Internal Audit Strategic Audit Plan 2020/21](#)
- (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
[Public Sector Internal Audit Standards](#)
- (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

Kevin McDonald, Acting Chief Internal Auditor
Kevin.McDonald@northtyneside.gov.uk / Kevin.McDonald@northumberland.gov.uk
0191 6435738

Tony Candlish, Senior Auditor
Tony.Candlish@northumberland.gov.uk
01670 623929

13. Glossary

Abbreviation	Description
NFI	National Fraud Initiative - The Cabinet Office's data matching exercise
NELEP	North East Local Enterprise Partnership
AEB	Refers to the devolved Adult Education Budget

14. Sign-off

1) Head of Paid Service: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes
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<p>NORTH OF TYNE ~~~~~ COMBINED AUTHORITY</p>	<p>Internal Audit Report:</p> <p>2020/21 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control</p>
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1 Purpose of Report

- 1.1 This report has been prepared by the Chief Internal Auditor to provide a 2020/21 opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control within the North of Tyne Combined Authority (herein referred to as the Combined Authority).
- 1.2 This is the third annual opinion provided to the Combined Authority following its inception in November 2018. The Chief Internal Auditor confirms that audit coverage has been based on Internal Audit's assessment of risk to the organisation, and the Internal Audit team has been allowed unfettered access to undertake the audit work set out in the Internal Audit Strategic Audit Plan 2020/21 presented to the Audit and Standards Committee in July 2020.

2 Governance, Risk Management and Control

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

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

Preventative Controls

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

Detective Controls

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

Directive Controls

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

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

- 3.1 For the purposes of this report, the Chief Internal Auditor has undertaken a programme of assurance activity as defined by the Public Sector Internal Audit Standards (PSIAS).
- 3.2 The programme of assurance activity for 2020/21 was as set out in the Internal Audit Strategic Audit Plan 2020/21 that was discussed and agreed at Audit and Standards Committee on 28 July 2020.
- 3.3 The Chief Internal Auditor notes that the Combined Authority remains a relatively new entity, formed in November 2018. As such, it would be normal and expected that procedures for the authority continue to evolve. Internal Audit can report that good progress has continued to be made during 2020/21 in establishing and embedding the framework of governance, risk management and control. This was evidenced in our reviews of Risk Management and IT Arrangements which were given Significant Assurance audit opinions and also within the Policy Framework audit, which, whilst receiving a Limited Assurance audit opinion, found a comprehensive suite of policies was in place with further development required in relation to the framework for reviewing and approving policies and establishing training requirements.
- 3.4 The opinion of the Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development and given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation.
- 3.5 Assurance can never be absolute, and neither can Internal Audit work be designed to identify all weaknesses that might exist. This judgement is informed by the outcomes of Internal Audit's coverage during 2020/21 and reported to Audit and Standards

Committee throughout the year. A summary of work undertaken is provided in Section 4 of this report.

- 3.6 Internal Audit is required to be alert to changes in the risk environment and conditions in which any audited entity operates. Internal Audit notes that the Coronavirus pandemic has brought about a number of significant changes nationally, since the end of the 2019/20 financial year and throughout 2020/21. The Coronavirus pandemic has been far-reaching in its impact and local government bodies, including Combined Authorities, have subsequently been a key part of the response to the pandemic. The impact of the pandemic continues to evolve and all public bodies are continuing to evaluate the changes to their risk profile and operations.
- 3.7 The Chief Internal Auditor has not needed to place reliance on the work of other bodies in forming this view, and there are no limitations in the scope of the opinion.
- 3.8 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 2020/21

4.1 During 2020/21 Internal Audit work focussed upon the following areas:

- A review of Risk Management arrangements found that processes were in place and operating as expected and that the Strategic Risk and Opportunities Register was regularly reviewed with senior management. A Significant Assurance audit opinion was provided and a number of low priority recommendations to further strengthen existing arrangements were agreed with management;
- A high level review of IT arrangements identified a number of strengths, including laptop encryption, security updates, and back-up routines, and a Significant Assurance audit opinion was provided. One medium priority recommendation was agreed with management to address the absence of formal agreements between the Combined Authority and its partner organisations in relation to data sharing and data processing that would demonstrate the organisation is meeting its accountability obligations under UK General Data Protection Regulations;
- A review of the Adequacy of Governance Arrangements in Relation to the Policy Framework. The audit found a comprehensive suite of policies was in place, however, a Limited Assurance audit opinion was provided and two medium priority recommendations were agreed with management in relation to the framework for reviewing and approving policies and establishing training requirements;
- Evidence checking of the implementation of all five high priority recommendations from the Financial Regulations Diagnostic Tool and a sample of the 26 medium priority recommendations. In relation to the high priority recommendations this work established that Contract Standing Orders and Financial Regulations have been reviewed and approved by Cabinet, the delegated officer schedule now includes specimen signatures and records which budgets officers can authorise orders and payments for, finance and procurement training has been provided to staff, and employer's liability insurance was arranged in July 2019 as soon as the organisation was advised by Internal Audit that this was not in place;
- Supporting the Combined Authority in a project assurance role whilst the governance arrangements around the implementation and ongoing management of the Adult Education Budget are developed. This role involves Internal Audit advising on, and challenging, the approach to internal control and methods of service delivery. By undertaking this role, the Internal Audit Service proactively acts as a partner to the Combined Authority, in order to assist the organisation achieve its objectives;

- Submission of data and analysis of matches arising from participation in the Cabinet Office's National Fraud Initiative data matching exercise. Data in relation to Payroll and Trade Creditors was submitted and a small number of matches were returned to the Combined Authority for further review. All matches were reviewed and no instances of fraud or duplicate payments were identified; and
- 20/21 Grant Claim Certification – Certification of five separate claims with a combined value of £1.634 million.

4.2 At the time of preparing this report a planned review of the Combined Authority's arrangements established to ensure that delivery of the outcomes and outputs enshrined in the Devolution Deal can be clearly evidenced, is underway. At this stage in the review there have been no significant matters identified that impact upon this opinion.

4.3 Planned audits of governance arrangements in relation to the NELEP and arrangements for monitoring grant conditions (in respect of grant funding both received by NTCA and issued by NTCA) have been reprogrammed into the 2021/22 Strategic Audit Plan in accordance with normal auditing practices.

4.4 The number of Internal Audit recommendations agreed with management during the 2020/21 audit year, classified against each priority, is provided in the table below:

Priority Level	Description	2020/21
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.	3 (21%)
Low	Action that is considered desirable or best practice and would result in enhanced control or better value for money.	11 (79%)
	Total	14

4.5 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 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 Internal Audit services are delivered to the North of Tyne Combined Authority by the Shared Internal Audit Service (which also provides services to North Tyneside Council and Northumberland County Council). The Shared Internal Audit Service was externally

assessed for compliance with the PSIAS during 2017 / 2018 and the assessment concluded that:

“The Shared Internal Audit Service is compliant with the requirements of the Public Sector Internal Audit Standards. There are a small number of areas which require action but these do not significantly impact on the overall opinion. There were no areas of concern to be reported.”

- 5.4 In accordance with PSIAS, annual self-assessments have been completed since the external inspection which are congruent with the opinion of the external assessment. The small number of areas in which further development had been identified, (e.g. the involvement of the Chair of Audit Committee in the Chief Internal Auditor’s performance appraisal) have been implemented.

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Audit and Standards Committee 20 July 2021

Subject: Internal Audit Quarterly Update Report
Report of: Kevin McDonald, Acting Chief Internal Auditor

Report Summary

A quarterly update from Internal Audit is included within the Work Programme for the Audit and Standards Committee at each scheduled meeting during the year. This report provides Audit and Standards Committee with a final update on progress against the 2020/21 Internal Audit Plan, agreed by the Audit and Standards Committee at its meeting on 28 July 2020, and other work undertaken during quarter 1 of 2021/22.

Updates to future meetings of the Audit and Standards Committee will be in relation to the 2021/22 Internal Audit Plan agreed at the Committee's meeting on 20 April 2021. Internal Audit are currently liaising with management to schedule the 2021/22 planned work to ensure the audits take place at the optimum times throughout the year and to take into consideration the commitments of key staff from both the Combined Authority and the Internal Audit team.

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 Internal Audit Plan approved by Audit and Standards Committee on 28 July 2020 set out a number of assignments. A summary of each of these, and other work undertaken during 2020/21 and during the first quarter of 2021/22 is provided below.

2020/21 Planned Work Completed since Previous Meeting

Area of Review	Description of Assignment and Current Status
Information Systems and Technology	<p>The objectives of this audit were to undertake a high level review of the Combined Authority's IT arrangements and to assess whether these are suitably robust and bear adequate safeguards to protect the Combined Authority and support delivery of its operations.</p> <p>The Combined Authority's ICT provision is predominantly provided by Newcastle City Council. Services provided include the deployment and management of end user devices, network access and storage, access to Office 365 and printing services. The Combined Authority also has access to ICT</p>

Area of Review	Description of Assignment and Current Status
	<p>systems hosted by North Tyneside Council and in respect of the North East Local Enterprise Partnership (NELEP) ICT provision is provided by Sunderland City Council.</p> <p>A number of areas of good practice were identified during the review, including laptop encryption, security updates, and back-up routines, and a Significant Assurance audit opinion was provided. One medium priority and two low priority matters arising were identified with the medium priority recommendation relating to the absence of formal agreements between the Combined Authority and its partner organisations in relation to data sharing and data processing to demonstrate that the organisation is meeting its accountability obligations under UK General Data Protection Regulations.</p> <p>Recommendations to address these matters arising have been agreed with management who have identified responsible officers and deadlines for implementing the recommendations.</p>
Risk Management	<p>The objective of this audit was to review the Combined Authority's risk management arrangements and assess the extent to which appropriate risk assessment and identification systems are in place and whether these are operating effectively.</p> <p>Good practice in relation to the escalation of risks from service to strategic level was identified and in the arrangements for undertaking regular reviews of the Strategic Risk and Opportunities Register with senior management and reporting to the Audit and Standards Committee. Overall the audit concluded that the risk management process is in place and operating as expected, and a Significant Assurance audit opinion was provided.</p> <p>A number of low priority matters arising were identified and recommendations agreed with management to further strengthen the risk management process.</p> <p>During the audit the Director of Policy and Performance set out the Combined Authority's aim of reviewing its approach to risk management in line with the "Reframing Risk" module of the 'New Operating Models Handbook for Local Government' published by Nesta. This Internal Audit report will support the Combined Authority's initial self-assessment of its risk maturity. Further support from Internal Audit in a project assurance role, whereby Internal Audit advises on, and challenges, the approach to internal control within new and developing</p>

Area of Review	Description of Assignment and Current Status
	systems and methods of service delivery will be considered as the review progresses. By undertaking such a role, the Internal Audit Service proactively acts as a partner to assist the organisation to achieve its aims and objectives.

2021/22 Planned Work Completed during Quarter 1

National Fraud Initiative Data Matching Exercise (2021/22 Planned Work)	<p>The objective of this work was to investigate any ‘matches’ that were identified through the Combined Authority’s participation in the Cabinet Office’s National Fraud Initiative (NFI) data matching exercise. In summary, the exercise is a national scheme which helps with the prevention and detection of fraud. Data sets, such as trade creditors, are shared with the Cabinet Office by the participants who then analyse the data using analytics tools to identify matches. The matches do not necessarily mean that there is an issue, but highlight this for review locally.</p> <p>The exercise identified a small number of matches in relation to the data submitted by the Combined Authority. The majority of these were matches relating to trade creditors that required review to determine if duplicate payments had been made. All matches were reviewed and no issues in respect of fraud or duplicate payments were identified.</p>
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2021/22 Unplanned Work Completed during Quarter 1

Certification of NELEP Grant Returns	<p>Internal Audit undertook grant certification work totalling £0.831m on behalf of the NELEP in relation to the following 2020/21 grant funding awarded by the Department for Business Energy and Industrial Strategy (BEIS):</p> <ul style="list-style-type: none"> • Core Growth Fund - £0.410m • Supplementary Growth Fund 20/21 - £0.311m • EU Transition Business Readiness Grant - £0.110m <p>In addition an audit assurance report was provided in relation to the BEIS Peer Network Grant Funding – Period 2 (1 March 2021-30 April 2021) expenditure of £0.217m. The grant terms and conditions require such a report where the expenditure in a claim period exceeds £0.100m. The overall claim certification deadline (covering periods 1 and 2) is 30 September 2021 and further work will be undertaken in relation to period 1 to complete the grant certification work for this grant funding stream.</p>
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Brownfield Housing Fund Grant Claim Certification	The Combined Authority was awarded £23.8million by the Ministry of Housing, Communities and Local Government over a five-year period to unlock between 1,500 and 2,500 new homes. Internal Audit performed certification of expenditure of £0.585m in respect of year one of the programme.
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Work in Progress

Area of Review	Description of Assignment and Current Status
Arrangements for ensuring and evidencing delivery of the Devolution Deal	<p>This audit is evaluating the effectiveness of the arrangements established to ensure that delivery of the Combined Authority's key outcomes and outputs, as enshrined in the Devolution Deal, can be clearly evidenced.</p> <p>An Internal Audit Project Brief was agreed with management and the audit fieldwork is progressing well. It is anticipated that following completion of this review, a summary of the findings and conclusion from the audit will be provided to the September 2021 meeting of the Audit and Standards Committee.</p>
Adult Education Budget (AEB)	Ongoing support to the Combined Authority in a project assurance role whilst the organisation develops its governance arrangements around the implementation and ongoing management of the AEB. This role involves Internal Audit advising on, and challenging, the approach to internal control and methods of service delivery. By undertaking this role, Internal Audit proactively acts as a partner to the Combined Authority, in order to assist the organisation achieve its objectives.

Work Reprogrammed to the 2021/22 Strategic Audit Plan

As reported to previous meetings of the Audit and Standards Committee the following two audits originally planned for 2020/21 have been reprogrammed into 2021/22. This is a normal part of the audit planning and management process and reflects that audits are undertaken on a continuous rolling programme, according to the optimum timing for each piece of work and to accommodate work not originally included in the plan.

Area of Review	Description of Assignment and Current Status
Monitoring of grant conditions (in respect of grant funding both received by NTCA and issued by NTCA)	This audit will examine and evaluate the arrangements established by NTCA to monitor grant conditions as a grant funding recipient and ensure that specified outcomes are delivered; and also to assess arrangements within NTCA as a grant funder to set appropriate grant conditions when issuing funding to other organisations and monitor and evidence compliance with those grant conditions.

Area of Review	Description of Assignment and Current Status
Governance Arrangements in relation to the North East Local Enterprise Partnership (NELEP)	This audit will review the financial management, decision-making and reporting arrangements established between the Combined Authority and NELEP to ensure these adequately serve the Combined Authority's role as accountable body for the NELEP.

Previously Completed and Reported Work

Area of Review	Description of Assignment and Current Status
Policy Framework – Governance and decision making	<p>The objective of this audit was to assess the adequacy of governance arrangements in relation to the policy framework, and how effective these are in operation, in relation to:</p> <ul style="list-style-type: none"> • The completeness of the suite of policies in place; • The arrangements for implementing, approving, and reviewing policies; and • How policy owners are raising awareness, providing training and monitoring compliance. <p>A Limited Assurance opinion was provided, which reflects the stage the organisation is at in relation to the development and maturity of its Policy Framework.</p> <p>The audit found a comprehensive suite of policies was in place. The outward facing strategic policies have been developed to support the vision of the NTCA, as "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". The Director of Policy and Performance and Policy Leads are working towards further embedding the principles of these strategic policies into the day to day work of the NTCA.</p> <p>At the conclusion of the audit recommendations were agreed with management in relation to:</p> <ul style="list-style-type: none"> • Establishing the required level, and frequency, of training for each policy, developing training provision and monitoring compliance; • Developing the framework for the control of policy documents, including:

Area of Review	Description of Assignment and Current Status
	<ul style="list-style-type: none"> • Documenting the processes for policy development and review, reviewing effectiveness, and policy approval and implementation, • Assigning control of policy documents to a responsible officer who will monitor that each policy has an assigned author, a review date, and that revised policies are submitted to the correct decision-making body or person for approval.
Follow-up of Recommendations from the 2019/20 financial diagnostic toolkit work and Investment Fund audits	<p>Evidence checking was undertaken of the implementation of all five high priority recommendations from the financial diagnostic tool and a sample of the 26 medium priority recommendations. The results of this work were reported to Audit and Standards Committee on 28 July 2020.</p> <p>At this time three of the five high priority recommendations had been implemented and work was underway regarding the remaining two, relating to updating Financial Regulations and Contract Standing Orders. Internal Audit have subsequently established that these two remaining recommendations were implemented through the approval of these key financial governance documents by Cabinet on 28 July 2020. Further work in relation to key financial systems has been included in the 2021/22 Internal Audit Plan.</p>

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Corporate Plan 2021-2022 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 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 establishes 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 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 2020/21 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 declared a Climate Emergency.

9. Consultation and Engagement

- 9.1 The Interim Head of Paid Service, Chief Finance Officer, Director of Policy and Performance, and Director of Economic Growth were consulted in preparation of Internal Audit's 2020/21 and 2021/22 audit coverage.

10. Appendices

None

11. Background Papers

- (a) [Internal Audit Strategic Audit Plan 2020/21](#)
- (b) [Internal Audit Strategic Audit Plan 2021/22](#)
- (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
[Public Sector Internal Audit Standards](#)
- (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

Kevin McDonald, Acting Chief Internal Auditor
Kevin.McDonald@northtyneside.gov.uk / Kevin.McDonald@northumberland.gov.uk
 0191 6435738

Tony Candlish, Senior Auditor
Tony.Candlish@northumberland.gov.uk
 01670 623929

13. Glossary

Abbreviation	Description
NFI	National Fraud Initiative - The Cabinet Office's data matching exercise
NELEP	North East Local Enterprise Partnership
AEB	Refers to the devolved Adult Education Budget

14. Sign-off

1) Head of Paid Service: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes
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Subject: Strategic Risk and Opportunities Register
Report of: Risk Advisor to North of Tyne Combined Authority
(NTCA)

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.

Risk Review Update

The review of the risk register which was carried out in June highlighted the following changes to bring to the attention of the Committee. Firstly, the risk which described the impact of the lockdowns imposed as a result of Covid-19 and the implementation of the new EU/UK trade deal procedures, is now shown as two separate risks on the risk register.

The Red- Amber-Green (RAG) risk assessments for both risks have also been revisited and reduced from Red to Amber, recognising the successful delivery of NTCA's Investment Programme, which has been re-orientated to support recovery in the NTCA area.

There continues to be some concerns for smaller businesses regarding implementation of the EU/UK trade deal procedures, although many larger businesses have been able to adjust to the new trade arrangements. Although the RAG assessment has been moved down, it remains Amber given the medium-longer term risks for larger businesses if the UK becomes viewed as a less favourable long-term location for producing products which are subsequently exported to the EU.

Secondly, the risk which monitors delivery of the devolution deal has also been updated, with its RAG assessment also reduced from Red to Amber. The review highlighted the progress the Authority has made delivering on its devolution deal commitments.

The opportunity which monitored the partnership arrangements between the Combined Authority and the North East LEP has been removed from the risk register. It is a year on since NTCA became the accountable body for the North East LEP with both organisations working collaboratively to develop its governance arrangements which are now embedded and working effectively.

Reframing Risk Management

Following Cabinet approval of the NTCA 2021/22 Corporate Plan, NTCA's Senior Management Team (SMT) have taken the opportunity to carry out a review of the risk management process.

The organisation has evolved since it was first established, with the number of its partnerships increasing significantly. Therefore, it is recognised that the identification and management of risks must be inclusive, encouraging dialogue with a range of our partners and stakeholders, as they play a big part in our delivery plans.

To start the process of developing a risk management approach which acknowledges our expansive partnership working and ensures it is robust and inclusive, a risk workshop was held on 28 June with the NTCA SMT and Officers. The workshop focussed on the Authority's delivery outcomes and its relationships with key partners and stakeholders and the engagement strategies necessary to collectively deliver the Authority's aims and ambitions.

A further report will be presented to the Committee at its next meeting, providing the outcomes from the workshop and progress made towards reframing the risk management process.

Recommendations

The Audit and Standards Committee is recommended to:

1. Acknowledge the improvements in the RAG assessments which have been reduced to Amber from Red and the separation of the Covid-19 and EU/UK trade deal risks
2. Agree to the removal of the North East LEP opportunity from the risk register
3. Review challenge and accept the outcomes of the strategic risk review
4. Acknowledge the activity underway to reframe the risk management process and how risks and opportunities will be managed in the future
5. Note a summary of the strategic risks identified by the North East LEP (Appendix C) and North East Joint Transport Committee (North East JTC) (Appendix D) are included for information

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The report aims to provide members with an update of the strategic risks and opportunities, which may impact upon the achievement of the Authority's priorities.

2. Strategic Risk Register Review

2.1 External Risks - Covid-19 and the EU/UK Trade Deal

In response to the Committee's request at the April meeting, the risk which described the impact of lockdowns imposed as a result of Covid-19, and the implementation of the new EU/UK trade deal procedures, is now shown as two separate risks on the risk register.

This will ensure the Committee can see more clearly the impact of the Covid-19 restrictions and the implementation of the Trade Deal may have upon the delivery of the Authority's economic growth and employment opportunity schemes.

The RAG assessments for both risks have also been reviewed and reduced from Red to Amber, recognising the successful delivery of NTCA's Investment Programme, which has been re-orientated to support recovery in the NTCA area and Government's announcement to significantly relax Covid-19 restrictions, which will increase social contact and open up the remaining sectors of the economy.

There continues to be some concerns for smaller businesses regarding implementation of the EU/UK trade deal procedures, although many larger businesses have been able to adjust to the new trade arrangements. Although the RAG assessment has been moved down, it remains Amber given the medium-longer term risks for larger businesses if the UK becomes viewed as a less favourable long-term location for producing products which are subsequently exported to the EU.

Risks and uncertainties remain to both the outlook for Covid-19 and the economy with NTCA continuing to monitor its risks and mitigation strategies closely to ensure it continues to deliver on its aims and ambitions.

Delivery of Devolution

The risk which monitors the delivery of the devolution deal has also been updated. The risk review highlighted the rapid progress the Authority has made delivering on its devolution deal commitments. Acknowledging the successful delivery of its projects and schemes using the devolved powers and resources.

The outcome of the review has also resulted in the RAG assessment being reduced from Red to Amber.

2.2 **North East Local Enterprise Partnership**

Following the review of the risk register in June 2021, the opportunity which monitored partnership arrangements between the Combined Authority and the North East LEP to ensure effective governance arrangements were established has been removed from the register.

It is a year on since NTCA became the accountable body for the North East LEP with both organisations working collaboratively to develop its governance arrangements which are now embedded and working effectively.

- 2.3 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.

The strategic risks identified by the North East LEP are also included at Appendix C. 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.

- 2.4 Transport continues to be of strategic importance to the North East and the collaborative working of both Combined Authorities allows effective decision making across the region. The North East JTC is responsible for bringing together members from both Combined Authorities allowing the collective identification and management of the most significant risks to the successful operation of the North East JTC and delivery of its objectives and plans.

The JTC Strategic Risk Register, which records the biggest threats to the achievement of the strategic objectives of the North East JTC and its organisational risks, was updated by NECA's risk management service, and presented to the JTC Audit Committee at its meeting on 16 June 2021.

A summary of the North East JTC strategic risks as reported in June 2021 is provided at Appendix D 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](#).

3. **Reframing the Risk Management Process**

- 3.1 Following Cabinet approval of the NTCA 2021/22 Corporate Plan, which sets out how the Authority will deliver on its priorities over the medium and short term, NTCA's Senior Management Team (SMT) have taken the opportunity to carry out a review of the risk management process.

The organisation has evolved since it was first established, with the number of its partnerships increasing significantly. Therefore, it is recognised that the identification and management of risks must be inclusive, encouraging dialogue with a range of our partners and stakeholders as they play a big part in our delivery plans.

This collaborative approach to exploring risks and opportunities with our partners will ensure we are focussed on the partnership working and opportunities which when managed effectively will produce better outcomes for our citizens, recognising the challenges they face.

To start the process of developing a risk management approach which is both flexible and inclusive, a risk workshop was held on 28 June with the NTCA SMT and Officers. The workshop focussed on the Authority's delivery outcomes and its relationships with key partners and stakeholders and the engagement strategies necessary to collectively deliver the Authority's aims and ambitions.

Evolving the authority's approach to the management of risk will take time to develop and embed across the organisation, therefore we will continue to manage the risks already identified across the organisation and they will be reported by our existing processes.

A further report will be presented to the Committee at its next meeting, providing the outcomes from the workshop and progress made towards reframing the risk management process.

4. Potential Impact on Objectives

- 4.1 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.

5. Key Risks

- 5.1 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.

6. Financial and Other Resources Implications

- 6.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA (and the North East LEP) during 2021/22 through a Service Level Agreement with Newcastle City Council.

7. Legal Implications

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

8. Equalities Implications

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

9. Inclusive Economy Implications

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

10. Climate Change Implications

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

11. Consultation and Engagement

- 11.1 Cabinet have approved the Strategic Risk Register including risks and opportunities. The Managing Director, Monitoring Officer and Chief Finance Officer have been consulted on the Strategic Risk and Opportunity Register.

12. Appendices

- 12.1 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 assessment of the North East LEP strategic risks and future activity to reduce the overall risk exposure

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

Appendix E – Risk Analysis Toolkit to determine the risk priority

13. Background Papers

13.1 The North East Joint Transport Committee (JTC) strategic risks can be found on the NECA website as part of the June 2021 JTC Audit Committee agenda [here](#)..

14. Contact Officers

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

E-mail: Philip.slater@newcastle.gov.uk

Telephone – 0191 2116511

15. Glossary

15.1 None

16. Sign-off

16.1 Head of Paid Service: Yes

Monitoring Officer: Yes

Chief Finance Officer: Yes

	Risk Priority	Direction of Travel
Strategic Risks & Opportunities		
Risks		
<p>External Risk 1. COVID-19</p> <p>The inability to fully deliver the Authority's schemes and achieve the required outcomes in relation to economic growth and employment opportunities has been significantly impacted by the lockdowns imposed as a result of Covid-19</p>	Amber 8	Improving
<p>External Risk 2. EU/UK Trade Deal</p> <p>Planning and implementation of the new EU/UK trade deal procedures, and relationships between the UK and the European Union impacts negatively on the Authority's ability to deliver its schemes and achieve the required outcomes in relation to economic growth and employment.</p>	Amber 8	Improving
<p>3. Delivery of Devolution</p> <p>Unable to deliver components of the Devolution Deal or negotiate further powers and resources.</p>	Amber 8	Improving
<p>4. Operational Capacity and Resources</p> <p>The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal, within the constraints of approved funding streams, timeframes, conditions and performance criteria.</p>	Amber 8	Static
Opportunities		
<p>5. Partnerships</p> <p>The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region, and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.</p>	Amber 8	Static
<p>6. North East LEP</p> <p>As the accountable body for the North East LEP there is greater opportunity to maximise partnership arrangements with NTCA through working together to coordinate and manage resources, embedding effective governance arrangements between the bodies, collectively responding to future opportunities and challenges.</p>	Closed	

External risk		
1. COVID-19 The inability to fully deliver the Authority's schemes and achieve the required outcomes in relation to economic growth and employment opportunities has been significantly impacted by the lockdowns imposed as a result of Covid-19	<u>Risk Owner</u> Managing Director	
	<u>Risk Score</u>	
	Current controlled score – Amber 8	
	Target Score – Green 4	
Cause: The global society and economy means that highly infectious diseases and viruses such as COVID-19 can spread quickly, and containment and other mitigation efforts are complex. The lockdown measures essential to control the virus has forced our providers to close or operate in different ways and often to reduced capacity during the lock down period, having a dramatic negative impact on their ability to deliver agreed projects/outcomes.		
Impact: <u>Investment Fund</u> <ul style="list-style-type: none"> • Previous Government coronavirus restrictions have led to some delays to delivery and impact of NTCA interventions – although in the majority of cases outputs are expected to remain broadly unchanged • Forthcoming end to furlough scheme could raise unemployment • A number of businesses – especially in retail and hospitality – have been impacted by Covid-19 and are likely to remain vulnerable for some time • The medium-longer term impact of Covid-19 remains unclear, including on demand for retail and office space <u>Adult Education Budget</u> <ul style="list-style-type: none"> • As a result of the pandemic, other sources of income available to adult education providers is now at risk which could result in financial instability and longevity of the institution/organisation • Continuity of funded provision for NTCA residents is at risk if providers become financially unstable 		
Existing Controls: <ul style="list-style-type: none"> • The NTCA is working closely with LAs, North East LEP, NECA, and other partners in the region to ensure we have a joined-up response to Covid-19. This work has progressed well, with a single regional plan developed. • Covid-19 Capacity Fund grants of £1.5m offered to Constituent Authorities in the North of Tyne region to meet local needs • 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 • A small number of projects have been reprofiled, to enable them to move from in-person to on-line delivery • Ongoing dialogue with NTCA adult education providers and employers to ensure delivery continues to meet area skills needs • NTCA Strategic Skills Plan has been updated in 2021 reflecting the area's skills needs for an inclusive economic recovery 		
Next Steps	Deadline	Lead Officer(s)
Regular meetings of the North East Covid-19 Economic Response Group - launched to provide maximum support for businesses in the immediate term and to plan for long-term economic recovery.	Ongoing	Managing Director
Although Government has not devolved funding to Mayoral Combined Authorities (MCAs) to support	Ongoing, Review December 2021	Managing Director

COVID-19 recovery, MCAs continue to press Government to enable the delivery of local solutions.		
<u>Investment Fund</u> We are continuing to assess the impact of the Covid-19 crisis across our programmes as required, working with project sponsors to provide additional support and enable the development of alternative delivery methods to realise outcomes. The first elements of the Innovation Recovery Fund are now being implemented.	Ongoing, Review December 2021 -	Managing Director
<u>Adult Education Budget</u> Additional funding allocated to NTCA under the AEB for AY 2020/21 to support a Covid-19 response. NTCA have worked with existing Grant providers and those on the NTCA AEB Procurement Framework to operationalise this additional funding, at pace, to reflect the Authority's vision and Government guidelines.	Completed July 2021	Managing Director
<u>Adult Education Budget</u> Continued engagement with NTCA AEB providers, via provider roundtables and quarterly one to one performance monitoring meetings identify the impacts of Covid-19 and inform the direction, priorities and allocations for the NTCA AEB providers. Informing the plan for the immediate impact of Covid-19 and medium/long term mitigation planning.	Ongoing review August 2021	Managing Director
<u>Adult Education Budget</u> The launch of the online 2021-2023 Strategic Skills Plan will ensure updates can be implemented quickly to ensure its ongoing relevance during the pandemic and into recovery.	Plan launched 1 April 2021	Managing Director
NTCA will continue to highlight relevant issues with Government and make the case for a significant Covid-19/Brexit economic stimulus package, comprising both one-off resources and longer-term replacement for EU funding.	Ongoing review September 2021	Managing Director

<p style="text-align: center;">External risk</p> <p>2. EU/UK Trade Deal</p> <p>Planning and implementation of the new EU/UK trade deal procedures, and relationships between the UK and the European Union impacts negatively on the Authority's ability to deliver its schemes and achieve the required outcomes in relation to economic growth and employment.</p>	<p style="text-align: center;"><u>Risk Owner</u> Managing Director</p>	
	<p style="text-align: center;"><u>Risk Score</u></p>	
	<p style="text-align: center;">Current controlled score – Amber 8</p>	
	<p style="text-align: center;">Target Score – Green 4</p>	
<p>Cause: Despite the end of the Transition Period on 31 December 2020, many businesses have yet to fully prepare for the changes which will be required. This has reflected the immediate pressures they are under from Covid-19 and the lack of clarity about the long-term future trading arrangements with the EU.</p>		
<p>Impact: Government modelling predicts that the NE is likely to be the region of the country which is hardest hit by changes in the trading relationship with Europe. Nevertheless, the current key risk associated with the trade deal is the lack of capacity of businesses and stakeholders to engage with planning and the implementation of new procedures, due to the ongoing Covid-19 pandemic.</p>		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Detailed guidance for businesses has been developed through the Growth Hub's 'UK Transition Toolkit', while training, guidance and advice has been promoted. Sectoral discussions have highlighted issues associated with the multi-country origin of automotive components, the need for the pharmaceuticals sector to have clarity about regulatory requirements associated with product certification and labelling; and the sensitivity of the NE farming sector to post-Brexit agricultural policy, subsidies and export tariffs. The NE's response to consultations on migration have highlighted that any new points-based immigration system should take into account lower average wage levels outside London and the SE, due to lower costs of living. • The NTCA inward investment fund has been increased to £10million. This fund is intended to help make it easier for firms to make a first investment in the area, by helping reduce some of their upfront costs. • The EU Implementation Group is updating its previous priorities to reflect the new EU-UK trade deal. Actions will include: <ul style="list-style-type: none"> - To highlight current issues facing businesses as they navigate the new EU-UK trade deal to Government - To respond to the UK Shared Prosperity Fund (UKSPF) consultation with evidence of strategic priorities for the North East. - To keep abreast of the EU settlement scheme and its take-up in the region 		
Next Steps	Deadline	Lead Officer(s)
<p>The NTCA continues to work with a wide range of stakeholders – including all the main business representative organisations, VCS, TUC and other public sector partners – to monitor the impact of the new trade arrangements on the NE.</p> <p>NTCA through the Mayor and Cabinet will continue to work closely with businesses, to understand and monitor any potential negative impacts of the new EU/UK trade deal, alongside any opportunities with government.</p> <p>The full impacts of changing trade relationships may not be known for many years – at the point at which multinational companies chose whether to invest further in facilities or whether to move production.</p>	<p>Ongoing, review December 2021</p>	<p>Managing Director</p>

NTCA will continue to highlight relevant issues with Government and make the case for a significant Covid-19/Brexit economic stimulus package, comprising both one-off resources and longer-term replacement for EU funding. This could form part of the SPF and future devolved funding	Ongoing, review December 2021	Managing Director
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3. Risk - Delivery of Devolution Unable to deliver components of the Devolution Deal or negotiate further powers and resources.	<u>Risk Owner</u> Managing Director	
	<u>Risk Score</u>	
	Current controlled score – Amber 8	
	Target Score – Green 4	
Cause: Government do not fulfil their existing commitments under the devolution deal		
Impact: Projects and schemes are not delivered within agreed timeframes and do not satisfy key criteria or achieve required outcomes across our key areas of work:		
Existing Controls: <ul style="list-style-type: none"> • M9 Group of Metro Mayors working together to influence government on agreed priorities which will strengthen devolved powers • Housing and Land Board supports NTCA’s governance arrangements regarding the integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area • Establishment of the Investment Fund through which NTCA is administering the North of Tyne Single Pot allocation of Government funding • Ongoing delivery of Investment Fund – with projects continuing to be developed, appraised and delivered during the pandemic period. Investment panel monitors performance on a monthly basis, with job and activity levels above profile • Assurance Framework agreed with Government which operates effectively • AEB Provider Performance and Management Framework in place and used from 1 August 2020 • Existing intelligence sharing process with regional ESFA, sharing notices of concern regarding the NTCA provider base 		
Next Steps	Deadline	Lead Officer(s)
<u>Investment Fund</u> All Investment Fund Programme projects have been reviewed to establish operational requirements. New projects have been introduced, including to support recovery phase, with only about £20m of the investment programme remaining uncommitted. Over the Summer/Autumn, the programme will be reviewed further in light of new economic conditions and Cabinet priorities for remaining resources.	Review December 2021	Managing Director
<u>Investment Fund</u> An evaluation framework to capture our achievements and learning is in development, 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. This evaluation framework is being shared with Government, as part of the process leading up to the Investment Fund Gateway Review.	Review December 2021	Managing Director
<u>Adult Education Budget</u> Opportunity For All – The updated Strategic Skills Plan 2021-2023, sets out our ambitious programme	Review April 2022	Managing Director

for skills development in the region, reflecting the area's skills needs for an inclusive economic recovery.		
<u>Adult Education Budget</u> Additional funding delegated to NTCA via AEB for the Level 3 Offer of the Government's Lifetime Skills Guarantee from April 2021 onwards. The Delegation has additional criteria to the devolved funds. NTCA AEB processes and documentation have been updated to ensure these additional requirements are met and funding is allocated appropriately.	Review August 2021	Managing Director
Officers at NTCA and the Department for Education have developed a shared Education Improvement work programme, with funding request to leverage DfE funding. This will be presented to NTCA Investment Panel and Cabinet in September. Work continues with Government to negotiate the overall funding package to improve education in our schools through an Education Challenge.	Review October 2021	Managing Director

<p>4. Risk - Operational Capacity and Resources</p> <p>The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal, within the constraints of approved funding streams, timeframes, conditions and performance criteria.</p>	<p align="center"><u>Risk Owner</u> Director of Policy and Performance</p>	
	<p align="center"><u>Risk Score</u></p>	
	<p align="center">Current controlled score – Amber 8</p>	
	<p align="center">Target Score – Green 4</p>	
<p>Cause:</p> <ul style="list-style-type: none"> • Coronavirus pandemic is leading to significant increases in workload, reducing constituent council's capacity which can be allocated to NTCA operations. • Insufficient capacity to delivery new funds announced by Government 		
<p>Impact:</p> <ul style="list-style-type: none"> • Existing resources are not fully utilised to effectively deliver the Authority's strategic priorities • Projects and schemes are not delivered within the approved timeframes and do not meet performance criteria 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Interim Statutory Officer appointments (Head of Paid Service, Monitoring Officer, Chief Finance Officer) Mayor and other key officers • Senior Officer appointments including Director of Policy and Performance, Managing Director, Head of Inclusive Growth, Education Improvement Challenge Strategic Lead, Chief Economist. • Head of Paid Service designation to Managing Director (formerly Director of Economic Growth) in June 2021. • Constituent Authorities provide support services to the Authority through Service Level Agreements • Recruitment plan in place, which is regularly reviewed as we grow. • A structured exercise has been undertaken to develop resource plans, gauge capacity and clarity with assigned roles and responsibilities to facilitate the effective operation of the Authority. A work programme has been developed for officer use and is referenced in all appraisals • Implementation funding was paid by DfE, to ensure appropriate capacity and resources were put in place for the introduction of the devolved Adult Education Budget. Since go-live in August 2020, capacity and resource is paid from the fund itself, as an administration allocation. 		
<p align="center">Next Steps</p>	<p align="center">Deadline</p>	<p align="center">Lead Officer(s)</p>
<p>Business Continuity Plan (BCP) – the formulation of a full BCP has begun with an information gathering exercise underway. Development has stalled due to the impact of Covid-19 with delays to the receipt of information sought from other organisations. The focus of BCP will now reflect the new office location move now expected September 2021.</p>	<p>Review Autumn 2021</p>	<p>Director of Policy and Performance</p>
<p>Values and Behaviours sessions concluded and 'learning lunches' introduced. Various social groups and activities have been established online over lockdown to improve team wellbeing.</p>	<p>Review Autumn 2021 with move to new office.</p>	<p>Director of Policy and Performance</p>
<p>A Covid-19 Contingency Plan is in place to support central government guidance, homeworking and officer deployment instructions. The Plan worked well and a small cohort have successfully returned to the office for some months now. Process implemented to ensure number in office at any one time is 6 or below. Discussions have begun with staff on moving to a hybrid model of working.</p>	<p>Review Autumn 2021 with move to new office.</p>	<p>Director of Policy and Performance</p>

<p>2. Opportunity – Partnerships</p> <p>The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region, and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.</p>	<p style="text-align: center;"><u>Risk Owner</u> Director of Policy and Performance</p> <p style="text-align: center;"><u>Opportunity Score</u></p> <p style="text-align: center;">Current controlled Score – Amber 8</p> <p style="text-align: center;">Target Score – Green 6</p>	
<p>Benefits:</p> <ul style="list-style-type: none"> • Strengthening the synergy between Cabinet, the North East Local Enterprise Partnership and Local Authorities • Influencing regional approaches to growth • Developing our relationships and how we work with Government, business, investors and partners • Learning from best practice Local Authorities, other Combined Authority's and Government 		
<p>Barriers:</p> <ul style="list-style-type: none"> • The success of the Combined Authority will rely on the on-going commitment of all member authorities and how NTCA works with other partners in the region • It is recognised that there are a number of partners, therefore effective and timely communications and consultation is vitally important to reduce reputational impact 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Mayor's Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) appointed and Accord agreed • Regular meetings with the Business Community i.e. CBI, Federation for Small Businesses, Entrepreneurs' Forum • Community and Voluntary Sector engagement meetings • The North East LEP is leading the regional development of the Local Industrial Strategy • NTCA representation on: <ul style="list-style-type: none"> ▪ The North East LEP Boards (Investment, Skills Advisory Panel, Innovation and Business Growth) ▪ The Board of Transport for the North ▪ The North East Joint Transport Committee (and sub-committees), responsible for preparing a single transport plan for the area of both Combined Authorities • NTCA and DWP Framework Agreement in place to coordinate employment, skills and health services across the North of Tyne area • NTCA Inclusive Economy Board with member representation from the public, private and voluntary sector, including constituent LA's and North East LEP 		
<p>Next Steps</p>	<p>Deadline</p>	<p>Lead Officer(s)</p>
<p>VCSE Ambassador reappointed for another year. No Mayoral Ambassador for the business sector to be recruited as good engagement with regular meetings and consultation with the business community has developed throughout the pandemic and this model will remain in place throughout 2021/22.</p>	<p>June 2022</p>	<p>Director of Policy and Performance</p>
<p>VCSE 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. First year of operation completed and feedback is that it is working well.</p>	<p>Spring 2022</p>	<p>Director of Policy and Performance</p>
<p>Continued engagement with AEB providers, employers and stakeholders in the North of Tyne area to ensure a</p>	<p>Ongoing</p>	<p>Managing Director</p>

collaborative approach to aligning adult skills to deliver the Authority's vision.		
Good Work Pledge – The implementation, promotion and development of the Good Work Pledge continues. A Coronavirus impact analysis to determine the next steps and timelines has been undertaken. The Good Work Pledge was launched publicly in November 2020 and response from the business community has been positive.	Review August 2021	Director of Policy and Performance

North East Local Enterprise Partnership – Strategic Risks (for information only)

<p><u>Operational capacity and resourcing</u></p> <p>Medium term operational budget may not be sufficient to maintain the current capacity within the team to lead the delivery of the Strategic Economic Plan (SEP) and to react to the impact of Brexit, the impact of the Covid-19 pandemic and emerging Government policies due to multiple short term (often annual) funding sources.</p>	<p><u>Risk Owner</u> Chief Executive</p> <p><u>Risk Score</u></p> <p style="background-color: red; color: white; text-align: center;">Red 12</p> <p>Likelihood – Medium Impact – Critical</p>
<p>Cause: All funding sources relating to staff resourcing, the core operational budget and project delivery are time limited and are not sufficient to allow the Local Enterprise Partnership (LEP) to effectively plan a medium-term budget and operational model.</p>	
<p>Impact/Consequence: The LEP will need to adjust to operate with a reduced level of staffing resource, limiting and prioritising the scope of work that can be delivered, if future funding is not made available and/or secured.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • The 2021/22 LEP operational budget including a three-year estimate budget was agreed by the LEP Board in May 2021 and separately by its accountable body • Some financial reserves are held by the LEP from previous financial years • Potential to call on financial resources relating to Enterprise Zone income if required • Ongoing monitoring of external funding landscape and actions to secure alternative sources • A company limited by guarantee is in place alongside the LEP structure which enables a wider source of funding applications to be made and the LEP to seek funding from other sources 	
<p>Next Steps</p>	<p>Lead Officer(s)</p>
<p>Budget management and forecasting on-going for 21/22 and as reported to the LEP Board in May for the three-year estimate budget</p>	<p>Helen Golightly (Chief Executive)</p>
<p>Lobbying of Government to secure additional and longer-term resources for LEPs on-going</p>	<p>Helen Golightly (Chief Executive)</p>
<p>On-going horizon scanning for funding opportunities to support the team and delivery.</p>	<p>Helen Golightly (Chief Executive)</p>

<p><u>Changes in the role and scope of LEPs by government with no new resource to support delivery</u></p> <p>Government fails to allocate sufficient operational budgets in the changing role and scope of LEP's as a consequence of the LEP Review .</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p>Cause: In 2018 Government reviewed the role and scope of LEP activity set out in the paper ‘Strengthening LEPs’. At that time Government required LEPs to be independent of local authorities with a wider remit around Local Industrial Strategies, funding and Brexit and a shared role in responding to the Covid 19 pandemic. Due to government changes, the Industrial Strategy Council was stood down by the Secretary of State for BEIS which concluded the Local Industrial Strategy focus, with other opportunities emerging that will drive future policy programmes.</p> <p>During summer 2021 a LEP Review will be undertaken which should provide clarity on the changing role and function of LEPs, as well as the anticipated Levelling up White Paper. There needs to be sufficient financial resources made available to LEPs to support the changing role and activity that will occur.</p>	
<p>Impact/Consequence: The LEP operational budget does not have sufficient headroom for additional staffing capacity and the impact of the LEP Review remains unknown. Limited capacity in the budget to meet the demands of any changes could lead to current staff resources being spread too thinly, reducing impact and effectiveness in facilitating the delivery of the Strategic Economic Plan and as we the pandemic.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • The LEP continues to work closely with government to try to influence policy and its practical delivery implications • The LEP continue to play an active role to understand the implications of the LEP Review • The LEP Network (national body) plays a key lobbying role with government 	
Next Steps	Lead Officer(s)
Continue to lobby and influence Government	Helen Golightly (Chief Executive)
Consider and respond to any future policy and funding programmes changes as they emerge	Helen Golightly (Chief Executive)

<p><u>Government Capital Funding</u></p> <p>Government capital funding to replace Local Growth Funding (LGF) may be insufficient to support the delivery of the strategic projects within the SEP, the emerging Local Industrial Strategy (LIS) and Covid-19 response plan.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p>Cause:</p> <p>There is uncertainty around the design, function and level of future regional/local strategic capital and revenue funding sources from government. The UK Shared Prosperity Fund (UKSPF) which is due to fill the gap after the European Structural and Investment Fund (ESIF) and Local Growth Fund (LGF) was proposed to come into effect in April 2021. The government consultation has been delayed until autumn 2021 at the earliest and more likely to be Spring 2022. There remains no clarity on the level of funding available for the North East in relation to ESIF successor fund beyond June 2023, other than the short-term Getting Building Fund announced July 2021. There is therefore a significant risk that funding for capital pipeline projects is not available.</p>	
<p>Impact/Consequence:</p> <p>Without a clear understanding of future potential funding, the development and delivery of strategic projects related to the SEP, the anticipated Levelling Up White Paper and Covid 19 response planning is at risk.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • The 2019 refreshed SEP is strongly aligned to key government policies which should attract investment if it becomes available. • The LEP is working with key government stakeholders and other partners to influence policy and funding thinking • The LEP is supporting the LEP Review being undertaken during Summer 2021 • The LEP is working with regional partners to develop a pipeline of strategic projects in preparation including innovation projects. • The LEP is continuing to work with regional partners as we emerge from the pandemic and support the economy as part of a Covid 19 economic response plan. 	
Next Steps	Lead Officer(s)
Continue to develop a pipeline of projects (where appropriate) to be ready to 'win' funding as it becomes available.	Helen Golightly (Chief Executive)
Continue to work with government and influence emerging policy thinking.	Helen Golightly (Chief Executive)
Develop a portfolio of innovation projects with regional partners	Alan Welby (Innovation Director)

<p><u>European Funding</u></p> <p>Failure of the North East LEP area to secure the full notional funding (circa £500m) allocated to the North East through European Structural and Investment Funding (ESIF) programmes will significantly impact on the delivery of the Strategic Economic Plan.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Amber 9</p>
	<p>Likelihood – Medium Impact – Significant</p>
<p>Cause: ESIF programme implementation was delayed whilst the impact of the EU Referendum was reviewed by government departments. This has led to national underperformance against profiled commitment/spend for some parts of the programme. The UK Shared Prosperity Fund (UKSPF) is likely to replace the ESIF Programmes beyond 2023, however the consultation document expected from government continues to be delayed. Therefore, the future funding opportunities beyond ESIF continue to be uncertain.</p>	
<p>Impact/Consequence: The ability to secure the North East LEP area's full quota of European funding risks damaging local regeneration plans and stalling infrastructure projects, business growth, employment and skills schemes and local growth projects. This could result in the success of the Strategic Economic Plan being adversely affected and outcomes delayed or not achieved.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Government have confirmed ESIF projects will be underwritten following departure from the European Union, however, there is no guarantee that each region will maintain its notional allocation. • The seven local authorities with the LEP secured £58.5m of ESIF to continue the JEREMIE programme. A Special Purpose Vehicle has been established to deliver funding for projects, supporting small and medium sized enterprises known as the North East Fund Ltd. • The North East LEP with both combined authorities work with partners to develop local content to feed into the national project calls to ensure the funding is appropriately focussed on local need in order to maximise spend in the North East. • The Strategic Economic Plan (SEP) was refreshed in early 2019 to ensure its priorities remain current. The SEP remains aligned to the North East ESIF Strategy, to direct the allocation of European Funding to grow the North-East Economy • The LEP has employed a dedicated officer to work with partners to maximize the spend of European Social Fund (ESF) in the North East 	
<p>Next Steps</p>	
<p>The North East LEP and other local partners are working with the Managing Authorities (DHCLG, DWP and Defra) to ensure that the maximum funding will be allocated to the North East, in line with the notional allocation of €560m Euros.</p>	<p>Helen Golightly (Chief Executive)</p>
<p>The LEP Executive Team is working with key stakeholders to prepare projects ready for Government releasing further 'calls' for applications for funding.</p>	<p>Helen Golightly (Chief Executive)</p>

<p><u>North East regional governance</u></p> <p>The LEP area covers seven local authorities and two combined authorities, one of which is mayoral. The LEP area is unique in England to have more than one combined authority which may impact on clarity of roles and decision making.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p>Cause: The North East Combined Authority’s (NECA) decision to proceed with the North of Tyne Mayoral Combined Authority led to the regional governance structures changing as two combined authorities were created in November 2018, both of which have agreed to support and operate effectively with the North East LEP. The LEP economic remit therefore spans both combined authority areas. One of the combined authorities should also act as the accountable body for the LEP. It was agreed that NTCA would be the North East LEP accountable body from 1 April 2020.</p>	
<p>Impact/Consequence: The governance, roles and responsibilities need to be clear at a local level and understood by national government to ensure effective strategy development, delivery of economic development activity, investment and partnership working.</p> <p>It is also vital that the change in accountable body must not be detrimental to the current effective operations or financial position of the LEP.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • All seven local authorities are committed to supporting the North East LEP and the delivery of the SEP as set out in their signed Deed of Cooperation which was reviewed and re-signed at the end of March 2020. • The Accountable Body Agreement was signed at the end of March 2020 and Service Level Agreements (SLA) are in place to support the delivery of LEP operations. • In both the new Accountable Body Agreement and Deed of Cooperation, changes made to support arrangements and financial model are to ensure no detrimental to the North East LEP. 	
Next Steps	Lead Officer(s)
Continue to work effectively with all seven local authorities and both combined authorities on shared agendas, strategy development and delivery.	Helen Golightly (Chief Executive)
Work with NTCA and SLA providers to ensure a smooth transition which enables the North East LEP to carry out its functions in an effective and compliant way.	Helen Golightly (Chief Executive)

<p><u>Covid-19 or any other epidemic / pandemic</u></p> <p>The lockdown imposed as a result of the Covid-19 in March 2020 in the UK has had a significant impact on the regional economy and demonstrated that epidemics/pandemics pose a high risk to regional, national and global economies.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – High Impact – Critical</p>
<p>Cause: Epidemics and pandemics are rare but can have catastrophic effect. They stem from a range of factors and have various levels of infection and mortality rates. The global dimension of our society and economy means that highly infectious diseases and viruses such as Covid-19 can spread quickly, and containment and other mitigation efforts are complex and require joined up efforts across the world or a group of countries. The lockdown measures essential to control the virus has forced businesses to close or operate in different ways and often to reduced capacity during the lock down period, having a dramatic negative impact on the economy.</p>	
<p>Impact/Consequence: Covid-19 has had a severe impact on the economy forcing a large number of businesses to stop trading or slow down their activities and leading to a significant volume of the workforce to be furloughed and/or made redundant. The UK and regions potentially now face the worst economic downturn in centuries. In practical terms for the North East LEP, initially this meant a change of focus for the LEP as it responded to the immediate impact of the pandemic working with regional partners and Government. It has stalled the finalisation of the Local Industrial Strategy and focussed on translating ambitions in a different way through a response plan. It has also affected partners ability to deliver projects.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • A North East Covid-19 Economic Response Group is in place. It is a regional partnership comprising of the North East LEP, North of Tyne and North East Combined Authorities, CBI representing businesses, VONNE, the TUC, the universities and transport colleagues. • The Group meets on a regular basis • Work is on-going to ensure the recovery plan focuses on how we continue to emerge from the pandemic, with a focus on our economy and our regional priorities • Ongoing liaison with the LEP Network and NP11 on Covid-19 issues 	
<p>Next Steps</p>	<p>Lead Officer(s)</p>
<p>Continue to support and facilitate the Covid-19 Economic Response Group as we emerge from the pandemic</p>	<p>Helen Golightly (Chief Executive)</p>
<p>Ensure continued alignment and co-ordination of key messaging and interventions</p>	<p>Helen Golightly (Chief Executive)</p>
<p>Actively lobby government including through the LEP Network and NP11</p>	<p>Helen Golightly (Chief Executive)</p>

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.*

JTC Risks to Achievement of Strategic Objectives	Risk Priority	Direction of Travel
<p>Carbon Neutral Transport Failure to achieve the aspiration of carbon neutral transport network within the JTC area by 2035.</p>	Red 12	Static <i>Due to possible negative impact of Covid-19 on future funding and need for behavioural change</i>
<p>Inequality and Growth of the Economy Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.</p>	Red 12	Static <i>Due to possible negative impact of Covid-19 on future funding and cost and service availability users of public transport</i>
<p>Health Failure of the transport system to achieve the planned outcomes to contribute the improvements in health of the population in the JTC area.</p>	Amber 8	Static <i>Positive impact of Covid-19 on active travel counter balanced by possible negative impact of Covid-19 on future funding and need for behavioural change</i>
<p>Appealing Sustainable Transport 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>	Red 12	Static <i>Due to possible negative impact of Covid-19 on future funding and cost and service availability to users of public transport</i>
<p>Safety and Security The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.</p>	Amber 8	Static <i>Arrangements in place but possible negative impact of Covid-19 on future funding</i>
JTC Organisation Risks		
<p>Future Availability of Funding Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.</p>	Amber 8	Static <i>Increased Funding Opportunities for JTC</i>

Funding Opportunities Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.	Amber 8	Static
Use of Funding and Resources 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.	Amber 8	Static
Governance Arrangements The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	Green 4	Static
Operational Capacity and Resourcing The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	Amber 8	Static
Delivery of Transport Improvement Projects/Programmes 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.	Amber 8	Static
Transport Infrastructure Assets Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	Green 6	Static
Service Delivery 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.	Green 6	Static
'Catastrophic Event' 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)	Amber 8	Static

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

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 16	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of objectives Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project 	<ul style="list-style-type: none"> Inability to secure or loss of significant funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence
Significant 9	<ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact 	<ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of objectives Major project failure 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on budget (£0.5m-£1.5m Transport budgets) 	<ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence
Minor 4	<ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact 	<ul style="list-style-type: none"> Threatened loss of partner's commitment 	<ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of funding or funding opportunity threatened 	<ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence
Insignificant 1	<ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact 		<ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation <p>(Financial limits are under review)</p>	

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Subject: Audit Progress Report and Re-drafted Audit Strategy Memorandum

Report of: Chief Finance Officer

Report Summary

The purpose of this report is to present the Audit Progress Report from Mazars, providing an update on progress in delivering their responsibilities as our external auditors. The report informs the Audit and Standards Committee that the 30 September deadline for audit of the Statement of Accounts will not be met due to backlog of work and resource difficulties. The report also includes a re-drafted Audit Strategy Memorandum report. The Audit Strategy Memorandum was brought to April Audit and Standards Committee and summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided details of the audit team. The purpose of the re-drafted Audit Strategy Memorandum is to update members on the revised timetable for the audit of the Statement of Accounts and the position in relation to the approach for the audit of the North of Tyne Group accounts.

Recommendations

The Audit and Standards Committee is recommended to review and note:

1. Audit Progress Report attached as Appendix 1.
2. Re-drafted Audit and Strategy Memorandum attached as Appendix 2.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 Mazars were appointed as the External Auditor of North of Tyne Combined Authority in 2018/19 and have since completed the 2018/19 and 2019/20 audit of the North of Tyne Statement of Accounts.
- 1.2 The Accounts and Audit Regulations 2020/21, which took effect from the 31 March 2021, extended the requirement for the audited accounts to be published from 31 July to 30 September. The re-drafted Audit Strategy Memorandum, attached at Appendix 2, revises the timetable for audit fieldwork to October/November 2021 with completion of the audit in November 2021 after the date required for publication. With the audited Final Statement of Accounts being taken to an extraordinary Audit and Standards Committee to be arranged in November 2021 for review and recommendation to Cabinet 30 November 2021.
- 1.3 The Audit Progress Report details the reason for the delay to the audit as being due to backlog of work and resource difficulties due to departure of staff, retention, and recruitment. This situation is being reflected nationally by all audit firms throughout the audit sector as set out in the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting.

2. Potential Impact on Objectives

- 2.1 The requirement for the audited accounts to be published by 30 September as per the Accounts and Audit Regulations 2020/21 will not be met.

3. Key Risks

3.1 There are no risk management issues arising from this report.

4. Financial and Other Resources Implications

4.1 The Public Sector Audit Appointments (PSAA) Panel scale audit fee for 2020/21 is included in the Re-drafted Audit Strategy Memorandum any further fee increase will be discussed between the Chief Finance Officer and Mazars. There are no other financial or other resource implications arising from this report.

5. Legal Implications

5.1 The Accounts and Audit Regulations 2020/21, which take effect from 31 March 2021, extend 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 1 August. This revised regulation will apply also to the 2021/22 accounts. The draft accounts will be published by 1 August in line with this Regulation, however, the audited accounts will not be published in line with 30 September deadline.

6. Equalities Implications

6.1 There are no equality implications arising from this report.

7. Inclusive Economy Implications

7.1 There are no inclusive economy implications arising from this report.

8. Climate Change Implications

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

9. Consultation and Engagement

9.1 This report is to note and does not require any further consultation or engagement consideration.

10. Appendices

Appendix 1 Audit Progress Report
Appendix 2 Re-drafted Audit Strategy Memorandum

11. Background Papers

None

12. Contact Officers

Janice Gillespie, Chief Finance Officer

Tel: 0191 6435701 email: Janice.gillespie@northtyneside.gov.uk

13. Glossary

ASM	Audit Strategy Memorandum
PSAA	Public Sector Audit Appointments Panel

14. Sign-off

1) Head of Paid Service: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes
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Audit Progress Report

North of Tyne Combined Authority

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July 2021



1. Audit progress
2. National publications

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01

Section 01:
Audit progress

Audit progress

Purpose of this report

This report provides the Audit and Standards Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2019/20 audit

Public Sector Audit Appointments (PSAA) Limited has recently confirmed its agreement of the fee variations related to the 2019/20 audit. We will arrange for billing in due course.

2020/21 audit

We have included our revised 2020/21 Audit Strategy Memorandum as a separate item on this agenda.

We have communicated to management that we will be unable to meet the end of September timetable due to a backlog of work, resource difficulties, the departure of staff and difficulties with recruitment and retention. We now plan to undertake the audit from late September 2021 at the earliest, with completion by the end of November 2021 at the latest, subject to receipt of Pension Fund assurances from the auditor of the Tyne and Wear Pension Fund. We will try and do some preliminary work earlier than this in relation to sample selection, so that when we start the work in earnest, management will have had time to gather the supporting information we need.

As you are aware, the difficulties we are experiencing reflect the significant challenges in the local audit sector and are being experienced nationally by all audit firms working within the local audit regime. These issues were set out in the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities which reported on 8 September 2020 and the National Audit Office (NAO) publication, Timeliness of Local Auditor Reporting on Local Government in England, 2020 published on 16 March 2021.

Audit progress

Redmond concluded that the “local audit market is very fragile” and highlighted that 40% of 2018/19 audits had failed to meet the reporting timetable of 31 July 2019.

The position worsened in 2019/20 in part due to the pandemic. The NAO report highlights that only 45% of 2019/20 audits met the 30 November 2020 deadline, which had been extended as a result of the Covid-19 pandemic. Some of the relevant underlying weaknesses were summarised in the NAO report as follows:

14 The COVID-19 pandemic has exacerbated problems which already existed within the local audit landscape. Our previous reports and consultation with the sector identified several long-standing problems within local audit. There is insufficient staff with the relevant qualifications, skills and experience in both local finance teams and firms serving the local audit sector, and a net loss of qualified staff from both. The requirements of International Financial Reporting Standards, along with the increased expectations from the Financial Reporting Council (FRC) following the high-profile corporate failures such as Carillion, have combined to produce a significant increase in audit work, such as on asset and pensions valuations, which local authorities found less useful. The relative lack of attractiveness of the audit of local public bodies, compared with alternative audit opportunities available to staff, has contributed to a high staff turnover level.

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Mazars has avoided the worst of these difficulties in the last two audit years (2018/19 and 2019/20) but we are now experiencing similar problems to the other audit firms.

One of the Government’s responses to the Redmond Review has been to extend the audit timetable for 2020/21 audits to 30 September 2021 on the grounds that 31 July is unrealistic at the current time. However, this is two months earlier than last year’s timetable of 30 November and fails to account for the continuing impact of the pandemic. The working restrictions imposed on all of us by Covid-19 has meant that work is taking longer to complete and this has also led to a backlog of 2019/20 audit work.

Our priority is to deliver a high quality audit and where we are unable, for reasons beyond our control, to work to the shorter timetable our only option is to deliver the work at a later date. We will keep Management and the Audit and Standards Committee informed as we work through these difficulties.

We recognise that the position is not satisfactory, but we are doing everything possible to address the situation. We are actively recruiting new staff but they are unlikely to resolve the issues this year, although the steps we are taking will help prevent a recurrence in future years.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	Consultation on stronger Prudential Code	CIPFA is consulting on the Prudential Code, including proposals to strengthen the requirements for commercial investments.
2.	Fraud and Corruption Tracker	CIPFA's latest information has been published.
3.	CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21	Provides updated guidance and takes into account the introduction of the CIPFA Financial Management Code 2019 during 2020/21.
4.	CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021	This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.
Ministry of Housing, Communities and Local Government (MHCLG)		
5.	MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015	Consultation closed on the 1 st March 2021; the Accounts deadline was set as 31 July 2021 and Audit deadline of 30 September 2021.
6.	MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021	£15 million in additional funding in 2021/22 towards external audit fees. Consultation on amending the timescale for setting fee scales.
7.	MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021	A new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC, preferred system leader. Public Sector Audit Appointments (PSAA) role to continue into next national procurement.
National Audit Office (NAO)		
8.	Local government finance in the pandemic, March 2021	The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government.

National Publications

	Publication/update	Key points
National Audit Office (NAO)		
9.	Timeliness of local auditor reporting in England, 2020	The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms.
10.	Public service pensions	This report outlines how the public service pensions landscape has changed since the Hutton Review and highlights key challenges for the future.
11.	NAO Updated Guidance for Auditors, April 2021	Revised guidance for VFM arrangements work under the new Code of Audit Practice, including extended deadlines, and updated guidance on consideration of going concern in the public sector context.
1	NAO Report – <i>Initial learning from the government’s response to the COVID-19 pandemic, May 2021</i>	Latest NAO report on learning from the government response to the pandemic.

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NATIONAL PUBLICATIONS

CIPFA

1. CIPFA consults on a stronger Prudential Code, January 2021

CIPFA has launched a consultation on proposals to strengthen the Prudential Code, following growing concerns over local government commercial property investments. The Prudential Code is a professional code of practice that aims to ensure local authorities' financial plans are affordable, prudent and sustainable. To date, the provisions in the Code have not prevented a minority of councils from taking on disproportionate levels of commercial debt to generate yield. The proposed changes are intended to prevent future misinterpretations of the Code and strengthen the necessary regard to its provisions to protect local decision making and innovation. The consultation will be open for 10 weeks and responses must be submitted by 12 April 2021.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-consults-on-stronger-local-government-prudential-code>

2. Fraud and corruption Tracker, February 2021

The latest CIPFA Fraud and Corruption Tracker (CFaCT), which includes local government data between 1 April 2019 and 31 March 2020, provides a baseline illustration about the prevalence of grant fraud in the public sector, just before unprecedented levels of COVID-19 grant funding for councils were released by the government in March of last year. The report follows previous warnings from the National Crime Agency and other law enforcement bodies of an increase in cases related to suspected COVID-19 grant fraud. Valued at an estimated loss of £36.6m, the report reveals only 161 instances of grant fraud occurred in 2019/20.

The report also shows that council tax continued to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20. This year, 32% of respondents also stated their organisation had been a victim of a Distributed Denial-of-Service (DDoS)/hacking attack in the last 12 months, a 5% increase from the previous year. Survey respondents also expressed concern about councils' inability to tackle usual areas of fraud due to resource being re-directed into the processing and review of COVID-19 business grants.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/grant-fraud-represented-less-than-of-uk-public-sector-fraud-pre-pandemic>

NATIONAL PUBLICATIONS

CIPFA

3. CIPFA Bulletin 06, Application of the Good Governance Framework 2020/21, February 2021

This bulletin covers the impact of the continuing COVID-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-06-application-of-the-good-governance-framework-202021>

4. CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021

Auditors will wish to be aware that CIPFA have published Bulletin 09: Closure of the 2020-21 Financial Statements. This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.

Hot topics include accounting for grant funding in the pandemic, accounting for dedicated schools grant deficits and accounting for collection fund surpluses and deficits in 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-09-closure-of-the-202021-financial-statements>

NATIONAL PUBLICATIONS

MHCLG

5. MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015, February 2021

MCHLG has consulted on its proposed changes to the accounts publication deadline for 2020/21 and 2021/22.

The draft regulations includes provisions, at regulation 2 to change the publication deadline for principal authorities from 31 July to 30 September as proposed in recommendation 10 by the Redmond review, but for 2 years - 2020/21 and 2021/22. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

The draft regulations also enable principal bodies to publish their draft accounts for inspection, linked to the later publication deadline, by removing the fixed period for public inspection, to say instead that the draft accounts must be published on or before the first working day of August. This will allow authorities and audit firms more flexibility to schedule their audits in line with the later publication deadline but, importantly, will not prevent them from being signed off earlier. This mirrors the approach taken in the Accounts and Audit (Amendment) (Coronavirus) Regulations 2020.

MCHLG's consultation closed on 1 March 2021.

6. MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs. The department has now launched a short, four-week consultation, seeking views on the on the methodology for allocating these funds to local bodies.

<https://www.gov.uk/government/consultations/consultation-on-allocation-of-15-million-to-local-bodies-for-audit/redmond-review-response-changes-to-the-audit-fees-methodology-for-allocating-15-million-to-local-bodies>

Running alongside this, the department has also launched a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015. The consultation primarily seeks views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

<https://www.gov.uk/government/consultations/amendments-to-local-audit-fee-setting-arrangements>

NATIONAL PUBLICATIONS

MHCLG

7. MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021

In December 2020, MHCLG delivered its response to the Redmond Review. This report details the actions already taken to implement the Redmond Review recommendations, and also sets out the government's thinking on the recommendations relating to systems leadership.

In March 2021 the government published a White Paper setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC. It also set out government plans to create a new audit profession that is distinct from the accountancy profession, and to encourage competition in the market for audit of large listed companies. We have looked at options for local audit in the context of these wider reforms.

In this context, it is our view that ARGA, the new regulator being established to replace the FRC, would be best placed to take on the local audit system leader role.

The Department welcomes the changes made in the latest Code of Audit Practice in relation to VFM reporting. Until recently, the Code required auditors to give a binary opinion on whether the proper arrangements were in place. However, this was revised in the recent update to the Code, which now requires auditors to provide a narrative statement on the arrangements in place. The department welcomes this change, as it is our view that the binary value for money judgement required under the previous Code did not provide sufficient information for taxpayers or local bodies, particularly in a context where the complexity and commercialisation of local authority finances has increased. The new value for money requirements in the updated Code including a new commentary on governance, arrangements for achieving financial sustainability, and improving economy, efficiency and effectiveness - should help to address this.

MHCLG has confirmed that PSAA is the organisation best placed to act as the appointing body, including overseeing the next procurement of audit contracts. There is a balance to be struck between cost and quality. Historically, there were concerns that fees were too high and it was right that real savings were delivered for the taxpayer following the abolition of the Audit Commission. However, the context has changed since 2014, including the structure of the market, plus new obligations and the complexity of the work. It is striking that local audit scale fees reduced by 40% between 2014/15 and 2018/19, while central government and FTSE100 fees have increased by 20%. We have been working closely with PSAA in recent months to develop our plans for allowing greater flexibility to reflect additional costs in audit fees, and are allocating £15m to local bodies to help with this and the additional requirements associated with implementing Redmond's recommendations.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update/local-authority-financial-reporting-and-external-audit-spring-update>

NATIONAL PUBLICATIONS

National Audit Office

8. Local government finance in the pandemic, March 2021

The NAO published its report *Local government finance in the pandemic* in March 2021. Local authorities in England have made a major contribution to the national response to the pandemic. This has in turn placed significant pressure on finances, which in many cases were already under strain. The report examines if MHCLG's approach to local government finance in the COVID-19 pandemic enabled the Department to assess and fund the costs of the new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector. The report focuses on:

- the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;
- action taken by the government to support the sector in 2020/21, including its effectiveness; and
- action taken by government to support the sector's financial sustainability in 2021/22.

The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector averted system-wide financial failure at a very challenging time and means that the Department managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020/21 year-end budgets. Despite continuing support into 2021/22, the outlook for next year is uncertain. Many authorities are setting budgets for 2021/22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.

<https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office

9. NAO Report – Timeliness of local auditor reporting in England, 2020

On 16 March, the NAO published its report Timeliness of local auditor reporting on local government in England, 2020. Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit in England, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors. This report sets out the:

- Roles and responsibilities of local auditors and national bodies to the local audit framework in England; and
- Factors relating to the decline in the timeliness of delivering audit opinions on local government in England and the main factors contributing to that decline in timeliness.

The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms. The report also considers the impact on central government. Given the increasing financial challenge and service pressures on local authorities since 2010, local councils need strong arrangements to manage finances and secure value for money.

The report concludes that the position for 2019/20, with 55% of local authorities failing to publish audited accounts by 30 November, is concerning, given the important part that external audit plays in assurance over taxpayers' money both centrally and locally.

Since the NAO reported on local authority governance and audit in 2019, and despite efforts by the various organisations involved in the local audit system and by the Ministry of Housing, Communities and Local Government, the report concludes that the situation has worsened. The increase in late audit opinions, concerns about audit quality and doubts over audit firms' willingness to continue to audit local authorities all highlight that the situation needs urgent attention, which will require co-operation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.

<https://www.nao.org.uk/report/timeliness-of-local-auditor-reporting-on-local-government-in-england-2020/?slide=1>

NATIONAL PUBLICATIONS

National Audit Office

10. NAO Report – public service pensions, March 2021

As an employer, the government provides public service employees with access to occupational pension schemes. As at 31 March 2020, there were more than 8 million members of four of the largest public service pension schemes (the armed forces, civil service, NHS and teachers' pension schemes), of which 2.8 million were retired and receiving pension benefits and 5.2 million were either current or former employees. Around 25% of pensioners and 16% of the working-age population are members of a public service pension scheme.

In general, public service pensions have become more expensive over time as the number of people receiving them has increased, owing to more members entering retirement and living longer. This trend applies across public and private pensions and is consistent with international experience. In 2010 the government established the Independent Public Service Pensions Commission, chaired by Lord Hutton (the Hutton Review) to undertake a fundamental structural review of public service pensions. Following the Hutton Review final report in March 2011, and a period of negotiations with trade unions representing public service employees, the government introduced reforms intended to manage the future costs of providing pensions.

Public service pensions are a notable benefit to public servants. HM Treasury focuses on the affordability of these pensions and who pays for them. The total costs of providing pensions have been increasing over time, reflecting increasing numbers of pensioners. The government's pension reforms over recent years have contained the rise in future taxpayer costs by making pensions less generous and by increasing contributions from employees. However, taxpayer funding has increased and it will take decades for the full effects of the 2011/2015 reforms to be seen in the government's affordability measure. The balance of taxpayer funding has shifted from central payments by HM Treasury to employer contributions by departments and organisations to ensure that employers bear the consequences of their employment decisions.

However, HM Treasury needs to monitor more than just affordability. Government's approach to protecting those nearest retirement has been ruled unlawful and will cost time and money to resolve. The government's reforms also take no account of pensions as a recruitment and retention tool, with pensions continuing to be relatively inflexible; the only real choice for most employees is to stay in the scheme or opt out altogether.

<https://www.nao.org.uk/report/public-service-pensions/>

NATIONAL PUBLICATIONS

National Audit Office

11. NAO Updated Guidance for Auditors, April 2021

In April 2021, the Comptroller and Auditor General (C&AG) approved and published updated auditor guidance:

Auditor Guidance Note 03 (AGN 03) - Auditors' Work on Value for Money Arrangements. This has been updated to enable auditors to give their opinion on the financial statements if they have not yet completed all their VFM arrangements work (where there is no material impact on the opinion), including the approach to reporting any further issues if necessary by exception when auditors issue their certificate. The AGN also introduced revised deadlines for the Auditor's Annual Report, which includes the new commentary on VFM arrangements, of up to 3 months after issuing the audit opinion.

Auditor Guidance Note 07 (AGN 07) – Auditor Reporting. This was updated to bring it into line with AGN 03 as above.

Supplementary Guidance Note 01 (SGN 01) - Going Concern – Auditors' responsibilities for local public bodies. The SGN focus is primarily on *Practice Note (PN) 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2020)*, setting an expectation that auditors will follow the approach it sets out. This recognises that going concern in the public sector context includes the concept of the 'continued provision of services' and the legislative basis for public services, which means that the circumstances that will give rise to a material uncertainty in going concern are relatively limited and rare, and would normally require legislative changes. This view is also reflected in the CIPFA Code, which recognises that the financial statements are prepared on a going concern basis.

The NAO guidance does, however, highlight the wider issue of financial sustainability and funding for public services. Management will still need to undertake a going concern assessment, and disclose an appropriate narrative within its financial statements in relation to the impact of the pandemic and pressures on funding, and disclose any potential material uncertainties should they exist.

All of the NAO auditor guidance is publicly available at this link: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

NATIONAL PUBLICATIONS

National Audit Office

12. NAO Report – *Initial learning from the government’s response to the COVID-19 pandemic, May 2021*

The NAO has recently published its *Initial learning from the government’s response to the COVID-19 pandemic* report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government’s response to COVID-19. The report finds that the COVID-19 pandemic has stress-tested the government’s ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people’s lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

This report draws out learning from the reports that we have published to date, as well as other work we have published that covered the COVID-19 pandemic. It sets out this learning across six themes:

- risk management;
- transparency and public trust;
- data and evidence;
- coordination and delivery models;
- supporting and protecting people; and
- financial and workforce pressures.

The NAO will continue to draw out learning from the government’s response to the pandemic from our future work.

The full report is available from the NAO website. <https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

Contact

Mazars

Director: Gavin Barker

Email: gavin.barker@mazars.co.uk

Senior Manager: Jim Dafter

Email: jim.dafter@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Updated Audit Strategy Memorandum

North of Tyne Combined Authority

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Members of the Cabinet
North of Tyne Combined Authority (NoTCA)
North Tyneside Council
Quadrant West
The Silverlink North, Cobalt Business Park
North Tyneside
NE27 0BY

21 June 2021

Dear Members

Updated Audit Strategy Memorandum – Year ending 31 March 2021

You will be aware that we presented our Audit Strategy Memorandum for the year ending 31 March 2021 to the Audit and Standards Committee on 20 April 2021. The purpose of this revised document is to update members on:

- revised timetable for auditing the financial statements (Page 10); and
- our position in relation to the approach for the audit of NoTCA group accounts (Pages 12 and 13).

Other minor updates and corrections have been made in this version, including a change in team leader on the audit (Page 7).

If you have any concerns or comments about this document or audit approach, please contact me on 07896 684 771.

Yours faithfully

Gavin Barker

Gavin Barker
Mazars LLP

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of the North of Tyne Combined Authority and the Group (the Group) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

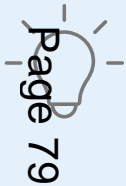
We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Cabinet, as those charged with governance, of their responsibilities.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Going concern

The Authority and Group are required to prepare their financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Authority and Group to prepare their accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence and conclude on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money

We are also responsible for reaching a conclusion on the arrangements that the Authority have in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Reporting to the NAO

We report to the NAO on the consistency of the Group's financial statements with its Whole of Government Accounts (WGA) submission.



Electors' rights

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 consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

Engagement and responsibilities summary

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Section 02:

Your audit engagement team

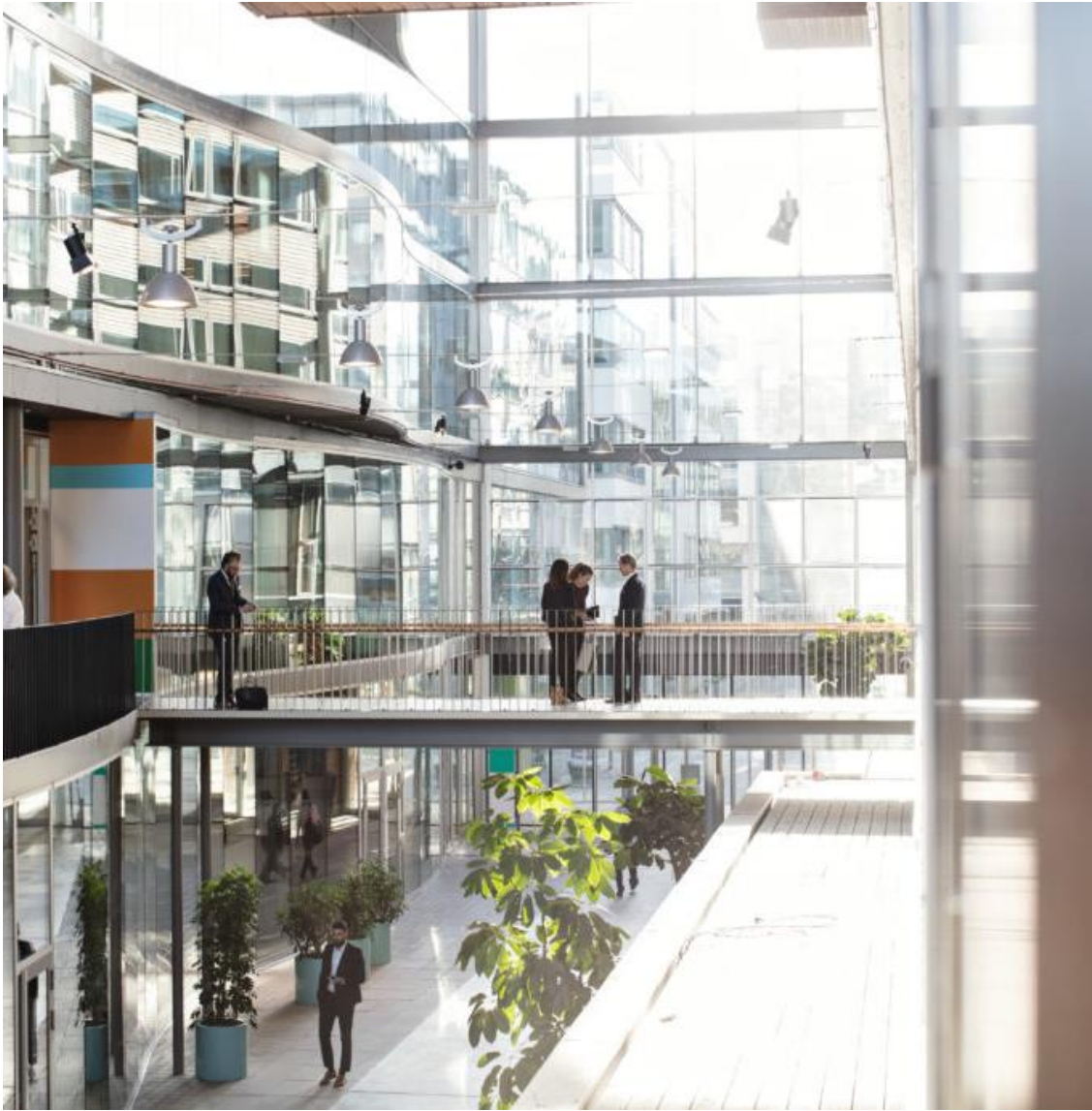
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2. Your audit engagement team

Your external audit service will be led by Gavin Barker.

Who	Role	Contact
Gavin Barker	Engagement lead	gavin.barkermazars.co.uk 07896 684 771
Jim Dafter	Engagement manager	jim.dafter@mazars.co.uk 0781 587 6042
Peter Hawkins	Engagement team leader	peter.hawkins@mazars.co.uk 0191 383 6341

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

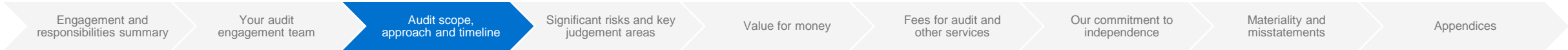
Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

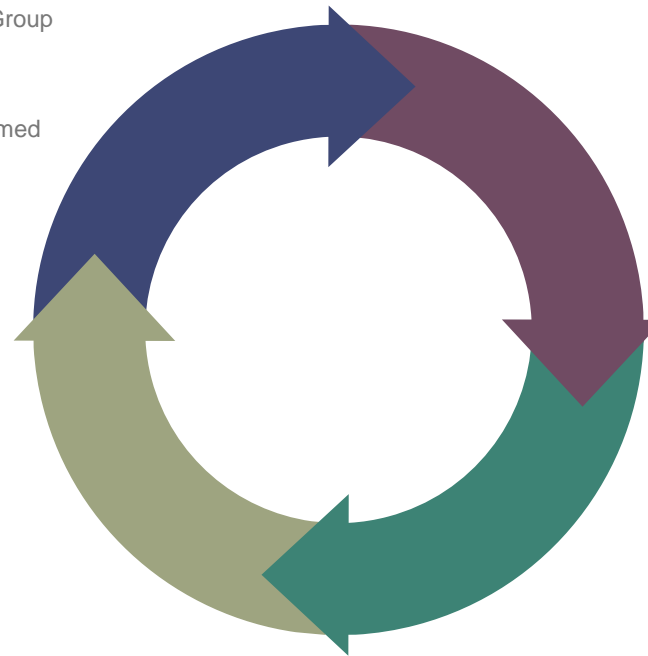
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Planning - January to March 2021

- Planning visit and developing our understanding of the Authority and Group
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion – November 2021

- Final review and disclosure checklist of financial statements
- Final Director review
- Agreeing content of letter of representation
- Reporting to the Cabinet
- Reviewing subsequent events
- Signing the auditor’s report

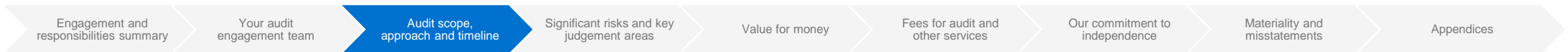


Interim – May to August 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork – October to November 2021

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

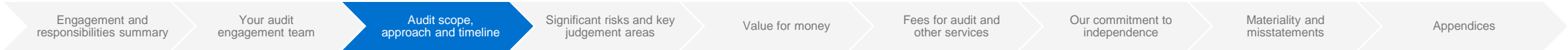
Management makes use of experts in specific areas when preparing the Authority and Group’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	NAO’s consulting actuary (PWC)
Fair values	Link Group	Not required

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority and Group that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

Items of account	Service organisation	Audit approach
All areas	North Tyneside Council	Review the Authority and Group’s controls over: <ul style="list-style-type: none"> The information provided to the service organisation; and The outputs provided by the service organisation to the Authority and Group.



3. Audit scope, approach and timeline

Group audit approach

We are responsible for the audit of the group consolidation. For the year ended 31 March 2021, the Group will be made up of the following components:

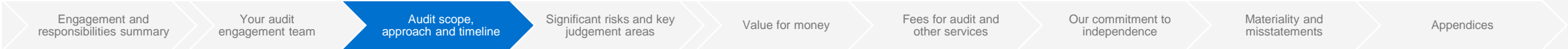
- North of Tyne Combined Authority (NoTCA);
- Nexus;
- North East Metro Operations Limited (NEMOL); and
- Beside Transport Services (TTS) Limited.

Gavin Barker will be responsible for ensuring appropriate audit procedures are performed to obtain assurance for the group and NECA.

An analysis of the group is shown below setting out :

- an overview of the type of work to be performed on the financial information of the components; and
- the percentage of the components of the group audited directly by Gavin Barker (Responsible Individual/Director for the Group), the percentage audited by Craig Maxwell (Mazars Responsible Individual/Partner for NEMOL).

NOTE - TTS Limited is not subject to separate audit, therefore the percentages on the next page exclude TTS Limited.



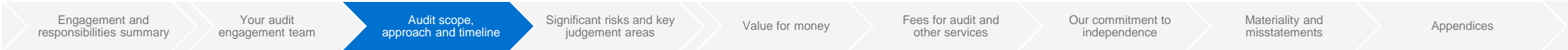
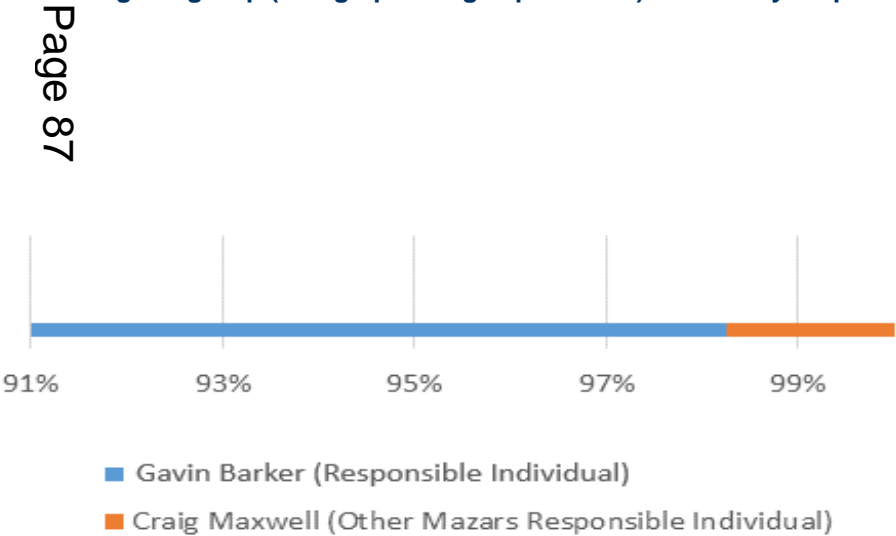
3. Audit scope, approach and timeline

Group audit approach

Planned approach by percentage of group (using operating expenditure)

Year	Full scope audit	Limited or specific review	Other audit procedures
2020/21 estimate	100%	0%	0%

Percentage of group (using operating expenditure) audited by responsible individual



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Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

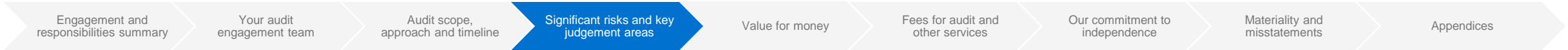
An enhanced risk is an area of higher assessed risk of material misstatement (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

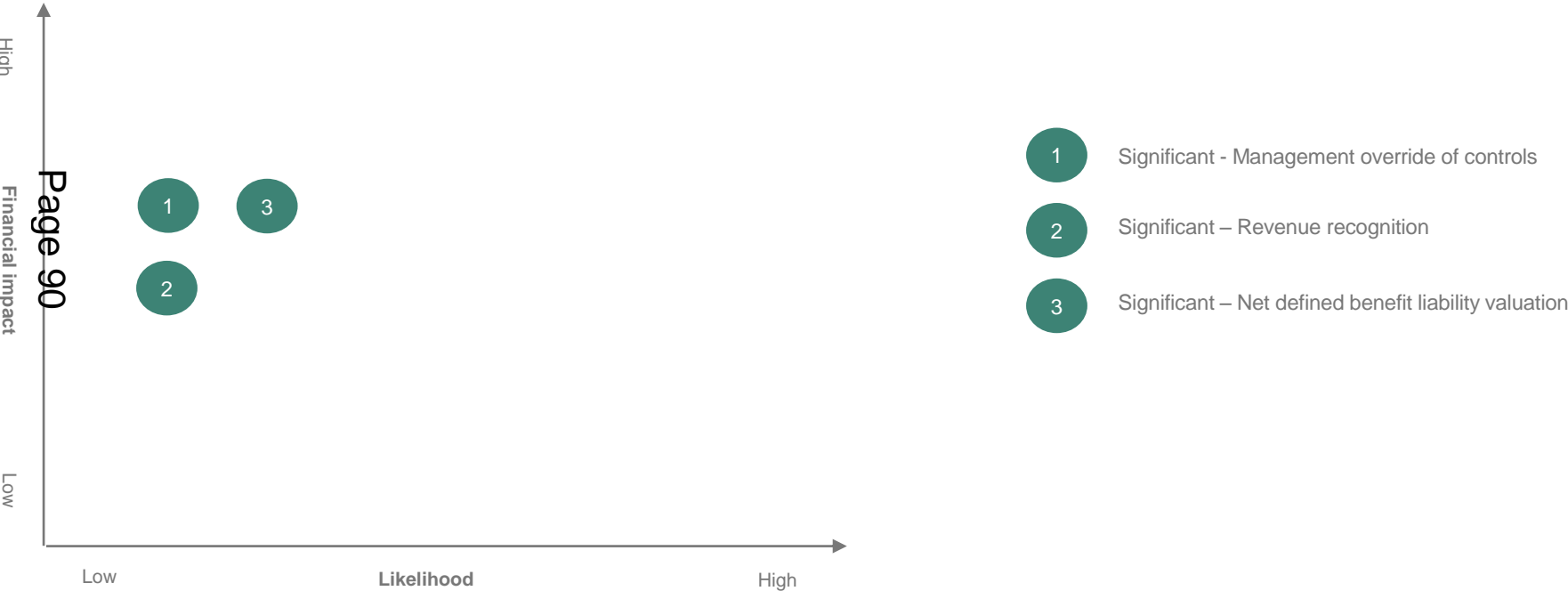
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4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



- 1 Significant - Management override of controls
- 2 Significant - Revenue recognition
- 3 Significant - Net defined benefit liability valuation

Key: ● Significant risk ● Enhanced risk / significant management judgement

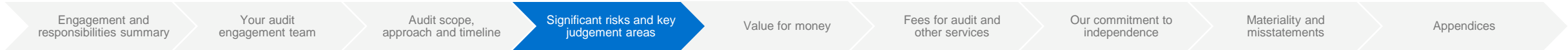
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Cabinet.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 91	<p>Management override of controls (single entity and group accounts)</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

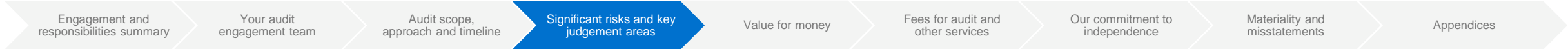


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts)</p> <p>Revenue recognition has been identified as a significant risk due to:</p> <ul style="list-style-type: none"> • cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and • grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met. 	●	●	●	<p>We plan to address the revenue recognition risk through performing audit work over:</p> <ul style="list-style-type: none"> • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • cash receipts around the year end to ensure they have been recognised in the right year; • the judgements made by management in determining when grant income is recognised; • for Tyne Tunnel toll income, perform a substantive analytical review; and • for major grant income, obtaining counterparty confirmation.

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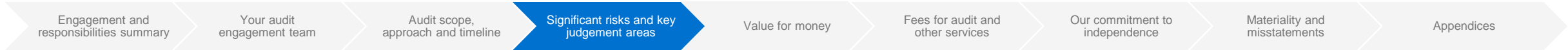


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Defined benefit liability valuation (single entity and group accounts)</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address the defined benefit liability valuation risk through performing audit work over</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and • consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. <p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements.</p>

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05

Section 05: **Value for Money**

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5. Value for Money

The framework for Value for Money work

We are required to form a view as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Authority has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Authority's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

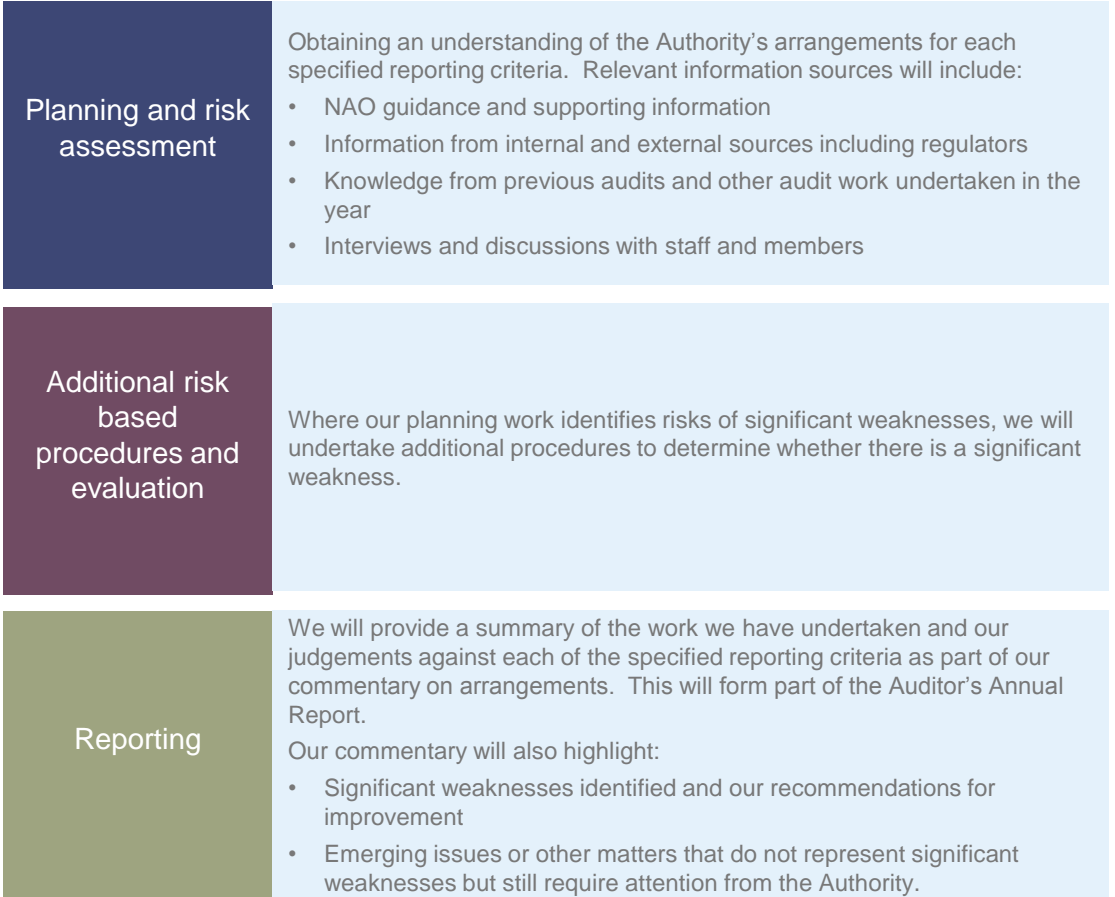
Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



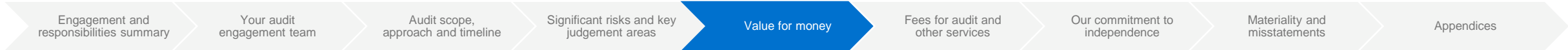
5. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Group's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to the Cabinet at a later date.

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Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Group's appointed auditor

At this stage of the audit, we are planning the following adjustments to the scale fees set by PSAA, subject to PSAA approval.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Code Audit Work; PSAA scale fee	£27,500	£27,500
Fee increases agreed with Management.	TBC	£8,000
Total audit fees *	£27,500 *	£35,500

* The revised Code of Audit Practice is likely to lead to additional audit work to support the new value for money conclusion and the changes in reporting requirements. It is currently unclear exactly what impact this will have on the work required and fees. We have consequently not reflected any impact in the proposed fee. We will update The Cabinet as the position is clarified.

Also, there are additional regulatory pressures for auditors to undertake more work than originally reflected in PSAA scale fees. We will discuss this with management as the audit progresses.

All fees shown above are subject to VAT.

Fees for non-PSAA work

There is no 2020/21 non-audit fee work planned at this stage. Before agreeing to carry out any additional work, we would consider whether there were any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Services provided to other entities within the Group

The group consists of the NTCA, Nexus, NEMOL and TTS. We are responsible for the direction, supervision and performance of the group audit.

We are also the external auditor for Nexus and NEMOL. We do not carry out the external audit of TTS as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies.

Engagement and responsibilities summary

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Section 07:

Our commitment to independence

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7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

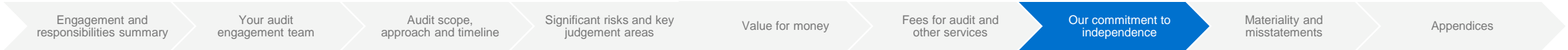
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Gavin Barker in the first instance.

Prior to the provision of any non-audit services Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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Section 08:

Materiality and other misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold NTCA £'000s	Initial threshold Group £'000s
Overall materiality	£5,081	£9,787
Performance materiality	£3,810	£7,341
Specific materiality		
- Senior manager remuneration	£5	£5
Trivial threshold for errors to be reported to the Cabinet	£152	£294

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

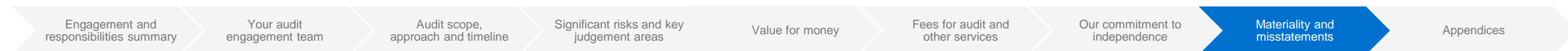
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of total assets. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Cabinet.

We consider that total assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of total assets. Based on total assets we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £5.081m (NTCA) and £9.787m (Group).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

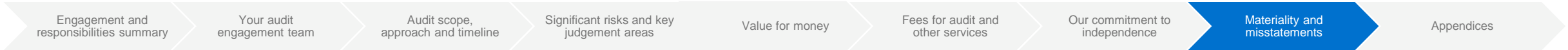
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Cabinet that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £152,000 (NTCA) and £294,000 (Group) based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Gavin Barker.

Reporting to the Cabinet

The following three types of audit differences will be presented to the Cabinet:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

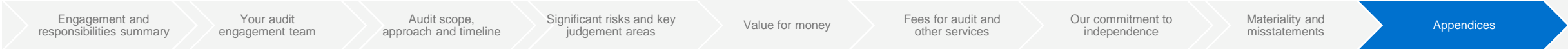
Materiality and misstatements

Appendices

Appendix: Key communication points

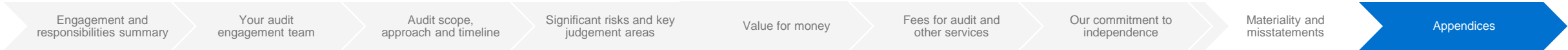
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Cabinet to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Cabinet Audit Planning and Clearance meetings



Appendix: Key communication points

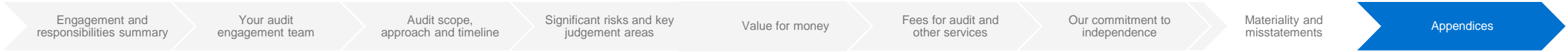
Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Cabinet in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Cabinet into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Cabinet may be aware of.	Audit Completion Report and Cabinet meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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Gavin Barker, Director – Public Services

gavin.barker@mazars.co.uk

Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars’ integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Subject: North of Tyne Combined Authority Draft Statement of Accounts for year ended 2020/21

Report of: Chief Finance Officer

Report Summary

The purpose of this report is to present Audit and Standards with the North of Tyne Combined Authority (NTCA) draft Statement of Accounts for the year ended 31 March 2021.

Recommendations

The Audit and Standards Committee is recommended to consider the NTCA draft Statement of Accounts for the year ended 31 March 2021.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Accounts and Audit Regulations 2020/21, which took effect from the 31 March 2021, extended the statutory requirement for the completion and publication for the draft Statement of Accounts from the 31 May to 31 July. With the audited accounts to be published from 31 July to 30 September. In line with these regulations the North of Tyne Combined Authority are presenting the draft Statement of Accounts for year ended 31 March 2021 to Audit and Standards Committee prior to publication on the Combined Authority's website and prior to external audit.
- 1.2 The NTCA Statement of Accounts sets out the financial performance of the Authority for the year ended 31 March 2021 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.3 The Statement of Accounts includes:
- Narrative Report.
 - Single Entity Accounts including the North East Local Enterprise Partnership and Invest North East England balances; and
 - Group Accounts consolidating the accounts of the Nexus Group within the NTCA Single Entity Accounts.
- 1.4 The NTCA Accounts reflect the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order), which established the North of Tyne Combined Authority (NTCA) on 2 November 2019. That order required the North East Combined Authority (NECA) and NTCA to appoint a Joint Transport Committee (JTC) through which the 2 combined authorities must exercise transport functions. The order also provided that the transport assets held by NECA should be held jointly with NTCA and managed through the JTC. The Constitution of the JTC is such that it meets the definition of Joint Control and is classified accordingly as a Joint Operation.
- 1.5 In order to comply with the requirements outlined above NECA as accountable body must split the revenue, expenditure, and assets and liabilities into those which relate to NTCA and NECA based on population.

- 1.6 The report from the external auditors, elsewhere on the agenda informs the Committee of the delay to the audit in the Statement of Accounts with a requirement for an extra ordinary Audit and Standards meeting in November before final sign off at Cabinet on 30 November 2021.
- 2. Potential Impact on Objectives**
- 2.1 The requirement for the audited accounts to be published by 30 September as per the Accounts and Audit Regulations 2020/21 will not be met.
- 3. Key Risks**
- 3.1 The draft Statement of Accounts have been subject to review from a quality assurance point of view and will be subject to external audit prior to the final Statement of Accounts being brought back to Audit and Standards Committee in November.
- 4. Financial and Other Resources Implications**
- 4.1 There are no financial or other resource implications arising from this report.
- 5. Legal Implications**
- 5.1 The Accounts and Audit Regulations 2020/21, which take effect from 31 March 2021, extend 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 1 August. This revised regulation will apply also to the 2021/22 accounts. The draft accounts will be published by 1 August in line with this Regulation, however, the audited accounts will not be published in line with 30 September deadline.
- 6. Equalities Implications**
- 6.1 There are no equality implications arising from this report.
- 7. Inclusive Economy Implications**
- 7.1 There are no inclusive economy implications arising from this report.
- 8. Climate Change Implications**
- 8.1 There are no climate change implications arising from this report.
- 9. Consultation and Engagement**
- 9.1 The draft Statement of Accounts will be subject to a period of public inspection prior to the final Audited Statement of Accounts being brought back to the November Audit and Standards Committee.
- 10. Appendices**
- Appendix 1 NTCA Draft Statement of Accounts 2020/21 (to follow)
- 11. Background Papers**
- None
- 12. Contact Officers**
- Janice Gillespie, Chief Finance Officer

13. Glossary

14. Sign-off

1) Head of Paid Service: Yes/No	2) Chief Finance Officer: Yes/No	3) Monitoring Officer: Yes/No
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